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# BULLETIN

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# General Information on Croatia

## Economic Indicators

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Area (square km)	56,538	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	19,906*	19,030	19,536*
GDP – annual changes <sup>a</sup> (in %, constant prices)	-8.0	5.9	6.8	5.9	6.8	2.5	-0.9*	2.9*	3.8*
GDP per capita <sup>a,b</sup> (in current USD)	2,349	3,137	4,029	4,422	4,398	4,805	4,399	4,153*	4,403*
Retail price inflation (in %, end of year)	1,149.7	-3.0	3.7	3.4	3.8	5.4	4.4	7.4	2.6
Population <sup>b</sup> (million, mid-year)	4.6	4.6	4.7	4.5	4.6	4.5	4.6	4.4	4.4
Exports of goods and services (as % of GDP) <sup>c</sup>	56.8	49.8	37.1	40.1	39.9	39.5	40.8*	47.0*	49.3*
Imports of goods and services (as % of GDP) <sup>c</sup>	52.9	47.4	48.7	49.7	56.6	48.7	49.2*	52.1*	54.7*
Current account balance (as % of GDP) <sup>c</sup>	5.8	4.9	-7.5	-4.8	-12.5	-6.7	-7.0*	-2.4*	-3.2*
Outstanding external debt (million USD, end of year)	2,638	3,020	3,809	5,308	7,452	9,586	9,872	11,002	11,189
Outstanding external debt (as % of GDP)	24.2	20.7	20.2	26.7	37.1	44.3	49.6*	59.7*	57.4*
Outstanding external debt <sup>c</sup> (as % of exports of goods and services)	42.6	41.6	54.6	66.6	92.9	112.2	121.6	127.0	116.5*
External debt service <sup>c,d</sup> (as % of exports of goods and services)	9.9	9.0	10.1	9.0	9.9	12.5	20.7*	23.0*	22.6*
Gross international reserves (million USD, end of year)	616	1,405	1,895	2,314	2,539	2,816	3,025	3,525	4,704
Gross international reserves <sup>c</sup> (in terms of months of imports of goods and services, end of year)	1.3	2.4	2.5	2.8	2.7	3.2	3.7	4.4	5.3
Exchange rate on 31 December (HRK : 1USD)	6.5619	5.6287	5.3161	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560
Average exchange rate (HRK : 1USD)	3.5774	5.9953	5.2300	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391

<sup>a</sup> Preliminary data for 2001.

<sup>b</sup> Data on population in 2000 and 2001 are reported according to the Results of the 2001 census.

<sup>c</sup> According to the CBS revised data on merchandise trade.

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

Sources: Central Bureau of Statistics and Croatian National Bank.

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# Quarterly Report

## Introduction

Preliminary data for the second quarter of 2002 indicate that real GDP grew 4.0% in the quarter, while growth in the first quarter has been revised downward from 4.6% to 4.3%. Growth in the second quarter was once again mainly driven by domestic demand, with personal consumption and investment continuing to advance. Unlike the previous quarter, however, in the second quarter foreign demand appears to have made a positive contribution, as merchandise exports grew at a roughly equal pace to merchandise imports, and services exports pushed the growth of net exports of goods and services into the black.

Personal consumption remains strong, growing noticeably faster than wages. Bank credit has supported consumption, but some questions remain about whether consumption can continue to grow so strongly if incomes do not rise more rapidly. Strong consumption in the second quarter can be seen in the large increase in imports of consumer durables, especially cars. Consumer durables imports grew some 25.9% year-on-year in the second quarter.

Strong growth in the physical volume of construction projects, capital goods imports and domestic capital goods production suggest continued investment growth. Highway construction activity was a significant component of investment growth in the second quarter. Government consumption continued to decrease in the second quarter, and the share of government consumption in GDP has now fallen from its high of 27% in 1999 to 22.9% in the first quarter of 2002.

Industrial production grew at a slower rate in the second quarter than in the first quarter, but speeded up somewhat in July and August. Three important industrial branches that are also significant exporters, the textile industry, metal products industry and shipbuilding industry, all showed slower growth in the second quarter. This suggests that slow growth in Croatia's main export markets is having an effect on industry. In cumulative terms, industrial productivity grew 7.0% year-on-year through July.

The labor market showed modest signs of improvement in the second quarter and the first two summer months. Registered unemployment decreased in each month of the second quarter and in July and August. Employment of the registered unemployed rose 19% in the first eight months of the year relative to the same period last year. Real wages grew a bit faster in the second quarter than in the first quarter, 3.9% compared to 1.5% year-on-year, but so far there are no signs of substantial wage pressure that would spill over onto prices.

In fact, increased economic activity has been accompanied by decreasing inflation. Retail price inflation was as low as 2.2% year-on-year at the end of June, and fell further to 1.2% in August, as prices of agricultural products and processed food products both fell and gasoline and petroleum product inflation moderated. The decrease in inflation in Croatia is similar to developments in most neighboring transition countries, where inflation has fallen substantially in recent months.<sup>1</sup> Going forward, higher inflation can be expected due to increases in electricity and natural gas prices, as

well as higher oil prices on the world market resulting from political tensions in the Middle East. Still, since inflation is currently so low, wage growth contained and demand pressures muted, such increases in inflation are not likely to endanger the Croatian National Bank's goal of maintaining inflation below 4% in 2002.

Another important factor aiding price stability has been exchange rate stability. In contrast to the summer of 2001, the summer of 2002 saw few pressures on the foreign exchange market. This year, the central bank's activity was concentrated in the second quarter, during which it carried out net interventions of EUR 342.2m, while in the third quarter, intervention amounted to only EUR 47.2m. The kuna appreciated 1.11% against the euro in nominal terms in the second quarter, and a scant 0.07% in the third quarter (as of 24 September).

However, it must be noted that the sharp decline of the dollar (depreciation of 13.36% against the kuna in the second quarter) had an impact on the trade weighted real exchange rate of the kuna. Although the dollar was more stable during the summer months, the real effective exchange rate of the kuna appreciated 3.61% (deflated by the retail price index) and 3.84% (deflated by the producer price index) during the first seven months of the year.

With its purchases of foreign exchange in the second quarter, the Croatian National Bank added substantially to the money supply. Banks' demand for liquidity was exceptionally high during the quarter, as the inauguration of the new payments system led banks to hold unusually high balances in their settlement accounts at the Croatian National Bank as a precaution. Banks decreased these balances over the summer months as the functioning of the payments system normalized.

At the same time, banks have been pursuing a policy of rapid credit growth. At the end of August, total loans were 24.2% higher than at the same time last year. Declining interest rates have helped banks sell more loans. In the first half of the year, banks financed this credit expansion by decreasing their foreign assets, converting foreign currency into kuna. In this way, the large increase in NFA seen at the end of last year due to the massive deposit inflows of the euro conversion was mainly turned into domestic credit. In the summer months, credit growth continued, and banks more frequently turned to foreign loans to finance it. NFA began to stabilize, however, as foreign exchange deposits began to grow more forcefully in July and August after decreases earlier in the year.

Deposit money of both households and enterprises grew strongly. The 52.1% year-on-year growth of enterprise deposit money as of end-August suggests that enterprise liquidity has improved.

The current account deficit in the second quarter amounted to USD 638m, USD 150m less than in the second quarter last year. However, last year's deficit was inflated by car purchases in advance of the ending of special tariff waiv-

<sup>1</sup> For example, in Poland inflation fell from 5.5% at the end of 2001 to a mere 1.3% in July 2002, in Hungary from 9.2% to 4.6%, and in the Czech Republic from 4.7% to 0.6% in the same period according to the BIS.

ers for war veterans. The deficit on goods and services was up 11% in the first half of this year compared to the same period last year. So far, there are few signs that the new free trade agreements have had positive effects on Croatian merchandise exports. Service exports, however, are likely to improve, as there are indications of an extension of the tourist season, and of better revenues per tourist.

Croatia's external debt grew to USD 13.3bn at the end of July, an 18.6% increase during the year. However, USD 0.9bn of this increase relates to the negative cross-currency developments. The fastest growing component of the external debt has been bank borrowing, used mainly to finance new loans. Government borrowing has grown 14.2% during the first seven months of the year.

The Government deficit, measured by a broad definition including consolidated central government and the state agencies Croatian Roads and Croatian Highways (CR and CH), increased by 5.2% in the first half of the year. The off-budget Regional Development Fund and the Development and Employment Fund have had balanced budgets, and thus have not contributed to the deficit. The central government domestic debt grew HRK 2.4bn, to HRK 68.8bn in the first half of the year.

In the area of government finance, two elements were especially noteworthy. First, the Government is now able to borrow at very low interest rates on the domestic markets. Short-term T-bills are now carrying interest rates of approximately 2%. Second, the palette of available securities has increased. In May, the government issued the first "pension fund" bonds, 10-year euro-denominated bonds with an interest rate of 6.875%. And in mid-September, the Ministry of Finance for the first time issued 364 day T-bills. These bills went for an interest rate of only 4.9%, providing the Government with relatively cheap funds and the market with the longest-term risk-free kuna security yet available in Croatia. While many further steps are needed to enrich the supply of securities and deepen the capital markets, these are important steps forward.

## Demand

According to the quarterly GDP estimate recently released by the CBS, based on original data, real GDP grew by 4.1% in the first half of 2002. This rate of growth partly resulted from the adjustments of the quarterly GDP estimate, made following the release of the final data on the annual GDP growth in 2000. Following the first revision of real growth in 1999, this is the second time that the rate of growth shown by the annual estimate was adjusted downward compared with the rate shown by the quarterly estimate. In order for the quarterly estimate to remain consistent, quarterly data series were adjusted to the final annual data and estimates for the following quarters were revised. These released revised data thus suggest that GDP grew by 4.3% in the first quarter of 2002 (as opposed to 4.6% according to the first estimate), while in the second quarter its real growth was 4.0%. Seasonally adjusted data show that the economy grew at a rate of 4.0% for the

Figure 1

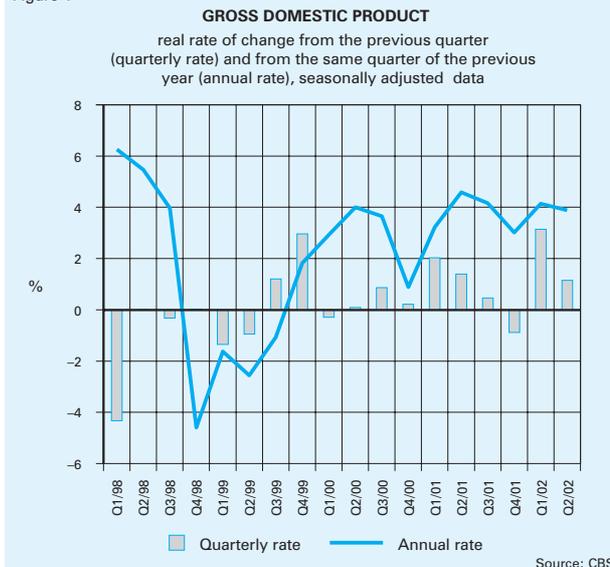
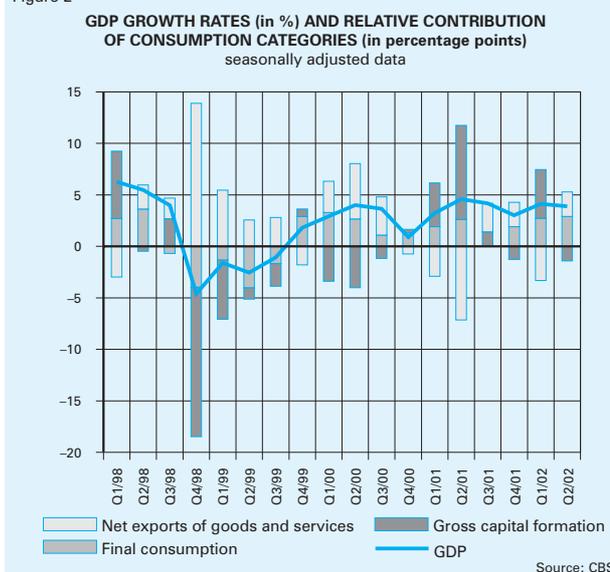


Figure 2



year in the first half of 2002, while its quarterly growth was more substantial and amounted to 3.1% in the first quarter compared with the previous quarter.

Domestic demand was the major contributor to GDP growth in the first half of 2002. Regarding its components, both final consumption and gross capital formation grew in the first quarter, while gross capital formation made a negative contribution to GDP growth in the second quarter, owing to negative trends in inventories (statistical discrepancy included). Continuing an upward trend from the previous year, gross fixed capital formation rose the most in real terms in the first half of 2002. Of all the domestic consumption categories, growing personal consumption made the largest contribution to economic growth, as it accounts for two thirds of GDP. Owing to the opposing trends recorded in the first two quarters of 2002, the contribution of net foreign demand to GDP in the first part of the year was moderately negative, -0.4 percentage points.

## Foreign Demand

The first quarter of 2002 was marked by a rapid increase in goods and services imports and stagnating exports. In that quarter net foreign demand negatively contributed to the 4,1% GDP growth rate by 3.3 percentage points compared with the same period in the previous year. Along with a moderate rise in imports, exports of goods and services increased by 8.3% in the second quarter in comparison with the same period last year. This rise made a positive contribution of 2.4 percentage points to the 3.9% GDP growth in relation with the same period last year.

Extremely negative trends, reflected in declining exports and increasing imports, characterized merchandise trade in the first quarter. Owing to a limited effect of service account in the first quarter, the surplus generated by service trade could not significantly reduce the negative impact of net foreign relations on overall demand. Parallel with the growth of imports, goods exports rose in the second quarter. Net exports were strongly influenced by the substantial growth of income from services in the second quarter in comparison with the same quarter last year and by their more satisfactory performance in the second quarter compared with the previous one. Total goods and services exports grew at a faster rate than imports, which resulted in a positive contribution of net foreign demand to GDP growth in the second quarter.

According to recently released Eurostat data, growth in fifteen EU member states was 0.4% and 0.7% respectively in the first and second quarters of 2002 compared with the same periods last year. In comparison, developments in EMU member states were slightly less favorable; growth in these quarters was 0.1 percentage point lower. The analysis of the sources of growth in EMU<sup>2</sup> member states in the first quarter shows that, while personal consumption stagnated, growth was spurred by the positive contribution of net foreign demand. European exports to the markets that did not experience a slowdown in consumption rose concurrently with the decrease in domestic demand and the decline in imports.

Figure 3

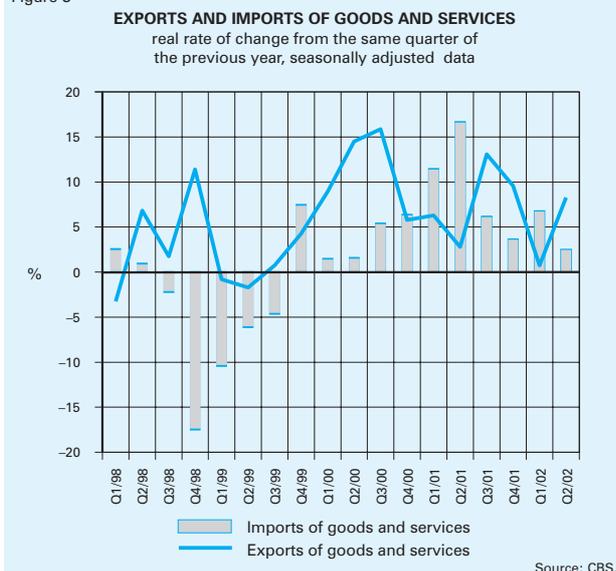
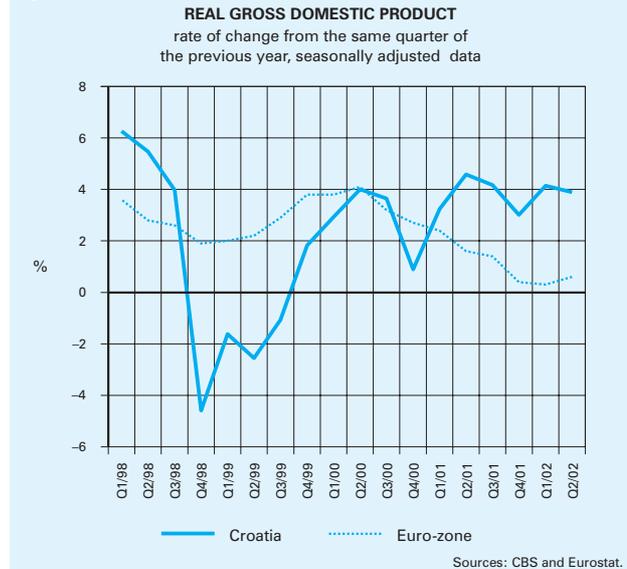


Figure 4



This offset the negative impact of declining personal consumption and gross capital formation on domestic demand trends. However, personal consumption increased in the second quarter affecting the growth of imports. The restrained economic growth in the EU influenced Croatian goods exports. Exports to EMU member states, which make up a half of the Croatian export markets, rose by a slight 3.5% (expressed in American dollars) in the first half of 2002 in relation to the same period last year. Nevertheless, while the decrease in personal consumption and imports in European countries in the first quarter adversely influenced Croatian exports, more favorable developments in the second quarter led to their 8.8% rise (expressed in American dollars).

Results of the latest survey conducted among entrepreneurs in the euro-zone do not suggest a stronger production growth in the remaining part of 2002, while personal consumption trends remain undefined. Although the European Central Bank has forecast a moderate economic growth in the EMU member states in the second half of 2002, a strong recovery is not to be expected this year.

## Domestic Demand

Domestic component of aggregate demand rose considerably in the first half of 2002. Domestic demand contributed to the 4.0% GDP growth rate by 4.5 percentage points, making a stronger impact in the first quarter. Final consumption, comprising personal and government consumption, increased by 3.2% and 3.5% in the first and second quarters respectively compared with the same periods in the previous year, positively contributing to growth in both quarters. This is the result of the substantial growth of personal consumption, which significantly offset the decline in government consumption. In addition to personal consumption growth, the growth of gross fixed capital formation was also considerable and even stronger in relative terms. Trends in gross capital formation in the

2 ECB, *Monthly Bulletin*, September 2002.

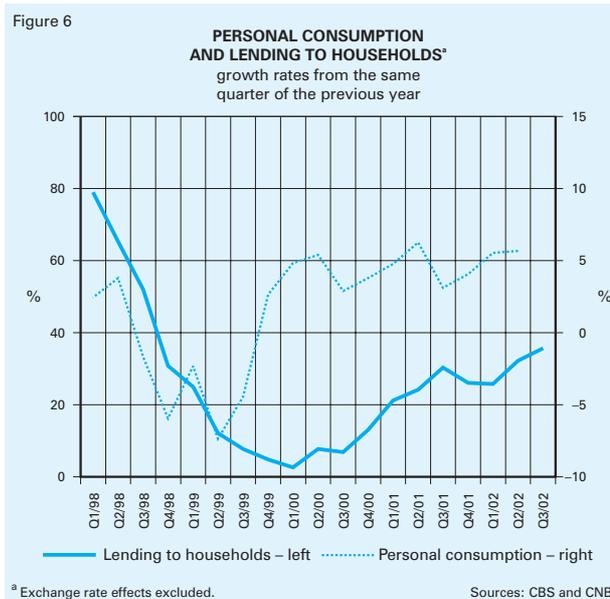
first quarter were determined by rising gross fixed capital formation and a positive change in inventories, which contributed to the GDP growth rate by 4.7 percentage points. In contrast, the decrease in gross capital formation in the second quarter resulted from a negative change in inventories. Physical indicators showing inventories' trends suggested their rise in the second quarter compared with the same quarter last year. However, on account of a statistical discrepancy included in the calculation of inventories, gross capital formation negatively contributed to GDP growth by 1.4 percentage points.

### Personal Consumption

Personal consumption rose at a high annual rate of 5.6% in the first half of 2002. It increased by 2.8% in the first quarter compared with the previous quarter and by 1.3% in the second quarter. This increase was mostly generated by the purchases of consumer goods. The analysis of imports' trends in the first half of 2002 shows that imports of durable consumer goods, mostly household appliances, furniture and motor vehicles, rose at the highest rate. Imports grew by 14.3% and 25.9% in the first and second quarters respectively (expressed in American dollars) in comparison with the same periods last year.

Personal consumption is constantly trending upwards in the context of stagnating sources of household funds. As data on the wage bill are no longer available, changes in average net real wages are currently the only available indicators of household income trends. Following the stagnation of net real wages at the last year's level in the first quarter, wages started to grow in the second quarter. In addition to nominal wages, real wages grew as well, by 2.7% in comparison with the same period last year. As the second important source of household income, government transfers to households (pensions, sickness benefits, and child benefits) rose by a slight 1.8% in real terms in comparison with the first half of last year.

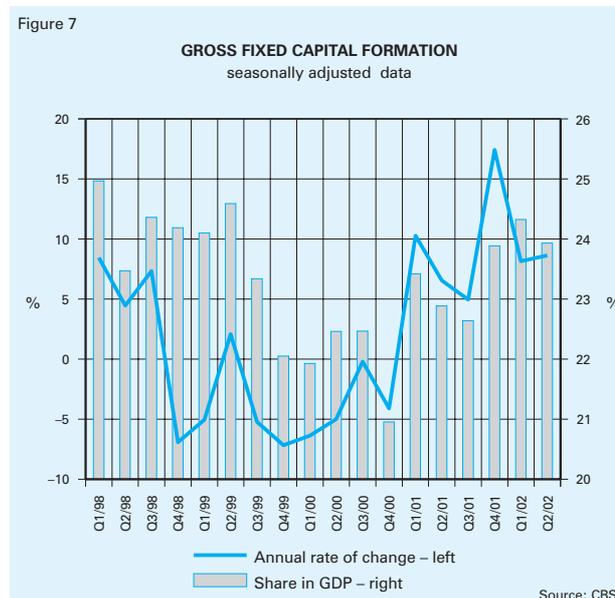
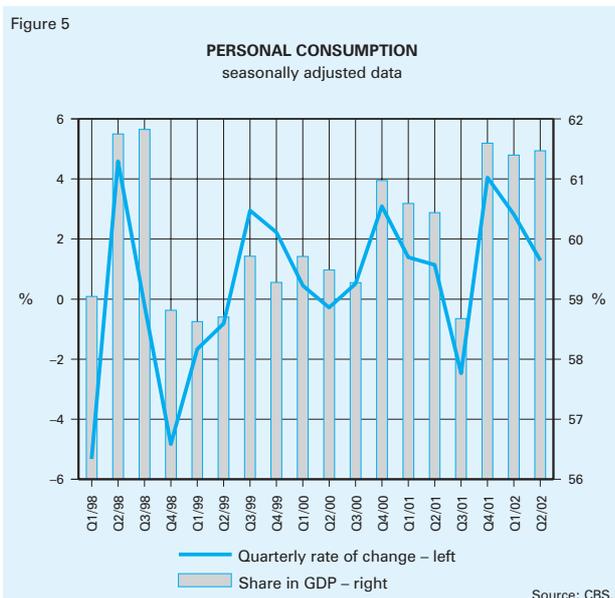
Owing to the stagnation of disposable income, booming



consumption is being financed by household borrowing from commercial banks. Household lending increased by 29.6% and 34.2% in the first and second quarters respectively in comparison with the same quarters last year. It should be noted that household lending has trended upwards since early 2000 and has, as shown in Figure 6, corresponded with growing personal consumption. Rather than by loans, the growth of personal consumption in late 1999 was stimulated by other sources of income and it can be attributed to the substantial wage increase in the government administration in the pre-election period.

### Investment Consumption

Gross fixed capital formation rose by 8.4% in the first half of 2002 compared with the same period last year and it was the most substantial rise of an expenditure category included in the GDP estimate. Gross fixed capital formation increased



## Box 1: Revision of the Gross Domestic Product Quarterly Estimate

At the end of each quarter, the Central Bureau of Statistics releases its quarterly GDP estimate related to the previous period. The GDP estimate is made according to the production and expenditure method, at current and constant prices. The quarterly estimate is made on the basis of the indicators of either monthly or quarterly frequency, available before the release date (the last Friday in the quarter for the previous quarter). The quarterly estimate is based on the same principles as the annual estimate. However, being less reliable owing to the incompleteness of data and their narrower scope, it only provides an indication of GDP trends. The annual GDP estimate includes additional data, available only annually (e.g. entrepreneurs' annual financial statements), and therefore enables a more accurate assessment of economic developments and the GDP level. The quarterly estimate is essential for a prompt and frequent release of GDP data, while the annual estimate provides more reliable data, but with a time lag which is sometimes longer than a year.

The quarterly GDP estimates are regularly revised owing to the incompleteness of their data. The revisions of the GDP estimates are made for different reasons, but with the same aim: to adjust the data to actual developments and provide accurate information. Although frequent revisions can give rise to suspicion regarding the credibility of data, these adjustments are necessary as they provide a more reliable information on economic developments. Postponing a revision may widen the discrepancy between the GDP estimates, especially if these estimates are not subject to a series of successive revisions resulting in either a "downward" or an "upward" adjustment. Timely revisions are therefore necessary as they prevent the occurrence of major problems.

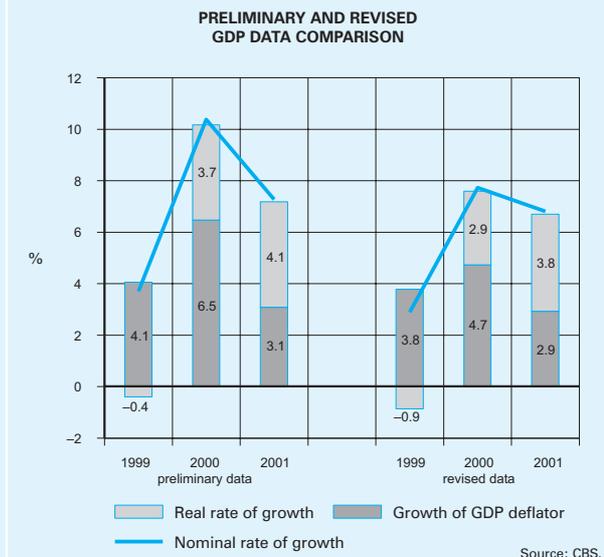
The first revisions are in most cases made soon after the release of the quarterly GDP estimate, which is only indicative, owing to a lower quality of available information. This is the practice followed by Eurostat,<sup>3</sup> which releases the first estimates of GDP trends within less than three months from the end of the relative quarter. The revision is made on the basis of an additional series of short-term indicators available at a later date, which can modify the already released data. The revision of a different kind is based on the final annual GDP estimate. As this estimate is more reliable than the quarterly estimate, the data series comprised by the quarterly GDP estimate needs to be adjusted to the final annual data.

The recently released GDP revision is based on the final annual data for 1999 and 2000. It proves that the time lag in releasing the final annual GDP data and their adjustment to the data comprised by the quarterly estimate leads to the multiplication of errors in the GDP

estimate available to the public. The final GDP estimate for 1999 reduced the real rate of growth from -0.4% to -0.9%, while the adjustment to the quarterly data has not yet been made. The unaltered GDP estimate for 1999 thus overestimated the real values, influencing the chain indices of growth in the following year.

The final GDP estimate for 2000 showed that total consumption in that year was considerably lower than that shown by the quarterly estimate. A lower GDP value at current prices resulted in a decrease in real GDP growth rates in 2000 (from 3.7% shown by the quarterly estimate to the final 2.9%), while different methods applied in the calculation of GDP deflators resulted in their modification (the rate of growth of deflators was reduced by 1.8 percentage points). Within the final annual GDP estimate for 1999 and 2000, the revision was made in the same direction, i.e. "downwards", by reducing the nominal value of GDP, which directly affected the rates of growth, so that the previously released quarterly estimate for the following periods contained accumulated errors in assessment. The adjustments of the quarterly GDP estimate to the final annual estimate for 1999 and 2000 was released in order for these errors to be corrected and the comparability and accuracy of data ensured. The adjustment process changed the time series of the quarterly GDP estimates for the period from the beginning of 1997 to the first quarter of 2002, with significant differences occurring in the quarterly estimates for 2001 and the first quarter of 2002.

Figure 8



by 5.0% in the first quarter and remained at the same level in the second (disregarding the seasonal effect).

Investment consumption recovered last year, following a downward trend in gross fixed capital formation in the previous two years. The growth of gross fixed capital formation in 2001 was primarily brought about by investments in capital equipment (domestic production of machinery and equipment increased by 17.8% and exports rose by 28.3%, expressed in American dollars) used for modernizing production processes. In 2002 however, it was mainly accounted for by the rise in investments in new gross fixed capital formation.

3 The institution in charge of prescribing the methodology, as well as the collection and release of the EU related statistical data.

In addition to the revival in residential construction, which is still below the levels reached in mid nineties, the growth of gross fixed capital formation was primarily attributed to investments in infrastructure. The index of total volume of construction projects rose by 12.2% in the first half of the year compared with the same period last year, mainly on account of a growing share of road construction projects. Although long-term, these investments produce a lower return than investments in technologically advanced equipment and machinery, which increase productivity and spur production growth. Imports of capital equipment and its domestic production increased at lower rates in the first quarter of 2002 than in the same period last year. Domestic production of capital equipment fell in the second quarter, while imports

continued their positive trend. This proves that investments in capital equipment have lessened their impact on the growth of gross fixed capital formation. According to the Croatian Highways, the sharpest rise in the volume of road construction projects is expected in the third quarter. Accordingly, the rise in construction provides a strong basis for further investment consumption growth in the second half of the year.

### Government Consumption

The consolidation of government finances continued in early 2002 through the reduction of final consumption expenditures, which were 2.3% lower in the first quarter compared with the same quarter last year. Government consumption declined by 1.6% in the first quarter compared with the last quarter of 2001. It should be noted that the strong downward trend in consumption was somewhat restrained in that period, mainly due to the repayments of accumulated debts and increased disbursements to employees (Christmas bonuses). Government final consumption expenditures continued their downward trend in the second quarter this year, falling by 1.6% in comparison with the previous quarter. Trends in government consumption in the remaining part of the year will depend on the implementation of reforms, primarily the restructuring within the Ministry of Defense and the wage policy, which are preconditions for further fiscal contraction.

The diminishing government share in GDP requires attention. Exceeding 27% in 1999, this share has declined to approximately 23%. On the one hand, declining government consumption could signify a lessening government influence on the economy. On the other hand, however, as part of government revenues generated from excises on motor fuels is transferred to the Croatian Highways and guarantees are issued as collateral for its loans, government contributes to GDP growth by spurring gross fixed capital formation.

## Output

Demand related preliminary indicators of economic developments in the first half of 2002 show a 4.0% rise in gross value added compared with the same period last year. The upward trends in construction and trade were the strongest, while gross value added in industry rose at a slower pace than total gross value added. Due to a large share of gross value added in industry in total gross value added (almost 30%), the performance of industry has the strongest impact on gross value added trends.

### Industry

Gross value added in industry rose by 1.2% and 2.8% in the first and second quarters respectively compared with the same quarters last year. As concerns its successive quarterly changes, gross value added grew by 1.6% in the first quarter and remained at the same level in the second. Given that gross value added rose at such low rates in the first half of 2002, it is unlikely that its growth in 2002 will exceed that from the previous year.

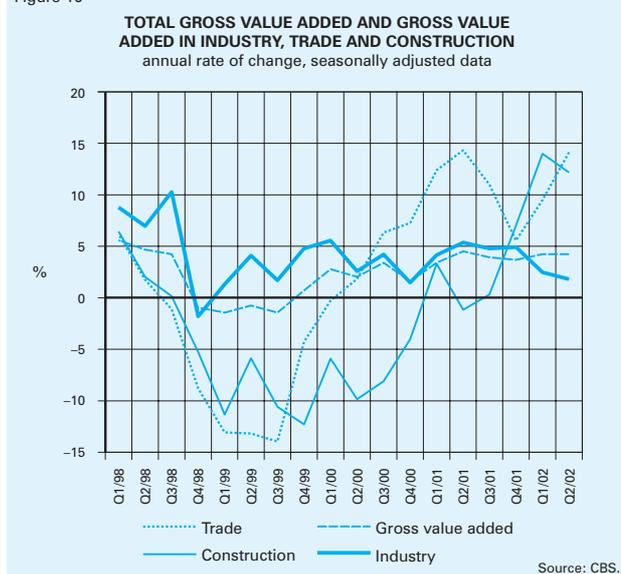
As suggested by its total volume indices, industrial production was up 2.5% in the first quarter and 2.4% in the second quarter of 2002 compared with the corresponding quarters last year. These low rates resulted from a slowdown in the growth of manufacturing, while the other two industrial sections, mining and energy supply, recorded reverse trends. However, industrial production grew at the annual rates of 6.6% and 3.8% in July and August respectively, indicating better results. Having trended downwards in May and June production increased substantially in July, due to improved manufacturing results. Energy supply, trending downwards in early 2002, started rising at the end of the first half of the year.

Industrial production underperformed in 2002 owing to a decline in production in several manufacturing divisions whose performance had previously been strong. Some of

Figure 9



Figure 10



these divisions, i.e. the manufacture of textiles, the manufacture of basic metals, and shipbuilding also account for the major part of Croatian exports. In the manufacture of wearing apparel and in the tanning and processing of leather production fell by more than 10% in the first eight months in 2002 in comparison with the same period last year, while it slightly rose in the manufacture of textiles. Production in the manufacture of basic metals (crude steel) was on the decline, while it increased in the manufacture of fabricated metal products (metal structures, tanks), which also recorded a rise in exports. The increase in ship exports, evident from the growth of exports in the manufacture of other transport equipment, should be treated with caution, since domestic production in this division rose only by 4.5% in the first half of the year and trended downwards in July and August. The reversal of industrial trends was the most obvious in the manufacture of tobacco products. In this division production increased by 11.8% in 2001 to decrease by 11.2% in the first eight months of 2002. Strong measures taken by the government to combat the so-called gray market resulted in a slowdown in the growth of cigarette exports compared with the previous year, which, in turn, brought about a decline in domestic production. However, it should be noted that this decline was the result of a substantial decrease in the manufacture of fermented tobacco, whereas the decline in cigarette manufacturing was less marked (cigarette sticks produced in the first seven months were 3% lower in number compared with the same period last year).

Production growth in most of the major manufacturing divisions suggests positive developments in manufacturing. The following divisions contributed the most to the rise in manufacturing: the manufacture of food and beverages (with a sharp upturn in the manufacture of food products and a drop in the manufacture of beverages), publishing and printing (with printing rising at higher rates), the manufacture of other non-metallic products and the manufacture of machinery and equipment. In addition, positive trends and an above-average production growth can be observed in several smaller divisions,

e.g. the manufacture of rubber products, the manufacture of electrical machinery and apparatus, recycling and the manufacture of metal products.

The 5.3% share in overall industry makes mining and quarrying the smallest industrial section. Nevertheless, it is also the most dynamic one, as it has continuously trended upwards since early 2002, increasing by 17.7% in the first eight months compared with the same period last year. The upward trend was mostly the result of the cumulative growth in other mining and quarrying which was in August half as large as that recorded in the same period last year. The rise in quarries' output was brought about by the increase in the quarrying of stone and stone slabs required for road construction and other construction projects.

Having underperformed in the first half of the year, electricity, gas, and water supply rose at a cumulative annual rate of 1.2% in August. Unfavorable hydrographic conditions early in the year resulted in a decrease in supply in the first four months and a concurrent increase in electricity imports. Domestic electricity supply started rising in May, due to improved weather conditions, while the growth of electricity imports slowed. These trends continued until August.

Changes in the industrial production volume are accompanied by restructuring processes, primarily manifest in reduced employment. The impact of these trends is evident from changes in labor productivity over a certain period. This indicator, showing the relation between changes in the industrial production volume and the number of employed, shows labor productivity gains, where productivity growth implies higher production volumes achieved by fewer employees. At the aggregate level of overall industry, labor productivity rose by 7.0% in the first seven months of 2002 compared with the same period last year. The figure showing trends in labor productivity suggests that it has been influenced by changes in the industrial production volume, rather than by employment, which has in recent years trended downwards at a relatively steady rate of about 3.5% for the year. As regards divisions, the strongest labor productivity growth can be observed in the divisions recording a strong production volume growth, while in some divisions where production volumes decreased or held steady, labor productivity increased on account of a large decrease in the number of employed (e.g. the manufacture of textiles, the manufacture of chemicals and chemical products, and the manufacture of motor vehicles).

## Trade

Trade has grown at substantial rates over three consecutive years. The opening of the domestic market to foreign chains of stores in 1999 boosted all the segments of trade, especially retail and wholesale trade. In consequence, the concentration of trade has intensified and domestic trade has expanded. The entry of foreign chains of stores in the domestic market and the opening of supermarkets and hypermarkets resulted in an improved service quality and reduced prices. Shopping abroad has declined on account of a growing domestic trade, while the turnover of the formal trade sector has also risen, following government measures aimed at combat-

Figure 11

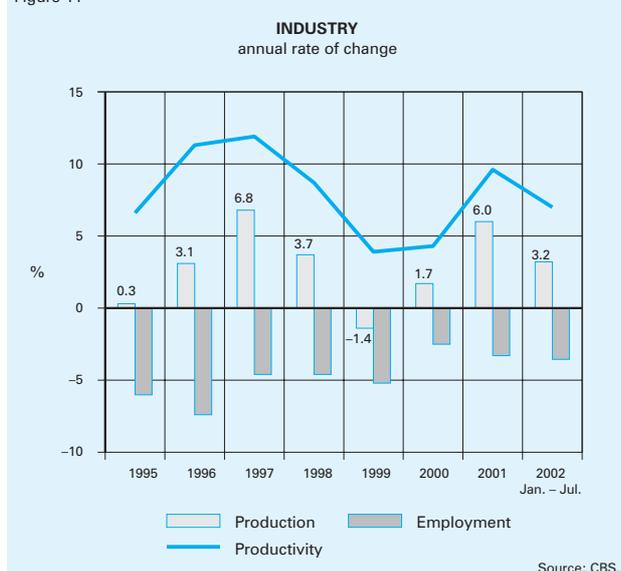


Figure 12

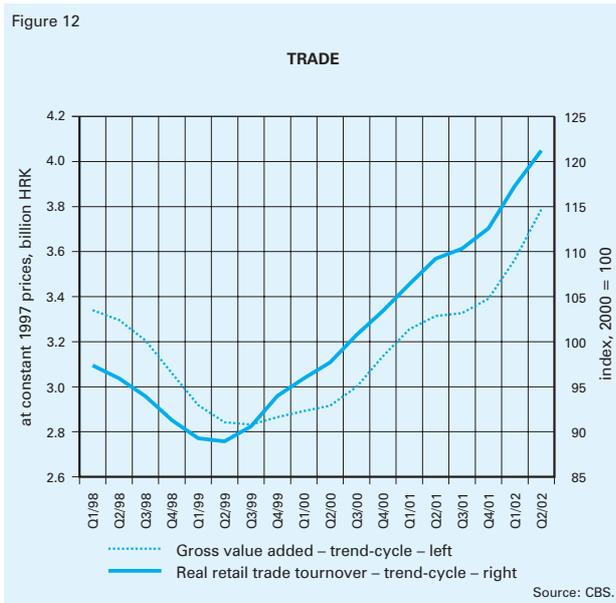


Figure 13



ing the so-called gray market. The majority of the Croatian population gravitates towards the large Zagreb area and most chains of stores had started operating there. They subsequently spread all over Croatia, additionally boosting sales. These developments have also been affected by the further liberalization of the domestic market, brought about by the recently signed bilateral free trade agreements which, as of January 2002, provided for liberal goods imports. The abolishment and reduction of customs duties paid on a large number of products generated a real increase in disposable household income and, in turn, increased spending power.

As the result of the upsurge in trade turnover, the share of gross value added in trade in total gross value added came up from 11.1% in 1999 to 12.0% in 2001. In the first half of 2002, real retail trade turnover rose at an approximate monthly rate of 10% compared with the corresponding months in the previous year. However, in July it unexpectedly rose at an exceptionally high rate of 19.5% for the year. This could be accounted for by growing sales of motor vehicles, where turnover rose at the highest monthly rate, 24.1% in nominal terms. In addition to the mentioned growth in car sales compared with the previous month, such a high annual rate of growth of retail trade turnover in could be explained by the effect of the base period (war veterans' car import privileges were repealed late in May last year, which resulted in declining motor vehicle sales and, consequently, lower retail trade turnover).

### Construction

Construction was the only activity whose gross value added grew at a negative rate in 2000. It also grew at one of the lowest rates in 2001. The recovery in construction started in the second half of 2001 while stronger effects were produced in 2002. Gross value added in construction thus rose by 14.2% and 12.3% respectively in the first and second quarters of 2002 compared with the same periods last year.

In 2002, as an indicator of construction trends, total vol-

ume index of construction projects increased by 11.8% and 12.7% in the first and second quarters respectively compared with the same periods last year. The value of construction works done rose by 18.0% in the first quarter and 41.0% in the second compared with the same quarters in the previous year. Road construction generated more than a third of the total value of construction works. Significantly increasing in value in the first half of 2002, net construction project orders indicated further construction growth. As the result of this steep rise in both physical and financial indicators, gross value added in construction grew the most in the current year, exceeding the growth of gross value added in trade.

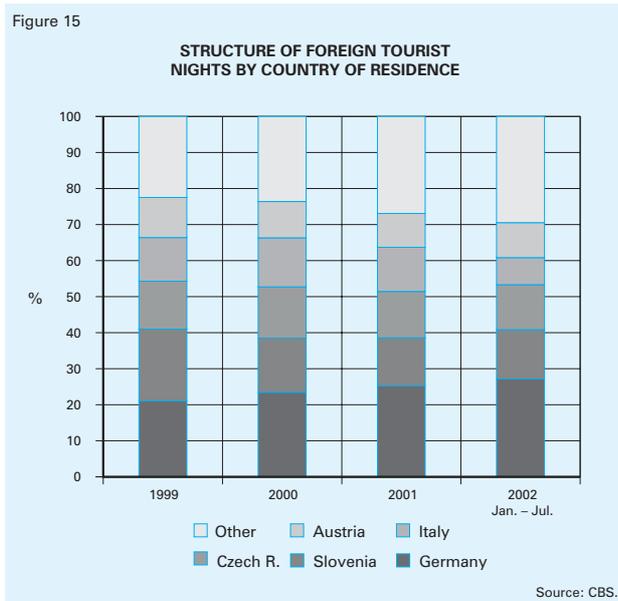
### Tourism

The analysis of trends in tourism in the first half of the year should take into account the fact that tourist nights stayed in that period accounted for only about a fifth of the total number

Figure 14



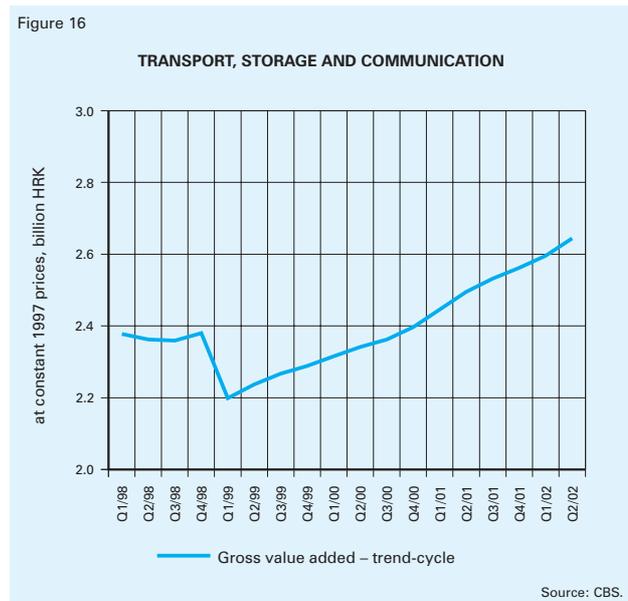
Figure 15



of tourist nights stayed over the whole year. In addition, this and last year's data cannot be directly compared owing to the impact of seasonal factors, including weather conditions and the fact that holidays did not fall on the same days this and last year. This year tourist arrivals and nights leapt in March and May, as the Catholic holidays, Easter and Corpus Christi, traditionally vacation periods in the neighboring countries, were not in the same months as last year. Total tourist nights grew at a cumulative rate of 9.5% in the first six months of 2002, which is an indication of a dynamic off-season. This was primarily the result of the increase in foreign tourist nights. In the mentioned period, foreign tourists accounted for 84.6% of total tourist nights. Most nights were stayed by tourists from Germany (34.5%), Austria (11.6%) the Czech Republic (11.5%) and Slovenia (10.0%). Despite the upsurge in the foreign exchange income from tourism in the second quarter, suggested by preliminary balance of payments data, change in gross value added in hotels and restaurants was more moderate. Gross value added rose by 5.9% in the first half of 2002 in comparison with the same period in the previous year, growing at equal rates in each of the two quarters.

Peak season months, July and August, usually account for two thirds of total tourist nights. This year however, it is unlikely that these months' physical indicators, tourist arrivals and nights, will rise significantly compared to those in the same months last year. This is due to limited accommodation facilities and adverse weather conditions in the countries of origin of most European tourists. In July tourist nights thus remained at the same level as in July last year (growth was 0.8%). There was a decline in tourist nights stayed by tourists from the countries with the major shares in the structure of foreign tourists (Germany, the Czech Republic, Slovenia, Poland, and Slovakia). This decline negatively contributed to the increase in tourist nights by 3 percentage points. In contrast, positive developments were related to the arrivals of tourists from countries accounting for smaller shares in the foreign tourist structure, that is Hungary, France, the Benelux countries, Great Britain, and Russia.

Figure 16



## Transport and Communications

Gross value added in transport, storage and communications rose by 5.9% in the first half of 2002 in comparison with the same period last year. This is mainly the result of the substantial increase in telecommunications, especially in the mobile network. The number of call minutes was up 48.6% in the first quarter of 2002 compared with the same period last year. While data on the developments in the second quarter are not available, financial results of the mobile networks related to the first half of the year show operating income growth and indicate a further rise in gross value added in telecommunications.

In contrast, the performance of transport is far from satisfactory. Transported passengers fell in number by 4.4% in the first six months of this year compared with the first half of last year. In addition, the main types of transport, road and rail, also declined. In the same period, the transport of goods increased by 1.7%, as the result of the increase in pipeline transport in the first quarter and road transport in the first and second quarters.

## Labor Market

Employment from the CEI register continued to grow in the second quarter of this year. In the same period, registered unemployment decreased in relation to the first quarter, mostly due to seasonal factors. However, it appears that the growth of employment halted the upward trend in registered unemployment. This trend slowed despite larger inflows into the register, primarily generated by young people seeking first job. The slowdown was also partly induced by the weakening inflow of war veterans into the CEI register.

Real wages grew at an accelerated rate in the second quarter. This was the result of the restrained growth of the cost of living, as well as the increase in nominal wages. The average real wage grew despite the restrictive wage policy in the pub-

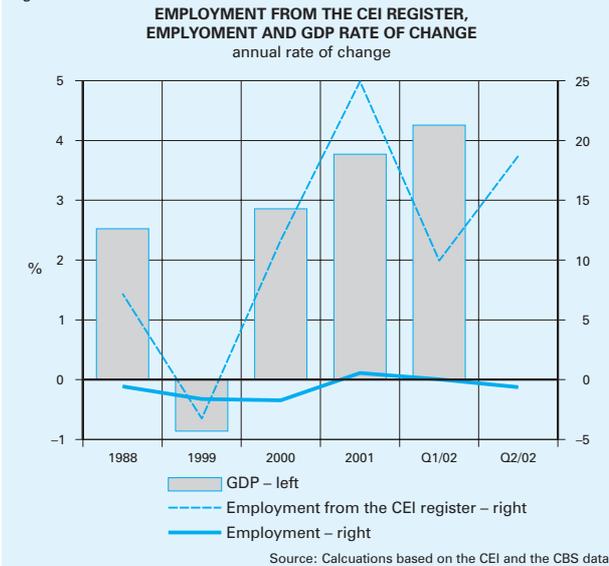
lic sector, where average wages either stagnated or decreased in real terms.

### Unemployment and Employment

Registered unemployment usually declines over summer months. This year employment from the CEI register continued the upward trend from the previous years, i.e. net outflow from the register was larger and lasted longer than in the previous years. Employment from the register rose by 19% in the first eight months of 2002 compared with the same period last year, while net outflow, which shows the decrease in unemployment in relation to the end of the previous year, stood at 15,000. This outflow rose by 64.2% compared with the same period last year, in spite of the fact that the inflow to the register increased by 5.4% in the same period and clearing from the records for other reasons declined by 4.7%. The inflow into the register rose on account of the increased inflow of persons seeking first job, while the inflow of the previously employed declined by 10.5%. The latter could be explained by fewer dismissals in the economy, whose restructuring was more intensive in the last two years, and the delayed reforms in the defense and police sectors. The larger inflow of young people seeking first job, not previously registered with the CEI, was in keeping with the recorded increase in labor force and improved employment opportunities, as registered unemployment in this category remained stagnant in the period between August last year and the same month this year despite the larger inflow.

In recent years, economic developments have been more closely correlated with employment from the CEI register than with either total employment or registered unemployment. In other words, although labor market trends reflect economic activity, total employment is not its most reliable indicator. This is due to the impact of "residual" employment categories, e.g. individual farmers, whose dynamics bears no relation to the economic cycle. In addition, unlike new employment, total employment is heavily dependent on the fac-

Figure 18



tors that can alleviate changes in employment, for example the pace of restructuring in the economy. This is why policymakers in the economy tend to speed up restructuring processes and cut employment in civil services and state-owned enterprises (reducing total employment as well) in the periods showing strong growth, when laid off employees stand better chances of finding new jobs and unemployment declines.

August was the fifth successive month that saw a decrease in registered unemployment, brought about by the increase in employment from the register. In addition, at the peak of seasonal employment this decrease was more substantial than usual. However, despite the increase in employment from the register and the continued slowdown in the years-long upward trend in registered unemployment, as well as its possible reversal, registered unemployment rose by almost 11,000 (2.9%) in late August compared with the same month last year.

Figure 17

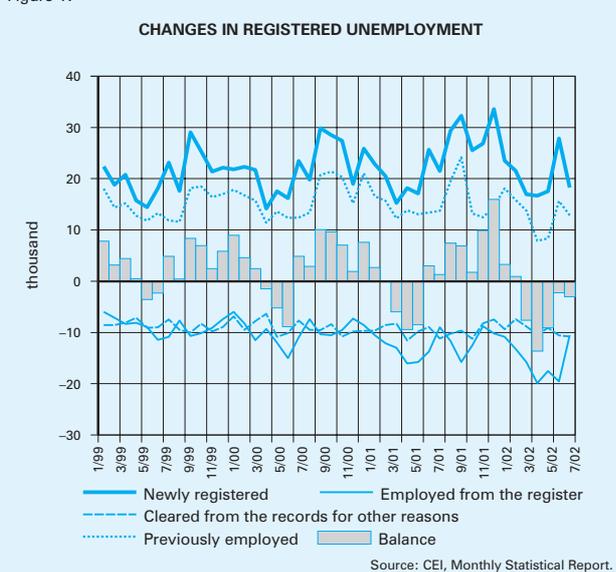


Figure 19

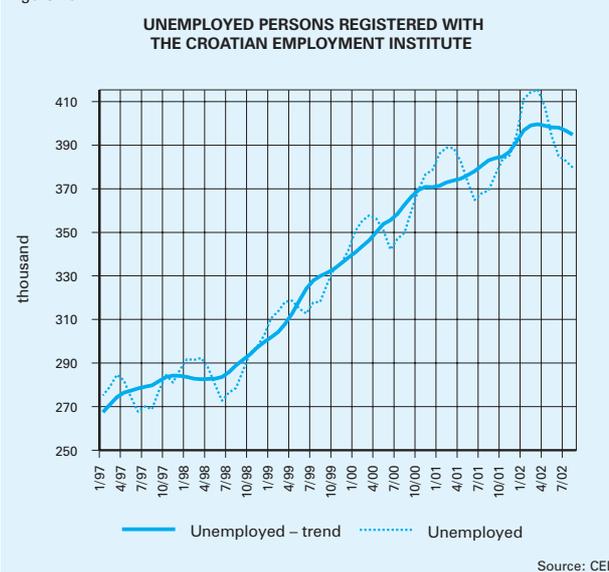
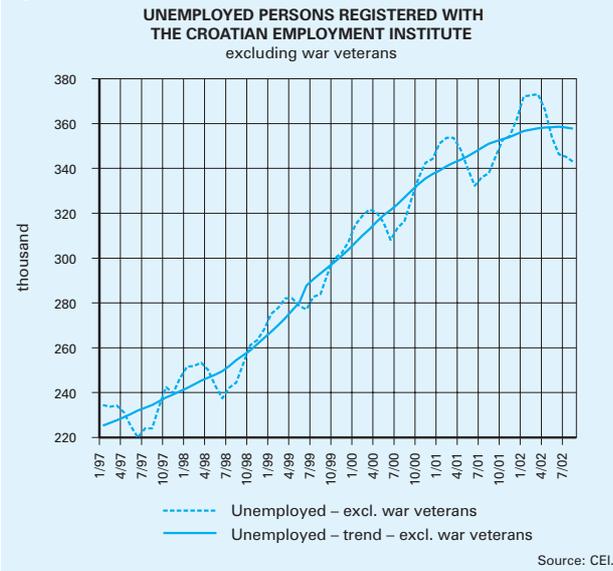


Figure 20



Nevertheless, an examination of the dynamics of registered unemployment should take into consideration the fact that the effects of the Law on the Croatian Defenders' Rights accounted for approximately half of registered unemployment growth in the previous year. The effects of this Law, which requires war veterans to register with the CEI in order to continue exercising their previously acquired rights, were the strongest late last year and early this year and started lessening by the beginning of this summer.

Croatian war veterans' large inflows in or outflows from the CEI register largely depended on changes in legislation, so that war veterans accounted for one tenth of total unemployment in late August. If they are not taken into consideration, the remaining registered unemployment shows more defined seasonal trends and a flatter trend curve. On account of the above mentioned, it can be expected that this data series will be more illustrative of labor market developments. As opposed to the data series on total registered unemployment,

the revised series gives no indication of a stronger upward trend in registered unemployment early this year, but suggests the continuation of its slowdown trend. According to the revised series, registered unemployment, exclusive of war veterans, rose at an annual rate of 1.5% in August, growing by about 5,000. This rise, lower than the recorded one, could have been expected had it not been for changes in the regulations on the manner of exercising war veterans' rights.

The registered unemployment rate followed the dynamics of total unemployment. The unemployment rate was thus 22.8% in the second quarter, rising 1.1 percentage point over that in the same period last year.

Seasonal employment bottomed out early this year rising by an approximate 0.8% over its level than in early 2001, which was in line with indicators suggesting a rise in employment from the register in 2001. However, preliminary CBS data show a slightly lower increase in employment in the period from early 2002 to July. Nevertheless, these data should be treated with caution as they are calculated based on a survey of a sample of enterprises which account for about 70% of total employment and are mostly larger than average. As the main employment generators are new and small enterprises, while large enterprises frequently laid off surplus work force, such a biased sample usually strongly affects assessment. Therefore, in order to make a final estimate on total employment dynamics, one should either wait for the final revision based on a full-scale survey, which is to be made next year, or bear in mind that available data are preliminary. The Labor Force Survey provides alternative employment indicators, which suggested a revival in employment in the second half of the previous year, but they are not yet available for the first half of this year.

In recent years, the discrepancy between preliminary and final employment indicators has constantly ranged between 23,000 and 36,000, i.e. 1.7% and 2.6% of total employment. Owing to biased preliminary estimates, total employment has been constantly underestimated. As the CBS methodology applied to total employment estimates has remained unal-

Figure 21

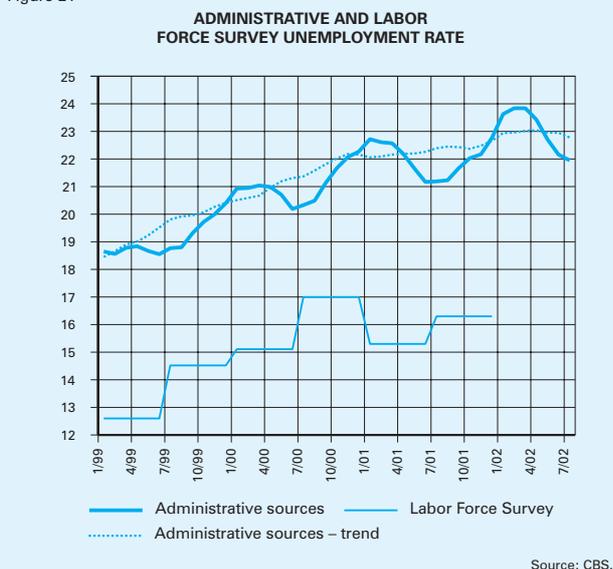
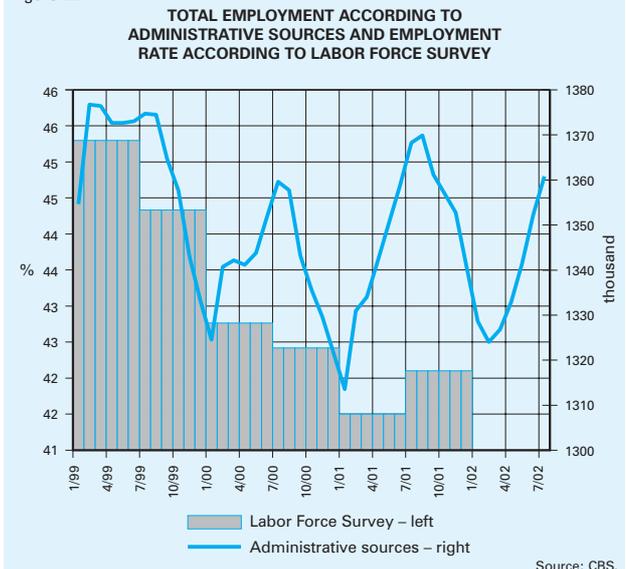


Figure 22



tered, no changes in this respect are to be expected.

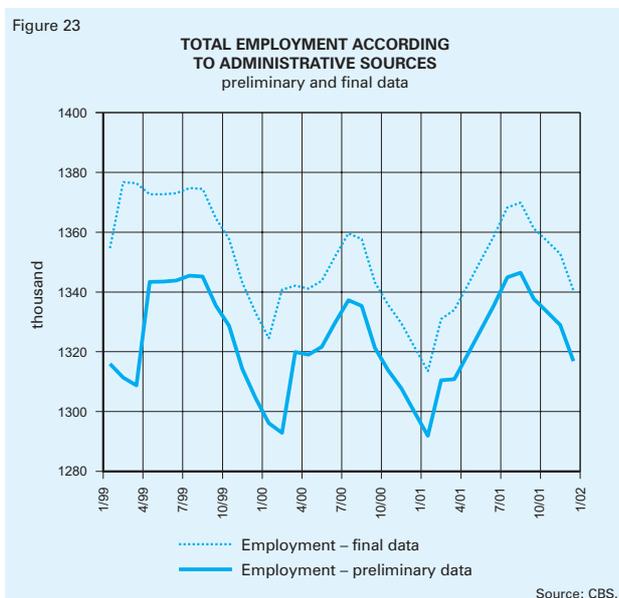
Growing at a rate of 5.9% for the year in July, employment in crafts and trade and among freelancers was the most dynamic component of total employment. According to preliminary CBS data, employment in legal entities decreased at an annual rate of 1.4%, which in absolute terms somewhat exceeded employment growth in crafts and trade and among freelancers. The number of individual farmers continued to decrease at a substantial rate. This year the annual rate of decrease was 7.1%.

Indicators showing the dynamics of total employment components give further proof of the bias of total employment indicators. The employment register comprises only individual farmers that are actively insured with the CPII. The fact that their insurance expired, i.e. that their pension insurance contributions are no longer paid does not necessarily prove that they are no longer engaged in farming. Individual farmers account for a relatively small share in employment

statistics and therefore have no decisive impact on its dynamics. However, a long-term cumulative decrease in this category has strongly affected the downward trend in employment. For example, having decreased by approximately 60,000, the number of individual farmers was almost cut in half in the period between early 1997 and July this year, contributing 4.4% to the decrease in total employment. Total employment fell by 4.7% in the same period, so that it appears that the decrease in the number of individual farmers almost fully accounted for the decrease in employment, while employment in legal entities, as well as in crafts and trade and among freelancers, remained stagnant.

Owing to unemployment growth, labor force continued to rise at the annual level, growing by 0.8% in the second quarter compared with the same quarter last year. Labor force growth is consistent with increased employment opportunities that provide an impetus for non-active population to join labor force.

Figure 23



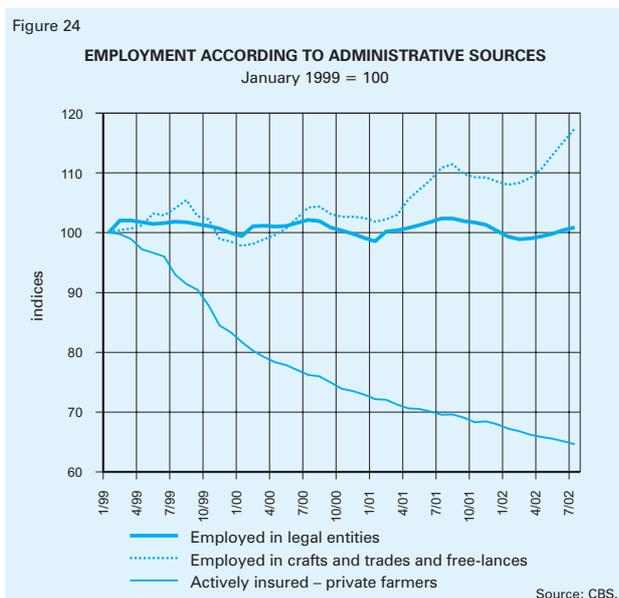
### Wages and Labor Costs

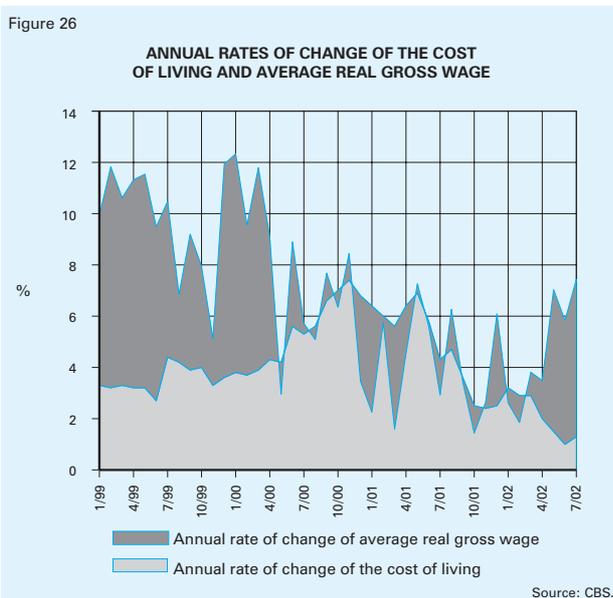
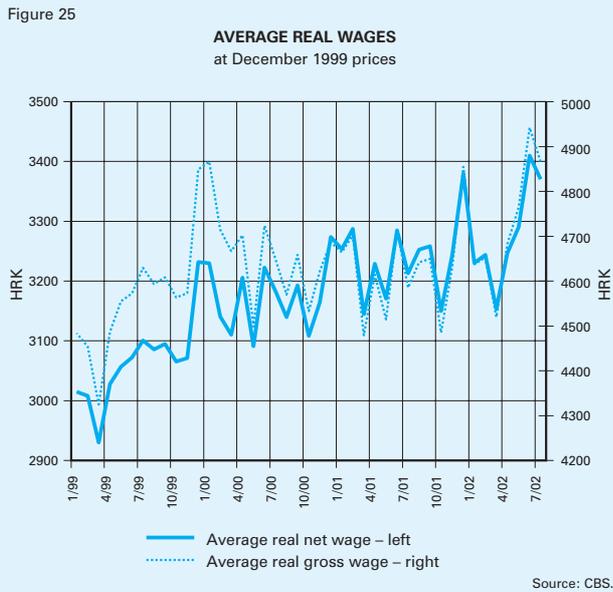
Due to a restrained wage policy in the public sector implemented in the last two-year period, the average wage level has stabilized. This dynamics continued to the end of the second quarter, when wages in the economy started to grow at a somewhat faster pace, despite the continuation of the Government's policy related to the average wage level in the public sector. The average gross wage rose by 1.5% in real terms in the first quarter, while its annual rate of growth in the second quarter stood at 3.9% in real terms. This growth occurred despite the stagnation of real wages in education (this sector benefited the most from the modified coefficient system, recording the rate of growth of 0.7%), the 2.9% decrease in the real average wage in public administration and defense and compulsory social insurance and the 1.6% fall in real wages in health care and social welfare.

The growth of real wages can be partly accounted for by inadequate forecasts. In other words, as the reduced growth rate of the cost of living in the second quarter was not anticipated, it was not included in wage agreements. Consequently, the growth rate of the real wage more closely approached that of the nominal wage. On the other hand, nominal wages rose as well, spurred by the continued and accelerated economic growth. The average gross wage thus rose nominally by 5.4% in the second quarter and by 2.9% in the first quarter. Wages trended upwards in almost all sectors aside from public administration. For example, the average gross wage in manufacturing grew at a rate of 8.7% for the year in nominal terms, while it rose by 4.7% in real terms.

Unit labor cost indicators used to be calculated based on data on the net wage bill and total labor cost payments. Owing to the payment system reform, these data are no longer available. The Central Registry of Affiliates is currently creating a new reporting system related to the net wage bill aggregates and contributions paid on these wages, so that the first indicators can be expected in the following months. However, due to discrepancies between the new system and the one previously employed by the Financial Agency (former

Figure 24





IPT), these data will not immediately provide for a precise analysis.

## Prices

Inflation measured by the year-on-year rate of change in the retail price index (RPI) remained within the range of price stability of 4% in the first eight months of 2002. It trended downward from 3.2% at the end of the first quarter to 2.2% at the end of the second quarter and to 1.2% in August (the lowest year-on-year inflation rate since March 1995).

The year-on-year rate of change of goods prices from the RPI dropped from 1.1% in March to -0.1% in June, thus contributing strongly to the fall in inflation in the second quarter of 2002. The year-on-year rate of change of goods prices rose to 0.2% in July and August. Analyzed by components of goods prices index, the year-on-year rate of agricultural products

prices and industrial food products prices decreased the most in the second quarter, from 0.9% in March to -10.9% in June and from 1.7% in March to 0.1% in June respectively. In addition, the year-on-year rate of change of non-food industrial products prices also fell in the period under review, from 0.9% to 0.2%, mostly due to the decline in the year-on-year rate of change of liquid fuels and lubricants prices, from 2.4% in March to -3.8% in June, which was the result of the impact of the base period (refined petroleum products went up in the second quarter of 2001) and a 1.4% decrease in retail prices of refined petroleum products in June 2002.

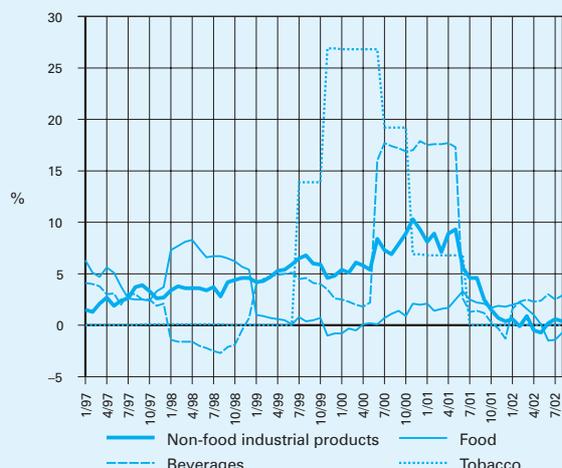
On the other hand, the fall in inflation measured by the year-on-year rate of change in the RPI in August in comparison with June 2002 was above all caused by the strong decrease in the year-on-year growth rate of services prices, from 10.4% in June to 5.0% in August. As a result, the year-on-year growth rate of services prices attained the level around which it fluctuated in the period of sixteen months that preceded the rise in telecommunication services prices in August last year. Much of the said decrease resulted from the impact of the base period (the aggregate level of services prices rose in August 2001 due to a significant increase in prices of immobile network telecommunication services). However, the decrease was also the result of a 0.1% fall in services prices in the July-August period of 2002. Since telecommunication services prices are controlled by the Ministry of Maritime Affairs, Transport, and Communications, the fall in their year-on-year growth rate (due to the impact of the base period) also influenced the decrease in the contribution of administrative prices to total year-on-year inflation rate in August 2002 in comparison with June 2002.

The year-on-year core inflation rate, which excludes agricultural product prices and administrative prices (including refined petroleum products), continued its downward trend; it fell from 1.8% at the end of the first quarter to 1.0% at end of the second quarter and to 0.3% in August. The disinflationary trend characterized the goods (that mostly comprise the tradables) and services whose prices are deter-



Figure 28

**GOODS PRICES**  
(from the RPI) by components  
year-on-year rate of change



Source: CBS.

mined on the market (but are not to a large extent influenced by international competition). Therefore, the year-on-year rate of change of goods prices index<sup>4</sup> fell from 1.2% in March to 0.4% in June and to -0.1% in August.

The downward trend in the year-on-year rate of change of goods prices index from the core RPI began in June 2001 and was markedly determined by a relatively stable exchange rate of the kuna against the euro (recently also by the appreciation of the kuna against the US dollar), increased competition in the retail trade and the liberalization of foreign trade, all of which together prevented the strengthening of inflationary pressures from the demand side despite the growth in domestic demand. Services prices<sup>5</sup> were very stable<sup>6</sup> in the second quarter, July and August 2002, while they grew strongly in the same period last year. Consequently, due to the impact of the base period, the year-on-year growth rate of services prices index fell from 5.8% in March to 4.1% in June and to 2.9% in

Figure 29

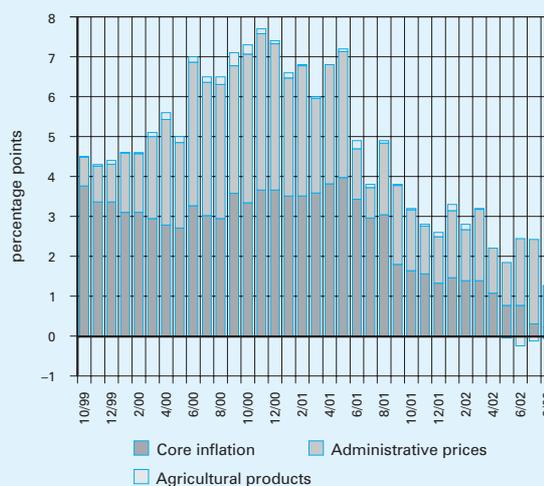
**RETAIL PRICES AND CORE INFLATION<sup>a</sup>**  
year-on-year rate of change



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

Figure 30

**CONTRIBUTIONS\* 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.

August. A gradual decrease in indirect impacts of previous increases in refined petroleum products prices and a lesser wage increase are important factors that influence the slow-down in the growth of services prices that are set by market forces.

The second quarter did not see significant inflationary pressures from the international economic environment. Following a strong monthly increase in the average daily spot price of crude oil of 18.4% in March (expressed in US dollars), the crude oil prices in the world market grew at a substantially lower rate in April (7.7%) and May (only 0.9%). In June in comparison with May, the crude oil price plunged by 4.7% expressed in US dollars or by 9.1% expressed in kuna owing to a concurrent nominal appreciation of the average daily exchange rate of the kuna against the US dollar. The spot price of crude oil expressed in US dollars then began to recover and recorded the average monthly growth of 5.2% in July and 4.0% in August. As a result of the appreciation of the average daily exchange rate of the kuna against the US dollar, the growth in crude oil prices expressed in kuna was somewhat lower in July (2.8%) and August (3.5%). In the April-August period, the prices of liquid fuels and lubricants in the domestic market were adjusted only twice; they rose on average by 2.6% at the beginning of April and fell by 1.4% in mid-June.

The year-on-year growth rate of prices of raw materials<sup>7</sup> traded in the world commodity exchanges accelerated from -6.0% in March to -1.3% in June and to 2.8% in August (expressed in US dollars). However, this acceleration did not significantly increase imported inflationary pressures due to the appreciation of the kuna against the US dollar. In addition, producer prices of industrial products in the euro-zone re-

4 From the core RPI.

5 From the core RPI.

6 They grew by 1.0% in May, fell by 0.1% in August in comparison with July and remained unchanged in the following months.

7 Compiled within the so-called HWWA (excluding energy).

Figure 31

**AVERAGE OIL PRICES\* ON THE WORLD MARKET**



\* It is calculated as the average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate.

Source: Bloomberg.

corded a slight annual fall of 0.8% at the end of the first quarter, 1.1% at the end of the second quarter and 0.6% in August.

The annual growth rate of producer prices has been trending upward since the beginning of 2002. It rose from -2.3% in March to -1.0% in June and reached 0.7% in August, indicating that slight upward pressures on retail prices might come from this source in the future.

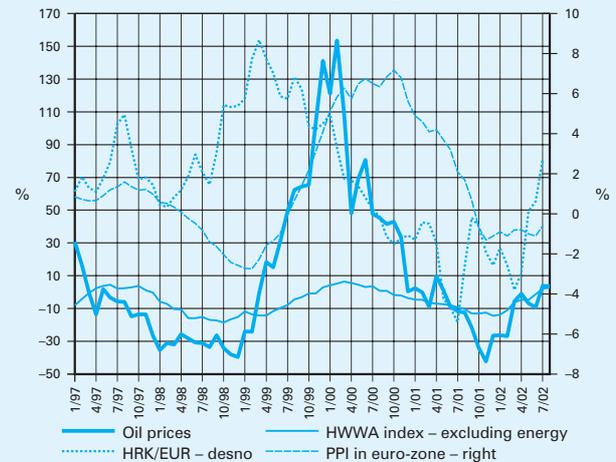
The year-on-year inflation rate measured by movements in the RPI is expected to grow slightly until the end of 2002 as a result of the increase in electricity and gas prices in September, the impact of the base period (the decrease in the aggregate level of prices in the fourth quarter of 2001 due to the fall in refined petroleum products prices) and a potential upsurge in crude oil prices in the world market, which might be provoked by the further worsening of Iraq-US relations.

The average increase in electricity prices for households caused by the adoption of the new tariff system will, according to the electricity company's calculations, amount to about 9%, while the direct impact of the growth in electricity prices on the monthly growth in the RPI in September is estimated at around 0.2% (or 0.3% if the monthly increase in the cost of living index is considered), which will not significantly influence consumer price indicators in Croatia. In addition, the Government's request that the electricity price for industry remains at its current level has been fulfilled, which will prevent the spillover from the increase in electricity prices into the increase in prices of goods in whose production electricity is a major input.

Moreover, the Government has approved an increase in the producer price of natural gas (12.4% for households and 12.3% for industry), which will, according to the estimates, result in the monthly growth (previous month to current month) in the producer price index of about 0.6% in September. In addition to the stated direct impact of increase in natural gas prices on the producer price index, certain delayed impacts are also possible due to the spillover from the increase in gas prices into prices of goods in whose production this in-

Figure 32

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



\* 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.

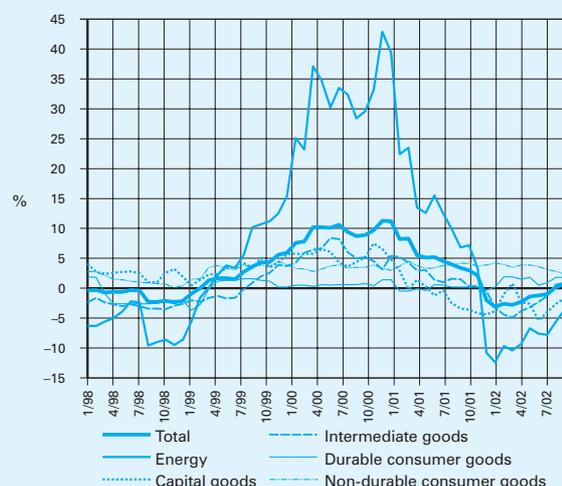
Sources: Bloomberg; HWWA, Wirtschaftsdiens; Eurostat and CNB.

put is used. While the proposals to change the producer prices of the Croatian petroleum company products are backed or refused by the Government, the decision on changes in the distribution price lies within the local government and self-government. The calculations have shown that the assumed 15% rise in the distribution price of gas would not directly affect the RPI due to the fact that natural gas is assigned a rather small weight in this index.

Inflation movements by the end of this year will to a large degree depend on changes in oil prices in the world market that had an upward trend and were strongly influenced by political tensions in the Middle East in the last three months.

Figure 33

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



Source: CBS.

## Exchange Rate

Appreciation pressures and strong foreign exchange interventions of the central bank in the total amount of EUR 342.2m<sup>8</sup> marked the developments in the domestic foreign exchange market in the second quarter of 2002. Interventions contributed to the stability of the kuna/euro exchange rate; the kuna appreciated slightly in the second quarter of 2002 (1.11% in nominal terms). The euro fell from 7.40 kuna at end-March to 7.32 kuna at end-June. In comparison with the kuna/euro exchange rate of 7.37 at the end of 2001, the kuna strengthened nominally by a total of 0.67% in the first six months of 2002. The large supply of foreign exchange in the summer months, brought about by tourist inflows, was absorbed by the greater demand of enterprises and banks for foreign exchange. As a result, the movements in the kuna/euro exchange rate were steady in the third quarter and did not require frequent CNB interventions.<sup>9</sup> The exchange

Figure 34

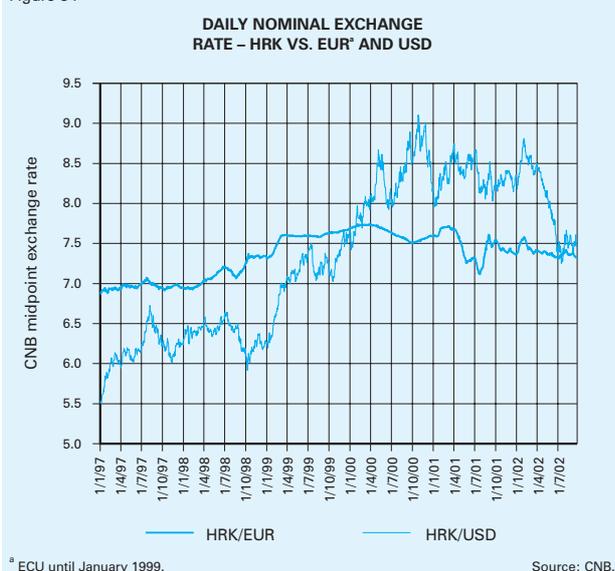


Figure 35

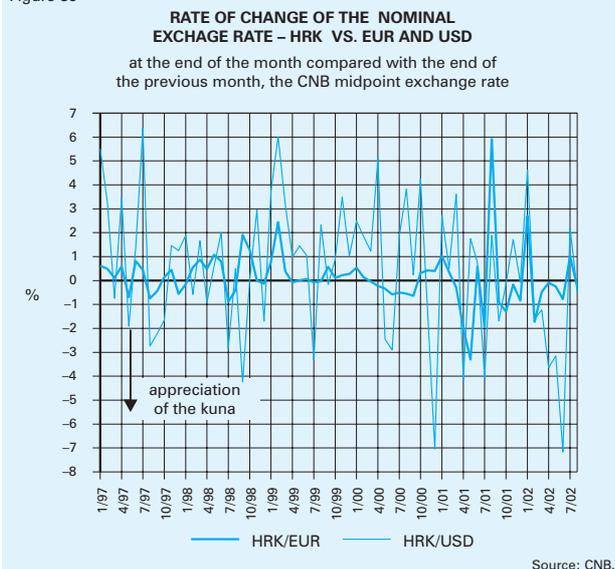
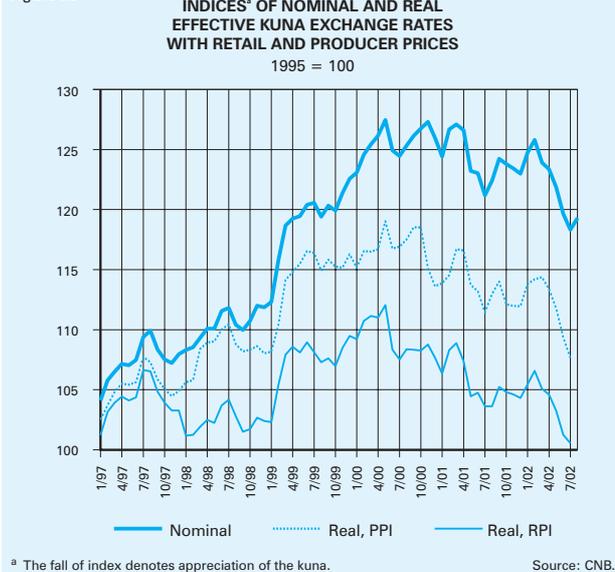


Figure 36



rate of the kuna against the euro weakened slightly (0.07%) at the end of the third quarter (24 September) in comparison with the exchange rate at the end of the second quarter.

On the other hand, the kuna/US dollar exchange rate fluctuated substantially in the observed period. The strong appreciation of the kuna against the US dollar of a total of 13.36% marked the second quarter and the US dollar fell from 8.50 kuna on 31 March to 7.36 kuna on 30 June. This fall, along with the said appreciation of the kuna against the euro and other currencies that are included in the basket for the calculation of the index of the nominal effective exchange rate,<sup>10</sup> resulted in the appreciation of the daily effective exchange rate of the kuna of 5.13% in the second quarter (30 June to 24 September). The euro/US dollar exchange rate fluctuated less in the second quarter of 2002, which was reflected in a more stable exchange rate of the kuna against the US dollar. Consequently, the exchange rate the kuna against the US dollar and basket of currencies weakened by a total of 1.14% and by 0.44% respectively in the third quarter.

With steady price movements, which did not differ significantly from those in Croatian major trading partners, the index of the real effective kuna exchange rate deflated by retail and producer prices also appreciated (3.65% and 4.37% respectively) due to a strong appreciation of the index of the nominal effective kuna exchange rate in the second quarter of 2002 (March to June). In the first seven months of 2002 (December 2001 to July 2002), the kuna appreciated by 3.61% (retail prices) and by 3.84% (producer prices) in real terms.

- 8 The CNB held one foreign exchange auction in April at which it purchased from banks a total of EUR 27.8m; it purchased a total of EUR 141.3m at two foreign exchange auctions held in May and a total of EUR 173.1 at four foreign exchange auctions held in June.
- 9 The CNB purchased from banks a total of EUR 47.2m at one foreign exchange auction held in August.
- 10 In the second quarter of 2002, the kuna appreciated by 1.58% against the Swiss franc, 6.89% against the pound sterling and 2.20% against the Slovene tolar.

# Monetary Policy and Instruments

## Monetary Environment

Monetary policy in the third quarter of 2002 was pursued in the environment of stability. Stability and the absence of shocks were particularly noticeable compared with the previous year which was characterized by shocks calling for a direct monetary policy response. The third quarter of 2001, for instance, was marked by central bank efforts to lessen the fluctuation of the exchange rate of the kuna. The last quarter of 2001 was characterized by a strong inflow of household foreign exchange deposits into the banking system because of the introduction of the euro, and the first quarter of 2002 was marked by deposits' outflow due to the crisis in Riječka banka and the introduction of the euro. The deposits' outflow continued into the second quarter of this year, but the event that marked this period was the payment system reform. The Croatian National Bank made intensive use of measures and instruments available to it to eliminate the possible negative influences of the said shocks. Unlike the previous period, the third quarter of 2002 was also marked by the absence of the otherwise usual summer appreciation pressures, so the CNB did not need to intervene in the foreign exchange market.

The absence of the usual summer surplus of foreign exchange supply and the appreciation of the exchange rate of the kuna against the euro certainly contributed to the departure of this year's exchange rate from its usual seasonal dynamics. The exchange rate appreciation started earlier than usual and the exchange rate reached its maximum at the end of the second quarter, prompting the CNB to respond with earlier foreign exchange purchases. Changes in the exchange rate dynamics are caused by developments in the foreign exchange market. Corporate presence on the foreign exchange market, which was made possible in June last year, was very much felt because corporate demand for foreign exchange, needed to finance imports or to acquire equipment, commonly occurring when the exchange rate is favorable, neutralizes seasonal foreign exchange supply surplus. Additional demand for foreign exchange in the third quarter was generated by deposit money banks that had to secure foreign exchange to meet their foreign exchange reserve requirements and to improve their foreign exchange position, after its weakening in the first half of the year because of growing domestic placements. Owing to the stable exchange rate and high kuna liquidity of the banking sector, the central bank intervened only once in the foreign exchange market, purchasing EUR 47.2m.

The annual growth rate of retail prices in August amounted to 1.2%, showing that the central bank was successful in implementing its main, legally determined, objective, which is price stability. September price increases are not expected to affect prices considerably, and low inflation is expected to continue in the next period. High growth rates of monetary aggregates in the last one year period reflect economic growth and are the result of monetization and financial market deepening and as such do not pose a direct threat to price

stability. Indeed, the growth of most aggregates slowed down in 2002. Rapid credit growth is related to economic recovery and increased and better positioning of foreign banks on the Croatian market, while high growth rates partly reflect a low level of credits in GDP.

Another important feature marking the third quarter was the reorganization of the short-term kuna securities market. From 26 June, the CNB switched to weekly CNB bills auctions, maintaining only 35 day bills (70 and 105 days bills were cancelled). In contrast, the Ministry of Finance introduced new 364 day T-bills. This ended the competition between short-term securities of the CNB and the Ministry of Finance, enabling the CNB to better manage the system's liquidity and ensuring more favorable terms of borrowing on the domestic market for the Ministry of Finance. For the market, this meant an improvement in the supply of long-term government securities. A reference interest rate was established for one-year kuna securities amounting to 4.9% at the first auction. Not surprisingly, the interest for subscriptions was very large, exceeding the planned issue by several times. This interest and the rapid growth in subscribed CNB bills in the third quarter indicate that deposit money banks expected the exchange rate to remain stable in the forthcoming period.

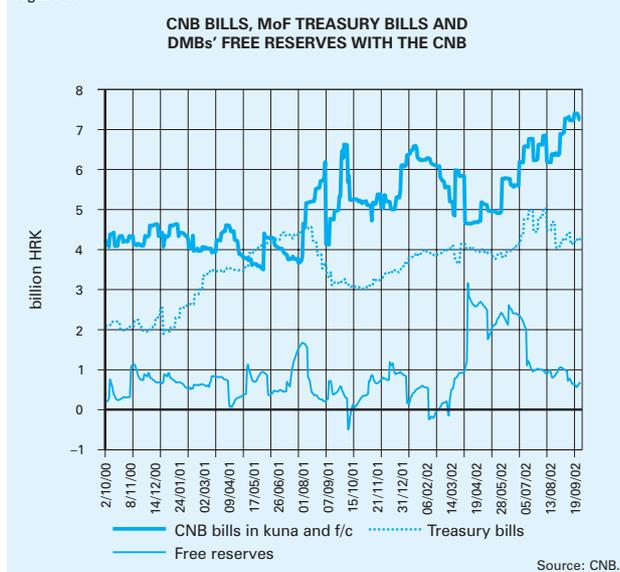
## Monetary Policy

In the third quarter of 2002, *reserve money M0* held steady in nominal terms. Although the slowdown in M0 growth was also present in the third quarter of 2001, the circumstances surrounding this year's slowdown were different. The main reason for the stagnation in M0 was the process of adjustment following rapid growth in the previous period. Seasonal effects excluded, the annual growth rate of M0 in the fourth quarter of 2001 was 140.7%. This was the result of the increased demand for cash and foreign exchange inflows before the introduction of the euro which affected CNB foreign exchange purchases. The annual growth of M0 slowed down in 2002 and amounted annually to 90.3% in the first quarter and 29.4% in the second quarter. The third quarter saw a change in the direction of the seasonally adjusted value and the annual growth rate of M0 fell to 35%. The reason for the fall in seasonally adjusted value of M0 was the shift of the usual summer purchases of "tourist" foreign exchange on the part of the central bank to the second quarter and the adjustment of deposit money banks to their participation in the payment system. This released additional liquidity, which was used for increased CNB bills subscriptions. M0 declined by 5.3% in nominal terms in the third quarter this year, with its annual growth rate persisting at a high 53.2%. In the first nine months of 2002, M0 increased by a total of 17.2%, and in the first nine months of 2001, M0 increased nominally by 16.3%.

It is worth noting that in 2002 M0 fluctuated the least in the last 8 years, as evidenced by a decline in the standard deviation of monthly M0 change, which was 3.4% in the first three quarters of 2002, compared with 10.5% and 5.2% in 2001 and 2000, respectively.

Stagnation in reserve money in the third quarter can primarily be attributed to a lower level of settlement accounts of

Figure 37



banks with the central bank, following their rapid increase in the second quarter as a result of the payment system reform. Similarly, the growth of other categories of reserve money also slowed down. In 2002, settlement accounts recorded a very mild growth. Cash in bank vaults grew the most; it almost doubled as a result of changes in the system of supplying banks with cash. Currency outside banks and reserve requirements of banks grew at the same rate. The growth in reserve money last year was based mostly on the increase in reserve requirements, particularly the kuna part of foreign exchange reserve requirements set aside, which took place in the second half of the year.

Settlement accounts were the most responsible for the oscillation in reserve money this year. A large increase in the settlement accounts at the beginning of April was the result of the payment system reform under which deposit money banks have become payment system agents. To ensure smooth payment system operations, deposit money banks significantly increased their funds in the settlement accounts with the CNB. Thus, the average balance in the settlement accounts increased from HRK 2.6bn in the first quarter to HRK 4.1bn in the second quarter, following the entry of banks into the payment system. Following the adjustment of banks to their new role in the second quarter, the beginning of the third quarter saw a significant decrease in the settlement accounts, indicating that banks had gotten used to the new system and were able to better manage their liquidity. In the third quarter, the balance in the settlement accounts declined by over one billion kuna (the average balance was HRK 2.9bn). Similar developments could be observed with the level of free reserves of banks, which increased from the average of HRK 0.4bn in the first quarter to HRK 2.3bn with the introduction of the payment system in the second quarter, and declined to HRK 1.0bn on average in the third quarter. Despite this decline, the banking system was still highly liquid.

Of all the categories of M0, the level of funds in bank vaults grew the most. In the first 9 months of this year, it increased

by 69.8%, but because of its relatively small share in the total, it does not play a decisive role in total reserve money developments. Bank vaults levels increased as a result of changes in the supply of cash to banks. With the closure of the Institute for Payment Transactions, deposit money banks started setting up their own supply network to be able to supply their sub-branches with cash and were forced to maintain large amounts of cash for that purpose. The average level of funds in bank vaults in the first two months of this year was HRK 502m. Following the increase in mid-March, the level of funds in bank vaults increased steadily, reaching HRK 932m in the second quarter and HRK 971m in the third quarter.

Foreign exchange interventions are the main form of reserve money formation so the stagnation in M0 in the third quarter could also be attributed to the absence of interventions. During the third quarter, there was only one foreign exchange intervention, at which EUR 47.2m were purchased, generating a monetary effect of HRK 347.0m. The absence of foreign exchange interventions was the result of heightened intervention activities in the second quarter when the total of EUR 316.9m was purchased, with a total monetary effect of HRK 2,519.4bn, of which over one half in June. In addition, on account of growth in foreign exchange deposits of other sectors and their foreign exchange liabilities, deposit money banks had to secure sufficient foreign exchange to meet the increasing reserve requirements. Foreign exchange supply surplus ended with the beginning of autumn and the expectations for the next period, with alleviated pressure on the exchange rate, involve only a moderate use of foreign exchange interventions and a moderate reserve money growth. Lower foreign exchange purchases in the third quarter were also caused by good liquidity of the banking sector. Accordingly, there was no need for *kuna activities of the central bank*. During the third quarter, there was only one use of the Lombard facility.

The recovery of the kuna and foreign exchange deposits in the third quarter, as well as a continued rapid growth in demand deposits have caused the *reserve requirement* base to grow. The kuna reserve requirement base increased by a total of HRK 2.4bn in the third quarter. The increase in the base caused total reserve requirements to increase by HRK 616m, of which reserve requirements set aside with the CNB increased by HRK 385m. Reserve requirements increased by HRK 779m in the first quarter and by HRK 338m in the second quarter. The calculated reserve requirements in kuna, relating to demand deposits and savings and time kuna deposits (which are subject to a 19% reserve requirement rate) amounted to HRK 6.3bn in September (an increase of 7.6% in the third quarter) in addition to the amount of foreign exchange reserve requirements met in kuna (25% of foreign exchange reserve requirements), standing at HRK 4.6bn. The total amount of kuna reserve requirements calculated in September amounted to HRK 10.9bn, of which HRK 7.8bn was set aside in the accounts with the CNB.

Reserve requirements on foreign exchange sources of funds grew at a slower pace than reserve requirements on kuna sources of funds because of a slower increase in foreign exchange deposits with deposit money banks. The foreign ex-

change reserve requirements base increased by HRK 3.5bn or by 3.8% in the third quarter, amounting to HRK 96.5bn in September. Foreign exchange reserve requirements set aside with the CNB were HRK 6.8bn, which is an increase of HRK 0.4bn in the third quarter.

The reasons for the stagnation in reserve money in the third quarter also lie in the fact that deposit money banks used their surplus liquidity to purchase *CNB bills*, which grew steadily during the third quarter. Regular weekly CNB bills auctions, replacing monthly auctions from 26 June, contributed to increased CNB bills subscriptions. The new auction schedule now features only 35 day CNB bills while 70 and 105 day bills are no longer issued. Greater frequency of CNB bills auctions is suitable for banks, enabling them to manage their liquidity with more precision and making them opt for larger CNB bills subscriptions. The amount of CNB bills purchased increased by HRK 567m in the first, HRK 506m in the second and by an additional HRK 1,009m in the third quarter. Increased CNB bills subscriptions show that banks counted with a stable exchange rate of the kuna, unlike the situation last summer when they favored depreciation. At end-September, the amount of CNB bills purchased totaled HRK 5.5bn.

By contrast, developments in foreign exchange CNB bills were reversed. Foreign exchange CNB bills subscriptions increased significantly and reached their maximum in September and October of last year, and have been falling since then. A somewhat sharper fall in foreign exchange CNB bills subscriptions took place in the first quarter of this year when total CNB bills subscriptions fell by HRK 888m. They declined by HRK 215m in the second quarter and by an additional HRK 115m in the third quarter. By mid-September, foreign exchange CNB bills subscriptions totaled HRK 1.7bn.

Government deposits with the CNB declined considerably at the end of the first quarter of this year, following a transfer of one part of government deposits to Hrvatska poštanska banka. During the second and the third quarter, government deposits held steady and followed their usual intra-month

seasonal dynamics. Government deposits stood at HRK 678m on average in the second quarter, and HRK 666m in the third quarter.

Such developments led to an increase in the international reserves of the Croatian National Bank in the third quarter. Because of poorer foreign exchange purchases, net usable international reserves grew more slowly than total international reserves which include reserve requirements set aside and purchased foreign exchange CNB bills. At the end of September, international reserves were USD 5.7bn and net usable international reserves were USD 4.3bn. In the first nine months of this year, total international reserves increased by precisely USD 1bn; the share of net usable reserves in that increase was USD 860m.

### Monetary Developments

Rapid growth in credit activities of banks continued into the third quarter of 2002. Unlike the first half of the year, when placements growth was financed by a decline in net foreign assets, their growth in the third quarter again relied mainly on domestic funding. This was particularly due to a recovery in the growth of foreign exchange deposits at the end of the second and in the third quarter, particularly corporate foreign exchange deposits. Foreign exchange deposits' recovery, and the seasonal increase in kuna monetary aggregates, caused total liquid assets to increase in the third quarter, following their stagnation in the first half of the year. Monetary and credit aggregates' growth can also be attributed to economic growth in the real sector, while growth in monetary aggregates indicates further monetization and deepening of the Croatian financial sector.

Summer months are commonly characterized by an increase in *money (M1)* and its components. Accordingly, M1 increased nominally by HRK 1.2bn or by 4.4% in July and August, compared with June. However, the seasonal effects excluded, M1 fell by a slight 0.7%. Rapid growth in the seasonally adjusted value of M1 from the beginning of 2000 was

Figure 38

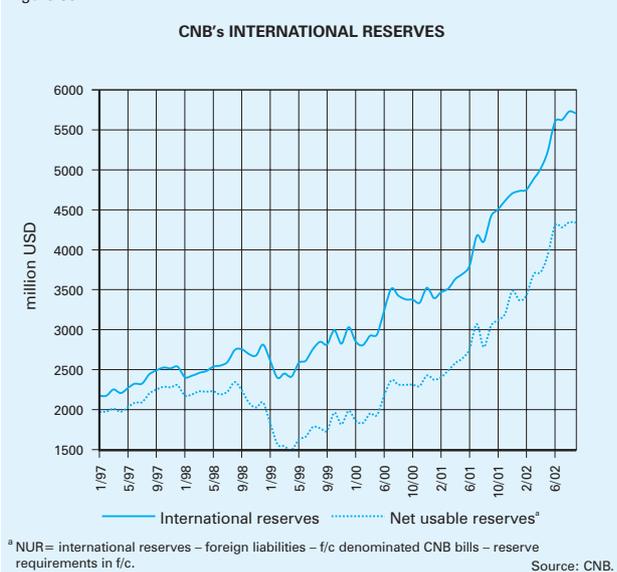


Figure 39

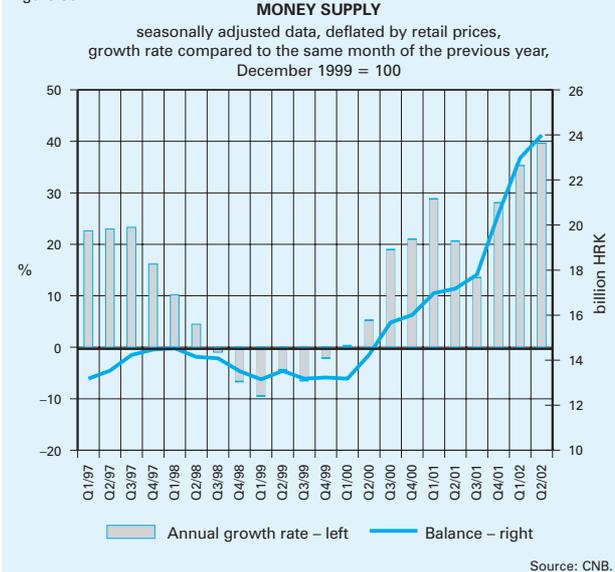
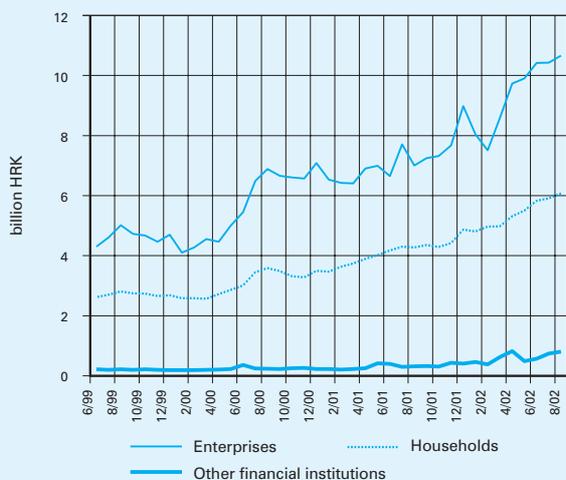


Figure 40

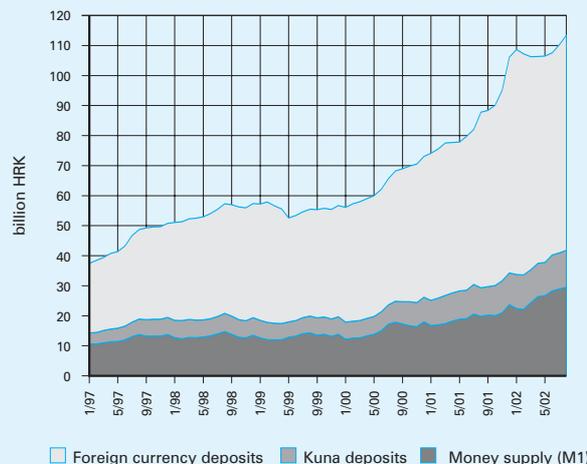
**DEMAND DEPOSITS OF ENTERPRISES, HOUSEHOLDS AND OTHER FINANCIAL INSTITUTIONS**



Source: CNB.

Figure 41

**MONETARY AGGREGATE M4**



Source: CNB.

halted in May and has held steady since (the seasonally adjusted value of M1 increased by only 1.9% from May to August). Stagnation marking the end of the second and the third quarter was an adjustment following robust growth in the previous periods. Despite its slowdown in the third quarter, M1 grew rapidly this year. At end-August, M1 was HRK 29.6bn, which is an increase of 48.7%, compared with the same period last year.

A slowdown in the third quarter was present with both components of M1, but it was more pronounced with currency in circulation. Demand deposits thus continued to be the main generator of M1 growth in 2002.

An extremely rapid growth (seasonally adjusted value) in *currency in circulation* at the end of 2001 and during the first four months of 2002, was halted in May. Although it is too soon to claim that the currency's accelerated growth is over, it is certain that factors leading to its robust growth in the previous one year period, such as depositing EMU member countries' currencies into banks because of the euro conversion, and the crisis in Riječka banka, will not repeat. These facts can help explain the current stagnation in the seasonally adjusted value of currency. Namely, the fall (adjustment) in the previously high level of currency, because of the reasons mentioned previously, coincided with the new increase in cash usual for the tourist season, resulting in a stagnation of the seasonally adjusted value of currency. Therefore, no increase in currency occurred during the main tourist season this year.

*Demand deposits* also slowed down in the third quarter; nevertheless, they continued to be the main generator of growth in money. Seasonal effects excluded, demand deposits grew by 99.3% annually in the last quarter of 2001. This growth slowed down in 2002, amounting to 63.2%, 44.1% and 15.5% in the first, second and third quarters, respectively. Further growth in demand deposits in 2002 was the result of heightened credit activities of banks and total economic growth. At end-August, demand deposits were HRK 19.6bn, which is an increase of 56.3%, compared with August last year.

By components, total demand deposits' growth in 2002 can primarily be attributed to corporate demand deposits. At end-August, corporate demand deposits stood at HRK 10.7bn, which is an increase of 52.1%, compared with August 2001. Household demand deposits stood at HRK 6.0bn, an increase of 42.2% annually. Household demand deposits increased as a result of disbursements to shareholders of Zagrebačka banka, following the bank's acquisition by a new owner in the third quarter, and state aid disbursements to farmers during the summer.

The development of the financial market is recorded in monetary statistics as a process which involves the strengthening of other financial institutions sector, comprising insurance companies, privatization funds, stock exchanges, clearing houses and obligatory pension funds participating in the second pillar of pension insurance scheme. Growth of other financial institutions sector is particularly visible with demand deposits, which, despite their small share of only 4.2% in total demand deposits, have been growing annually by 154.2%. With this sector's further strengthening, particularly the strengthening of the obligatory pension funds, this component of demand deposits is expected to grow as well. However, in view of the specific nature of investments, demand deposits of other financial institutions are expected to fluctuate more than those of other sectors.

*Quasi-money* (savings and time kuna and foreign exchange deposits) started its recovery in June, following a decline in the previous three months. It increased during the summer and returned to its levels from the beginning of the year at the end of August. With their 86% share, foreign exchange deposits were the largest factor affecting developments in quasi-money, which fell the most following the crisis in Riječka banka.

Following a decline in the first and at the beginning of the second quarter, *foreign exchange deposits* started recovering from the middle of the second quarter. At end-August they stood at HRK 71.6bn nominally, which is only slightly below their level at end-2001. The exchange rate effects excluded,

Figure 42

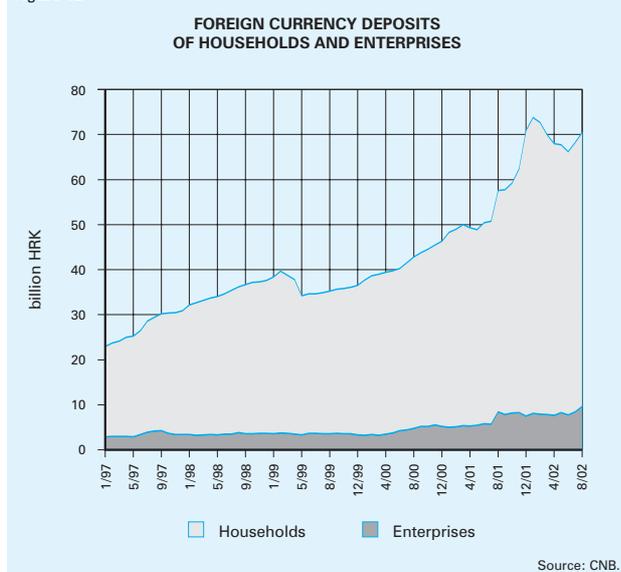
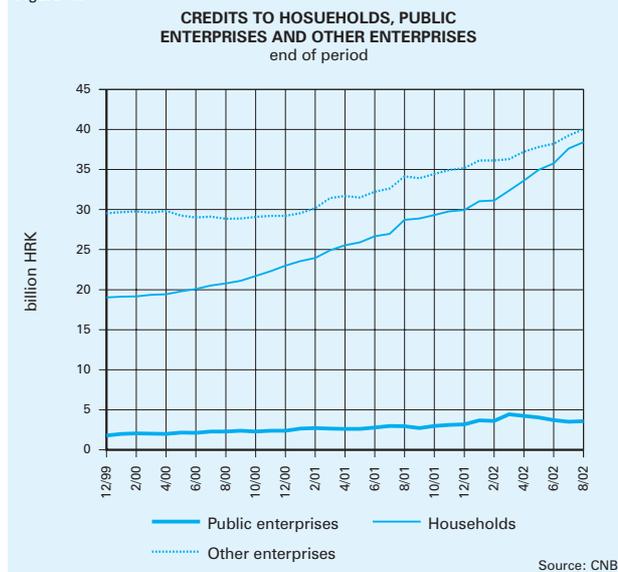


Figure 43



foreign exchange deposits increased by 1.7% in August, compared with the beginning of the year. During July and August, foreign exchange deposits increased by 5.5% in real terms.

Corporate foreign exchange deposits grew the most as a result of investment activities reflected in the increased corporate demand for goods and capital goods from abroad. Corporate presence on the foreign exchange market has a stabilizing effect because companies tend to purchase their foreign exchange in periods of more favorable exchange rates (foreign exchange supply surplus). In the first eight months of 2002, corporate foreign exchange deposits increased nominally by HRK 2.2bn (or 28.9%), of which by HRK 1.9bn in July and August alone. With a share of 85% in total deposits, household foreign exchange deposits largely influence developments in total foreign exchange deposits. During the first 8 months, household foreign exchange deposits declined by HRK 2.5bn (4.1%).

Developments in *kuna deposits* were similar to those in foreign exchange deposits except that the recovery of kuna deposits started sooner (already in April). At the end of August, kuna deposits were HRK 11.6bn, growing annually by 31.6%. In the first eight months of 2002, kuna deposits increased by 14.4%. Household kuna deposits stood at HRK 5.3bn at the end of August, growing in the first eight months by 25.0%, while corporate deposits stood at HRK 4.2bn, which is an increase of 12.0%.

In general, the third quarter saw a further recovery in *total liquid assets (M4)*, which started in the second quarter. M4 held steady in the first quarter of the year, following its rapid growth in the fourth quarter of 2001. At the end of August, M4 stood at HRK 113.1bn, which is an increase of 6.6%, compared with the beginning of the year. The increase in total liquid assets (M4) in the first part of the year can mostly be attributed to the increase in money, while the impetus to their increase in July and August was mainly provided by quasi-money, i.e. foreign exchange deposits.

Because of the slow growth of domestic sources of funds, deposit money banks tended to finance their increased credit

activities in the first half of 2002 by decreasing their *net foreign assets (NFA)*. The decline in net foreign assets in the first half of the year was based primarily on a decline in foreign assets, following their steep growth in December 2001 as a result of large inflows of household foreign exchange deposits. Thus, foreign assets declined by HRK 8.9bn or by 27.2% in the first eight months. Simultaneously, foreign liabilities of deposit money banks increased by HRK 2.5bn or by 11.6%. The decline in NFA of deposit money banks totaled HRK 11.4bn in the first eight months of 2002.

The increase in foreign liabilities of deposit money banks can be attributed primarily to deposits of parent foreign banks held in domestic banks (their daughter companies) in support of the latter's further intense credit activities and their positioning on the Croatian banking market, which offers better spreads compared with the international markets, but also involves higher risk exposure. In the first 8 months of 2002, credits and deposits of foreign banks with domestic banks increased by USD 0.5bn, compared with USD 0.25bn in the first 9 months last year.

Heightened credit activities continued in the second quarter and in the summer months. Bank placements to other sectors in the second quarter of 2002 rose by HRK 5.2bn, and by additional HRK 4.0bn in the first two months of the third quarter. At end-August, they stood at HRK 89.0bn, which is an increase of 24.2% compared with August last year. The exchange rate effects excluded, the increase amounted to 27.9%.

Observed by sectors, the fastest credit growth was recorded in the household sector, while credits to companies grew at a much lower rate.

	Annual growth rate	
	2001	2002 <sup>a</sup>
Companies	21.3	21.3
Households	29.3	45.2

<sup>a</sup> The growth rate in the first eight months of 2002 was calculated at the annual level to enable comparison with 2001.

It should be borne in mind that the household sector also comprises craftsmen, their being the only sector with employment growth. Companies may use other types of funding such as foreign borrowing and debt securities. Persistently higher growth rates of credits to households has caused the structure of total credits to change. The share of credits granted to households increased in 2002, reaching 46.8% of all credits granted by end-August, which is an increase of 3 percentage points, compared with end 2001. The share of credits to public enterprises was 4.3%, while credits to other companies accounted for 48.9% of total credits.

The currency structure of credits to other sectors was considerably stable in 2002. Of total credits, those with a currency clause accounted for 68.2%. The share of kuna credits was 18.6%, and foreign exchange credits accounted for the smallest share or 13.2% of the total.

Following a seasonal increase in the first quarter of 2002, banks' net claims on the central government fell to their level from the beginning of the year in the second quarter and held steady at that level during the summer. Banks' net claims on the central government were HRK 12.5bn at the end of August, which is a decrease of 2.2% compared with the beginning of the year. The slight decline is the result of fewer placements, while government deposits with banks remained unchanged. At end-August, placements to the government were HRK 19.9bn, which is a decrease of 1.5% compared with the beginning of the year, while government deposits amounted to HRK 7.4bn, equaling their balance at the beginning of the year.

## Money Market

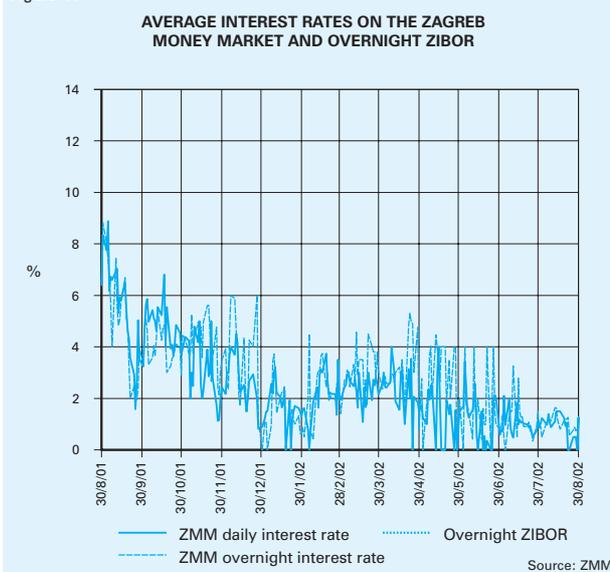
Activities on the money market subsided in the second quarter of 2002, as banks chose to hold exceptionally large amounts of free reserves from April to June to provide for uncertainties surrounding their adjustment to the new payment system. With gradual resolving of the technical difficulties relating to the transfer to the new payment system, the banks started redirecting significant amounts of their free reserves into CNB bills. Until the end of July, the banks managed to bring their primary liquidity to the levels from the beginning of the year, which helped revive trading on the money market.

### Money Market Interest Rates

The downward trend of the volume of trade on the Zagreb Money Market, in addition to a mild increase in interest rates which characterized the first four months of 2002, was halted in May and reversed in the months that followed. Supply on the money market was regularly several times higher than demand, while the volume of trade remained very low throughout the period to July.

The total volume of trade (daily and overnight trading) on the Zagreb Money Market between January and August 2002 was HRK 12.6bn, which is a decrease of HRK 3.5bn compared with the same period last year. The share of daily trad-

Figure 44

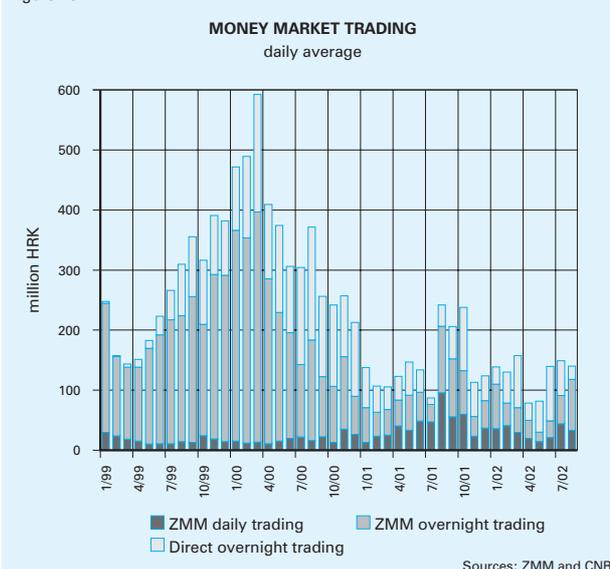


ing in total trading in the first eight months of 2002 stood at approximately the same level as in 2001.

Following a months-long decline, daily trading reached its lowest average level in May (HRK 14.3m), to start increasing again in the months that followed, reaching the year's peak in July with HRK 43.8m, and falling to HRK 33.1m in August. Despite high liquidity, trading with longer maturities did not intensify and callable loans continued to constitute the largest share of trading. But while the share of term loans during 2001 and in the first quarter of 2002 stood at its usual 20%, it declined sharply to 2.6% in June and fell further in July and August. Following a mild growth in the first four months, daily interest rates continued to decrease from May to July, with slight oscillation only. From 1.99% in May, the average daily interest rate fell to 1.00% in July and rose slightly to 1.07% in August.

The average daily volume of trade on the overnight market fell to this year's record low of HRK 15.6m in May. Starting

Figure 45



from June, the volume of trade on the overnight market was on the increase, reaching HRK 85m per day on average in August. Direct interbank overnight trading also accelerated, reaching its record average daily level of HRK 296.8m. The average share of trading without the ZMM as intermediary in total overnight trading increased in the last two years. The trend continued into 2002, and in the first eight months direct interbank trading accounted for 56.4% of total overnight trading.

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

The total amount of kuna CNB bills purchased from May to August increased by HRK 2bn and reached HRK 5.3bn after the last auction in August.

The yield on 35 day kuna CNB bills fell from 2.81% (on average) in April to 2.05% (on average) in June. Following 26 June, 2002, when regular weekly auctions were introduced, the downward trend of interest rates on kuna CNB bills was halted and the yields in July and August ranged between 1.95% and 1.99%.

The level of purchased treasury bills of the Ministry of Finance increased continually until end-June, reaching HRK 5.3bn at the end of that month. However, in July and August, the amounts due exceeded the amounts purchased, with the total stock of purchased bills falling to HRK 5.1bn. The reasons for that fall may lie in the return of weekly CNB bills auctions, which added to their appeal as instruments of liquidity management and in a further decline in 182 days treasury bills yields.

The interest rates on treasury bills continued to fall in May and June, and the difference between interest rates on 42 and 91 day bills continued to level out. From the last auction in April until the beginning of July, interest rates on treasury bills of all maturities fell by over 1 percentage point. The trend was almost halted in 42 and 91 day bills in July. The yields on these bills during the summer months fell to 1.90% and 2.0%, respectively, or by 10 basis points. The interest rates on the

Figure 46

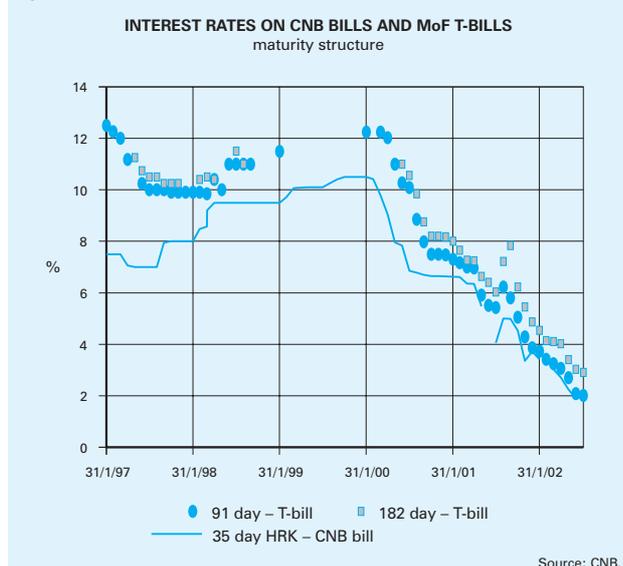
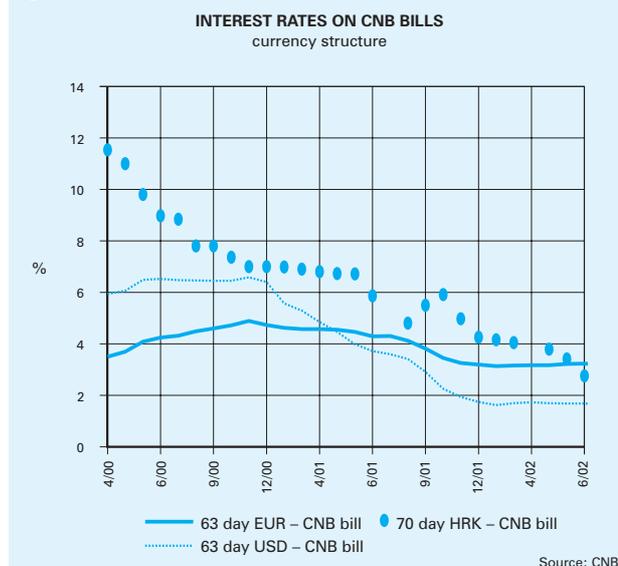


Figure 47



longest maturity treasury bills continued to fall with the same intensity, reaching 2.70% at the last auction in August.

The amount of foreign exchange CNB bills purchased from May to end August was around USD 240m and after the last auction in August, the total amount of bills purchased stood at USD 230.7m. From mid-July, the structure of purchased CNB bills denominated in US dollars changed in favor of shorter maturity bills (35 days). The share of 63 day bills gradually diminished, falling from the usual 90% (their average share in 2002) to 20% at end-August. The structure of euro-denominated CNB bills remained unchanged, with 63 day maturity bills, whose share in the total amount of bills purchased averaged 70%, continuing to prevail.

Interest rates on foreign exchange denominated CNB bills, fixed according to LIBID, reduced by 1/16 of a percentage point, only slightly fluctuated. Yields on 63 day euro-denominated bills ranged between 3.14% and 3.25% from May to August. Interest rates on 63 day US dollar-denominated bills were between 1.56% and 1.68% in the same period.

During the first six months of 2002, the interest rate spread between kuna CNB bills and euro-denominated CNB bills of similar maturities narrowed considerably. The spread between yields on 63 day CNB bills denominated in euros and US dollars has held steady for the past 8 months, in accordance with interest rates on the world markets.

### Deposit Money Banks' Interest Rates

The general trend of deposit money banks' interest rates was that of fall, with only slight departures from the trend in individual months. Credit rates fall was equally present in household and corporate lending.

The average interest rate on short-term kuna household credits not indexed to foreign currency, of which the expensive current account overdraft facility constitutes the largest share, has been falling significantly from the beginning of 2001. From its average 18.98% in January 2002, this interest rate subsequently decreased by as much as 3.52 percentage

points, falling to 15.46% in July. The interest rate on short-term kuna corporate loans not indexed to foreign currency has been falling since the beginning of the year. It rose slightly in May, but started falling again in June, reaching 8.16% in July.

Following a sudden fall in average interest rates on foreign exchange corporate credits in the first quarter of 2002, which led to a rapid growth in newly-granted foreign exchange loans, the interest rate on this type of credit increased in April and May and fell again in June and July, reaching 5.66% in July.

Interest rates on long-term kuna household credits indexed to foreign currency steadily exhibited a marked downward trend. Between January and June they fell by 2.14 percentage points on average, and their average level in June was 8.83%. Following a sudden increase in July, the average interest rate on long-term kuna household credits indexed to foreign currency reached 9.48%. The average interest rate on home loans has been falling steadily from the beginning of the year, and amounted to 7.35% in July.

The average interest rate on long-term corporate loans indexed to foreign currency took a sudden fall to 5.27% in April. A one-off correction to 7.01% followed in May, but after that, the interest rate reverted to its downward trend again, reaching 6.57% in July.

The falling trend of deposit interest rates has been slowing down for some time now, particularly in the past few months. Interest rates on sight deposits, both kuna and foreign exchange, fell to 0.88% and 0.60% on average in March, with only slight oscillation. Interest rates on time foreign exchange deposits ceased falling and stood between 3.24% and 3.31% from April to July. By contrast, interest rates on time kuna deposits fell further; from their average level of 5.06% in March they fell to 4.25% in July. As a result, the difference between interest rates on kuna and foreign exchange time deposits was reduced additionally and now stands below one percentage point.

Such developments in credit and deposit interest rates of deposit money banks have led to the further narrowing of the

Figure 48

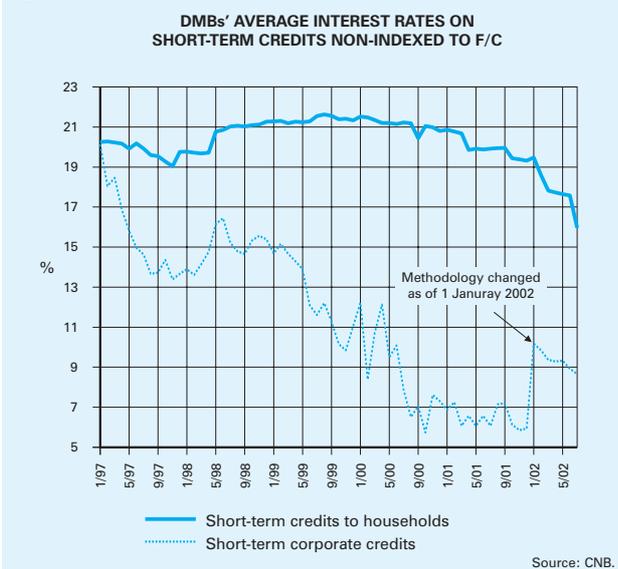


Figure 50

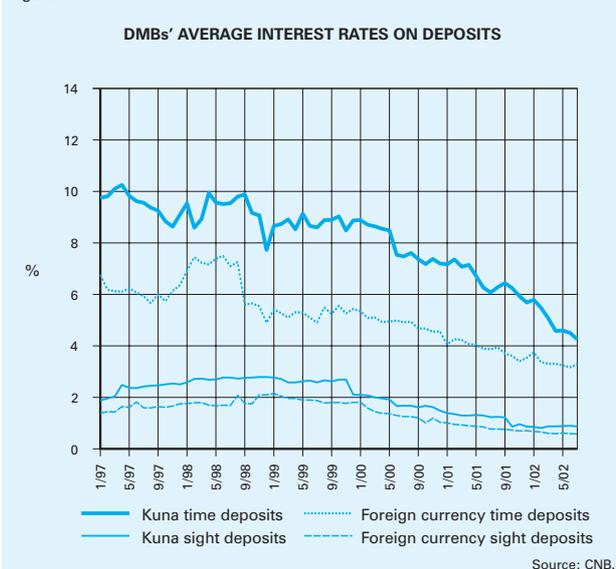


Figure 49

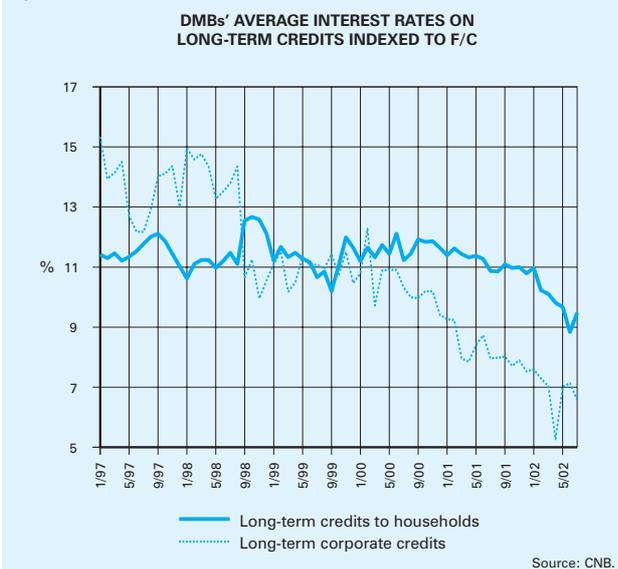
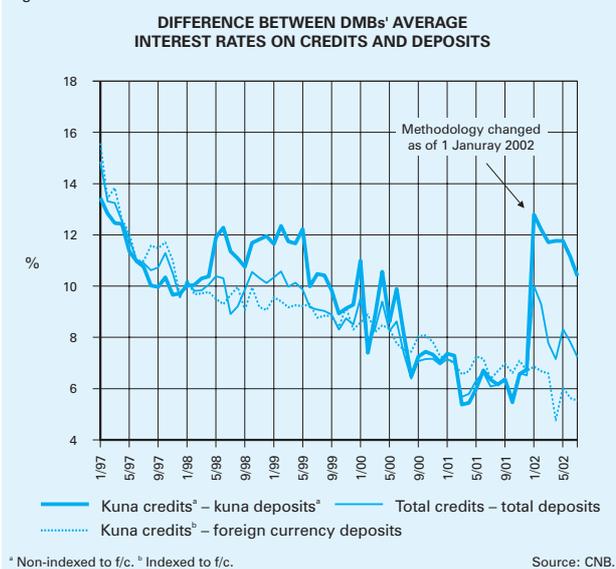


Figure 51



### Box 2: Breaks and Structural Changes in the Time Series of Interest Rates on CNB Bills and Treasury Bills of the Ministry of Finance of the Republic of Croatia

In accordance with the Decision of the Croatian National Bank on CNB bills, first implemented at the auction held on 26 June 2002, kuna CNB bills are now issued only with a 35 day maturity, and auctions are again held weekly. Pursuant to this Decision, foreign exchange denominated CNB bills are issued with 35 and 63 day maturities, and longer maturity bills, i.e. 91, 182, and 364 day maturity bills, are no longer issued. Foreign exchange CNB bills auctions have retained their weekly auctioning schedule.

The frequency of CNB bills auctions declined in the period between 7 February 2001, the time when the previous Decision of the Croatian National Bank governing CNB bills was issued, and the latest Decision. In this 17-month period, auctions were held once in every five weeks in contrast with the previously observed weekly schedule. The decision of 7 February 2002 also provided that 91 day and 182 day CNB bills be replaced by shorter maturity bills, i.e. 70 and 105 day maturity bills in order to achieve a greater differentiation between them and their close substitutes, 91 and 182 day T-bills.

The Ministry of Finance of the Republic of Croatia also changed several times its short-term primary market auctioning schedule strategy. From October 1998 to July 2000, there were no issues of 182 day T-bills, and in the period from October 1998 to February 2000, 91 day T-bills were only offered at one auction. At the T-bills auction held on 17 September 2002, the Ministry of Finance for the first time did not offer 42 day T-bills, whose purchases had been low lately anyway, but introduced instead a new 364 day maturity, in addition to the existing 91 and 182 day T-bills.

The final outcome of these changes was a more favorable (long-term) government borrowing and a more precise pursuit of monetary policy on the part of the central bank, since this was the first time that (the near substitutes being canceled) the matu-

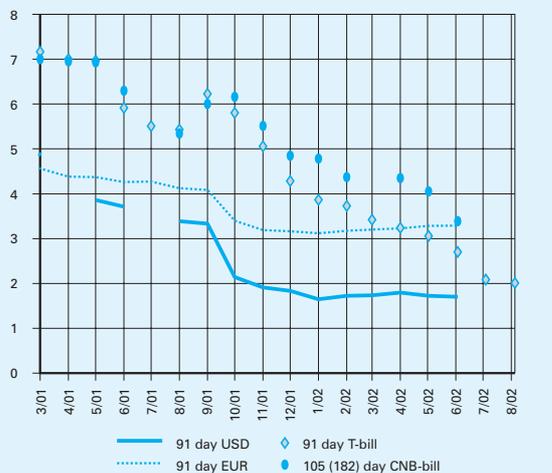
rities of short-term Government and central bank securities were set apart completely, and did not compete against each other. Furthermore, these changes have influenced in the past, and will continue to influence in the near future, the time series of interest rate data on CNB bills and T-bills. Therefore, data presented under the title "Interest Rates on CNB Bills and MoF T-bills" (see Figure 46, CNB Bulletin, No. 72) will, starting from this issue of the CNB Quarterly Report, be left out, as three out of four securities presented, are no longer issued (Figure 52).

These data will be replaced in the future issues of the CNB Quarterly Reports by two new figures showing interest rates. The reasons for the introduction of the two new figures lies in the need to separate information on developments in interest rates on CNB bills and T-bills according to their maturity structure from information on developments in interest rates on CNB bills and T-bills according to their currency structure. Thus, starting from this issue of Quarterly Report, the Figure "Interest Rates on CNB Bills and MoF T-Bills – Maturity Structure" will show interest rates on kuna CNB bills and T-bills of different maturities, i.e. 35 day CNB bills and 91, 182 and 364 day T-bills. The Figure "Interest Rates on CNB Bills – Currency Structure" will show interest rates on CNB bills issued in different currencies with maturities of similar length (in this issue, 63 and 70 day maturity, and from the next issue of Quarterly Report, a 35 day maturity).

The described changes in the way short-term government and central bank interest rate time series is presented, will cause a certain loss in historical data. In particular, this relates to the loss of information on interest rate movements relating to CNB bills denominated in different currencies and longer maturities and to shortest maturity T-bills (42 days). However, the loss of data on interest rates movements of the said securities will be compensated to an extent by a constantly high correlation between these interest rates and interest rates on similar securities with longer (T-bills) and shorter (CNB bills) maturities. Thus, historical data which the Quarterly Report will no longer feature, may be summarized by a time series difference between interest rates on CNB bills of various maturities (Figure 53), which also enables a smooth transfer to the new way of presenting data on interest rates on short-term government and central bank securities.

Figure 52

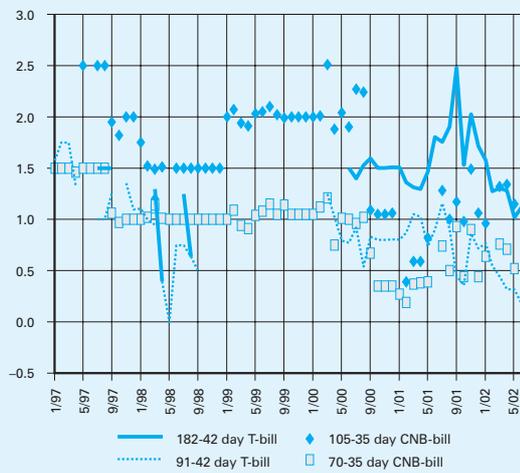
**BREAKS IN THE TIME SERIES OF INTEREST RATES ON CNB BILLS AND MoF T-BILLS**



Sources: CNB and MoF.

Figure 53

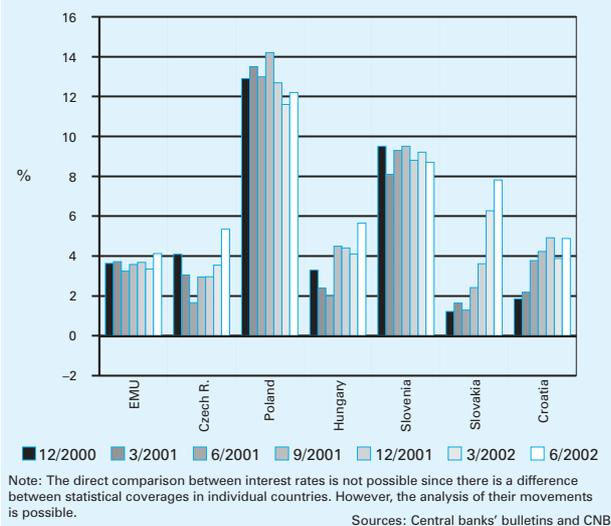
**DIFFERENCE BETWEEN INTEREST RATES ON SHORT-TERM GOVERNMENT AND CENTRAL BANK SECURITIES WITH DIFFERENT MATURITIES (LIQUIDITY PREMIUM)**



Sources: CNB and MoF.

Figure 54

**REAL INTEREST RATES ON LONG-TERM CORPORATE CREDITS IN SELECTED COUNTRIES**



spread between the average interest rates on credits and deposits. Thus, the spread between interest rates on kuna credits and deposits not indexed to foreign currency narrowed from 12.79 percentage points in January to 10.40 percentage points in July. The average interest rate on kuna credits indexed to foreign currency in January was 10 percentage points higher than the average interest rate on foreign exchange deposits, and by July this spread fell to 7.23 percentage points.

While nominal interest rates on long-term corporate credits and time deposits with maturities of up to 3 months in transition countries and countries of the European Union continued to fall, real interest rates in the second quarter of 2002 increased in the majority of selected countries except Poland and Slovenia where, significantly lower inflation rates notwithstanding, the downward trend of both nominal and real interest rates continued. The real interest rates on time deposits with maturities of up to 3 months were positive for the first

time in the Czech and the Slovak Republic, owing to a significant decrease in the inflation rate.

## Capital Market

### Stock Exchange

Although the developments on the Zagreb Stock Exchange (ZSE) indicated a revival of share trading in the first four months of 2002, a negative trend was recorded in the May-August period. However, thanks to a large trading volume at the beginning of the year, share trading amounted to HRK 864.8m in the first eight months of 2002, which is almost 90% of the total trading volume in 2001 and 53.2% over that in the same period last year. There were 60 actively traded shares in the January-August period of 2002. Share trading accounted for only 30% of the trading volume on the ZSE at end-August, compared with 50% at end-April.

The market capitalization of shares also declined, from HRK 32.4bn (19.2% of the 2001 GDP) in April to HRK 25.5bn (17.6% of the 2001 GDP) in August. The shares of Zagrebačka banka were delisted from Quotation I (which also includes the shares of Podravka, Pliva and Viktor Lenac) in June, which led to a fall in its share in the total market capitalization from 50% to 36%.

The CROBEX was on the increase from the last quarter of 2001 till mid-May 2002 when it reached above 1300 points. It fell to below 1100 points by the end of June owing to a drop in prices of most shares and mostly fluctuated around that level over the summer months.

The Varaždin Securities Market (VSM) was transformed into the Varaždin Stock Exchange (VSE) on 16 July 2002. Shares of 206 companies have been removed from the VSE since they do not fulfill all listing requirements. Weakened supply resulting from the withdrawal of these shares should be viewed in the light of the fact that most of these companies had not appeared on the market voluntarily but were listed by

Figure 55

**REAL INTEREST RATES ON HOUSEHOLD TIME DEPOSITS IN SELECTED COUNTRIES**

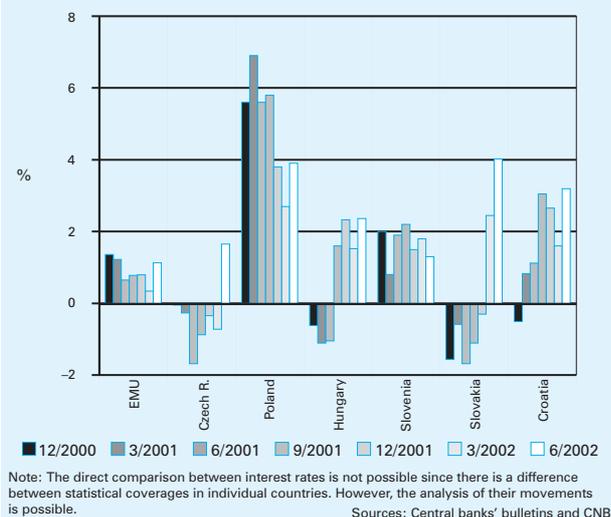
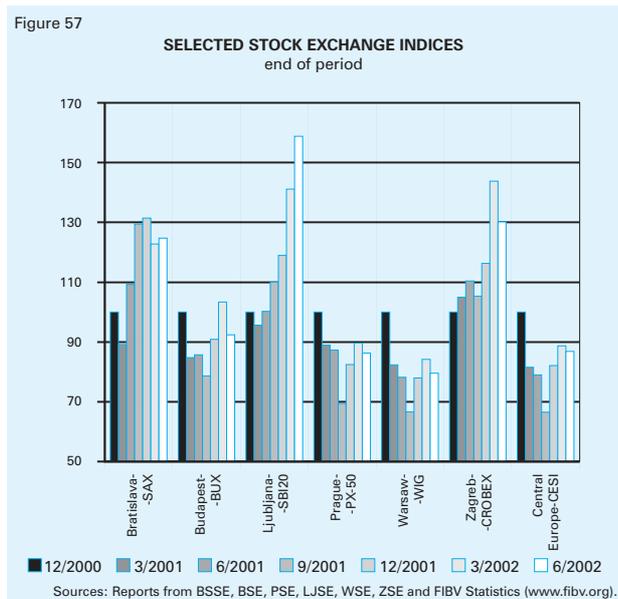


Figure 56

**CROBEX AND VIN**



Sources: ZSE and VSE.



the privatization investment funds.

The trading volume on the VSM (VSE), which grew from the beginning of the year through April, declined in the April-July period of 2002. The volume of trading leaped in July owing to transactions of three investment funds, but again fell in August. It amounted to HRK 876.3m in the January-August period of 2002, or 82.9% of the total trading volume in 2001. The supply and demand quotation accounted for most trading, 65.1%, while the PIF quotation accounted for 30% of total trading, 10 percentage points less than in the previous year.

The VIN index started to fall in April, with occasional small rebounds. For the first time in 2002, it fell to below 700 points in July, and stood at 650 points at end-August.

The stock exchanges in transition countries reflected the negative developments on the world markets. In line with the decline in indices of major world stock exchanges, which began in the second quarter of 2002, share indices of most stock exchanges in transition countries recorded a negative trend. The exception is the Ljubljana Stock Exchange index, the SBI-20, which has been rapidly increasing since mid-2001. The stock exchange indices of other transition countries were lower in July than at the end of the first quarter of 2002, re-

sulting in a fall in the CESI index, which covers the Central European stock exchanges.

The market capitalization of shares on most transition markets was lower in July than at end-2001 and the first quarter of 2002. The exceptions were the Czech Republic and Slovenia, which also recorded an increase in the volume of share trading since the beginning of the year. By contrast, both the market capitalization and trading volume of bonds increased on most transition markets compared with the first quarter of the year.

In comparison with the stock exchanges of all transition countries observed, the ZSE is still lagging far behind both in terms of the average daily volume and velocity of share trading. With regard to bond trading, the ZSE surpassed the stock exchanges in Ljubljana, Warsaw and Budapest, but is still far behind the exchanges in Bratislava and Prague despite a substantial increase in trading in 2002. On the other hand, in terms of the share of market capitalization in GDP, the Croatian share market is near the average of transition countries, whereas its bond market is the last according to this indicator.

## Bond Market

Trading in bonds dominated the ZSE in the first eight months of 2002, accounting for 70% of the total trading (42% in 2001). Owing to the beginning of the pension reform and a rise in the number of institutional investors, the total volume of bond trading reached HRK 2,023.7m in the January-August period of 2002, which is almost 3 times higher than in 2001.

Within the program supporting the pension reform, a new issue of government bonds in the domestic market of EUR 150m occurred in May, which immediately aroused investors' interest. This was the first of the three scheduled tranches of the same bond issue, which totals EUR 500m, matures in 2012 and bears a nominal interest rate of 6.875%. The second tranche of EUR 150m was issued on 20 September, while the third is scheduled for December 2002 or January 2003.

There are 6 government bonds and 2 corporate bonds currently listed in the domestic market. The market capitalization of government bonds stood at HRK 8,615.8m at-end August 2002, or 5.8% of last year's GDP. The newly-issued bonds of the Republic of Croatia, maturing in 2012, and the CIHI bonds accounted for about 50% of the total volume of

Table 1. Comparison of Capital Markets Indicators

July 2002	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily volume of trade, shares (million USD)	4.8	18.0	4.6	27.7	43.4	0.5
Average daily volume of trade, bonds (million USD)	44.5	3.8	1.9	302.4	2.8	2.3
Volume of trade <sup>a</sup> /GDP <sup>c</sup> , annual level (%)	6.3	9.4	6.8	13.0	6.8	0.6
Volume of trade <sup>b</sup> /GDP <sup>c</sup> , annual level (%)	58.9	2.0	2.8	141.5	0.4	3.1
Volume of trade velocity <sup>d</sup>	59.2	45.4	28.2	56.8	49.8	3.5
Market capitalization <sup>a</sup> (million USD), end month	2,134.4	10,918.3	4,535.0	12,907.1	24,026.1	3,567.5
Market capitalization <sup>b</sup> (million USD), end month	6,600.9	15,778.4	2,363.1	11,393.7	n.a.	1,170.8
Market capitalization <sup>a</sup> /GDP <sup>c</sup> , end month (%)	10.7	20.7	24.1	22.9	13.6	17.6
Market capitalization <sup>b</sup> /GDP <sup>c</sup> , end month (%)	33.1	29.8	12.6	20.2	n.a.	5.8
Index movement from the beginning of the year (%)	-7.1	-1.2	29.4	14.1	-7.3	5.0
Index movement from the beginning of the month (%)	-2.2	-2.8	-3.1	9.1	-9.1	-6.2

<sup>a</sup> Shares. <sup>b</sup> Bonds. <sup>c</sup> 2001. <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 2. Issue of Bonds in the Domestic Market**

Series	Issued by	Issue day	Maturity	Currency	Nominal value of the issue	Nominal interest rate	Last price	Current yield 31/8/2002
DAB-O-03CA	DAB	19/12/2000	19/12/2003	EUR	105,000,000	8.000%	105.30	7.597%
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	109.50	7.648%
HZZO-O-047A	CIHI	19/7/2000	19/7/2004	EUR	222,000,000	8.500%	107.10	7.937%
RHMF-O-049A	Republic of Croatia	20/9/2001	20/9/2004	EUR	200,000,000	6.500%	103.20	6.298%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	105.30	6.529%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	150,000,000	6.875%	104.20	6.598%
BLSC-O-051A	Belišće d.d.	17/1/2002	17/1/2005	EUR	17,000,000	7.375%	100.10	7.368%
PLAG-O-048A	Plava laguna d.d.	25/2/2002	25/8/2004	EUR	12,000,000	6.750%	100.30	6.730%

Source: ZSE.

**Table 3. Issue of International Bonds of the Republic of Croatia**

Bond	Currency	Amount	Nominal interest rate	Yield on issue day	Spread <sup>a</sup> 31/1/2002	Spread <sup>a</sup> 31/3/2002	Spread <sup>a</sup> 30/6/2002	Spread <sup>a</sup> 31/7/2002	Spread <sup>a</sup> 31/8/2002
London Club A	USD	857,796,000	6 month LIBOR + 81,25 b.p.	0	188	161	143	146	121
London Club B	USD	604,426,000	6 month LIBOR + 81,25 b.p.	0	204	157	142	137	107
Euro-dollar bonds, 2002	USD	300,000,000	7%	7.02%	153	-	-	-	-
Euro-DEM bonds, 2004	DEM	300,000,000	6.125%	6.20%	108	104	147	139	116
Eurobonds, 2006	EUR	300,000,000	7.375%	7.45%	143	124	150	146	127
Samurai bonds, 2004	JPY	25,000,000,000	4.00%	4.00%	...	...	...	...	...
Eurobonds, 2005	EUR	500,000,000	7.00%	7.06%	143	124	147	144	127
Samurai bonds, 2007	JPY	40,000,000,000	3.00%	3.00%	159 <sup>b</sup>				
Samurai bonds, 2006	JPY	25,000,000,000	2.50%	2.50%	160 <sup>b</sup>				
Eurobonds, 2011	EUR	750,000,000	6.75%	6.90%	167	148	158	174	158
Eurobonds, 2009	EUR	500,000,000	6.25%	6.45%	158	139	153	162	144
Samurai bonds, 2008	JPY	25,000,000,000	2.15%	2.15%			144 <sup>b</sup>	144 <sup>b</sup>	144 <sup>b</sup>

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

bond trading in the May-August period of 2002.

The market capitalization of corporate bonds reached HRK 214.3m at end-August. As their issues are of a relatively small value, their trading was only occasional and of insignificant value. No trading in bonds of Plava Laguna occurred since their issuance in February 2002, whereas the bonds issued by Belišće were traded sporadically, with the most recent transaction recorded in July.

The number of Croatian government bonds placed in foreign markets grew to 11 in June owing to a new issue of Samurai bonds totaling JPY 25bn (USD 206m), maturing in 2008

and bearing a nominal interest rate of 2.15%.

The total nominal value of all issues was HRK 35.6bn (USD 4.8bn) on 31 August 2002.

The spread on Croatian bonds in relation to benchmark German bonds fell in the first quarter of 2002, and fluctuated widely in the following months. As the fall in stock exchange indices on the world markets led to a rise in bond prices, the yield on German bonds declined faster than the yield on Croatian bonds, which resulted in a rise in the spread over June and July. As the decline in the yield on German bonds slowed down, the spread again narrowed in August.

Figure 58

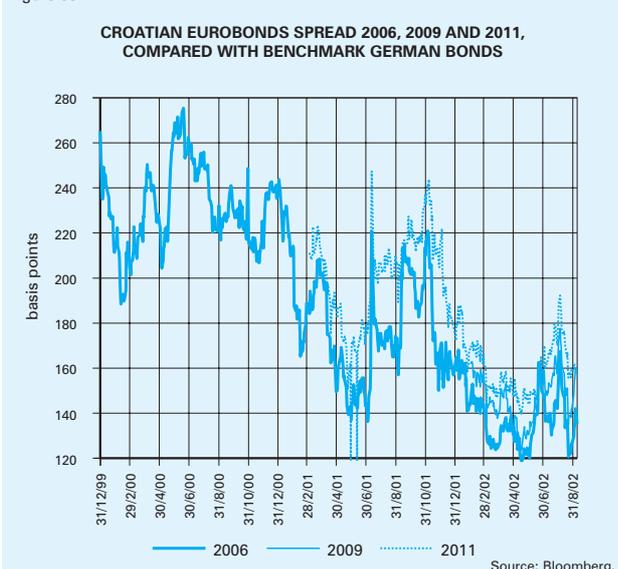
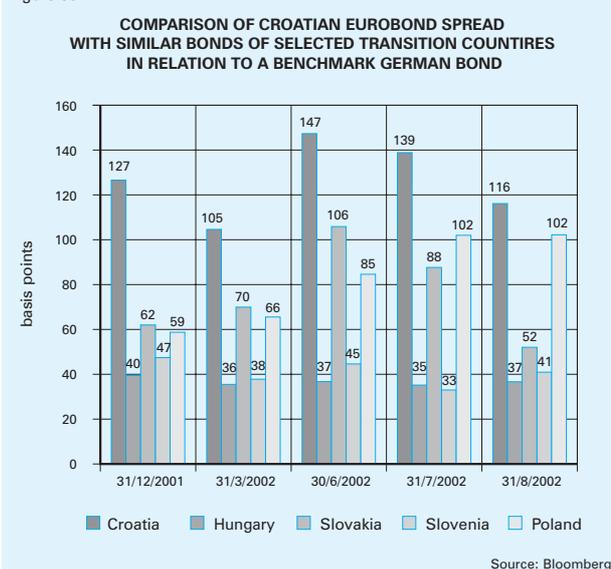


Figure 59



The Croatian, Slovak and Polish eurobond spread in relation to a benchmark German bond fluctuated widely in the observed period, whereas the Hungarian and Slovenian eurobond spread, which is the narrowest among the observed countries, recorded the slightest oscillations. This is the consequence of stronger economic stability of these two countries, which is visible in their closer correlation with the developments in the world exchanges.

## International Transactions

In the second quarter, i.e. in the first half of the year, international transactions were characterized by a rise in total volume of merchandise trade and external debt.

### Current Account

According to the preliminary data, the current account ran a deficit of about USD 638m (or 3% of GDP estimated for 2002) in the second quarter of 2002. In the past years, Croatia also had current account deficit in the second quarter, but this year's deficit decreased by about USD 150m compared to the second quarter last year. This can mainly be accounted for by last year's unusually large deficit due to more intense imports of cars and other equipment, which was discussed in one of the previous issues of the CNB Bulletin (No. 66, December 2001). In cumulative terms, balance of payment current account deficit amounted to USD 1.4bn in the first half of the year, which is the same as in the last year.

Croatia's merchandise foreign trade over the first seven months of 2002, shows changes as a result of a privileged access to the markets of the EU and CEFTA member states which was granted at the beginning of 2002. According to the preliminary data, merchandise trade deficit stood at USD 1.3bn, since exports of goods amounted to USD 1.2bn and imports of goods to USD 2.5bn. The deficit increased by USD 64m in the second quarter this year in comparison with the

second quarter of 2001. The only difference was that in the second quarter of 2001, there was a large imports of cars, and in the second quarter of 2002, a large imports of machinery and equipment. In comparison with the same period last year, exports increased by about USD 60m or 6% in nominal terms and imports by about USD 150m or 6% in nominal terms. In the first half of this year, a cumulative deficit in the goods account was USD 2.3bn, an increase of USD 200m (about 11%) relative to the deficit in the first half 2001.

In the last year, services account recorded an increased inflow from tourism as a result of the tourist season prolongation, which was the case this year as well. This trend reflected on the overall balance of payments services account. In addition to transportation and other services which remained at the same level as in the second quarter 2001, service trade surplus increased by USD 100m in the second quarter this year over that in the same period last year (when surplus stood at about USD 560m). According to the preliminary data, total balance in services account for the first half of 2002 shows a surplus of about USD 700m, which represents an increase of USD 130m (about 24%) in nominal terms compared to the first half of the last year. The effect of the US shutdown and a "fear of flying" following 11 September did not have considerable impacts on the overall developments in tourism in Croatia.

Physical indicators of tourism show uneven prolongation of the tourist season to months preceding the peak season (meaning April, May and June), whereas there have not been indications so far of a significant prolongation to months in the off-peak season (September, October). Additionally, the season prolongation to days around Easter is also recorded, but there is an evident difference between domestic and foreign tourist arrivals – domestic tourist arrivals remain high during entire May, whereas foreign tourist arrivals increased only around Easter. This could be accounted for by frequent state holidays in Croatia in May (1 and 30 May, until last year) and people's habits to carry over formal holidays into otherwise working days.

When data on tourist nights are compared, it is also evident that season is prolonged towards early season in the case of foreign tourists, whereas this is almost unnoticeable in the case of domestic tourists.

The estimate of average nights (total number of nights divided by total number of arrivals) by months for domestic and foreign tourists indicates that domestic tourists recorded more nights only at the peak season when they spent, on average, about six nights outside their residence, compared to only 2.5 nights in tourist facilities in the rest of the year. In other words, prior to the vacation season, domestic tourists take "prolonged weekends" off, while during the main part of their annual leave they spent 6 nights or 7 days on average outside their permanent residence. Foreign tourists have different distribution of average nights. The average number of foreign tourist nights was 3 nights on average in the off-season months, gradually increasing in the period from May to July when 7 nights on average were recorded, which persisted in August and September, only to fall gradually in October, reaching 3 nights again in November. The average number of

Figure 60

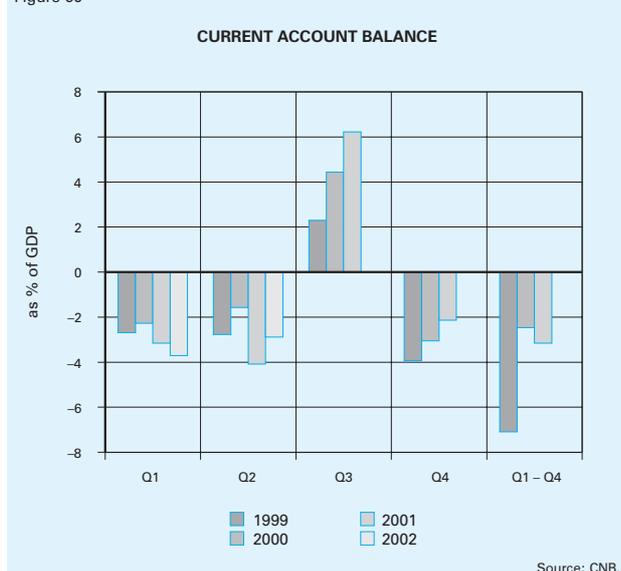
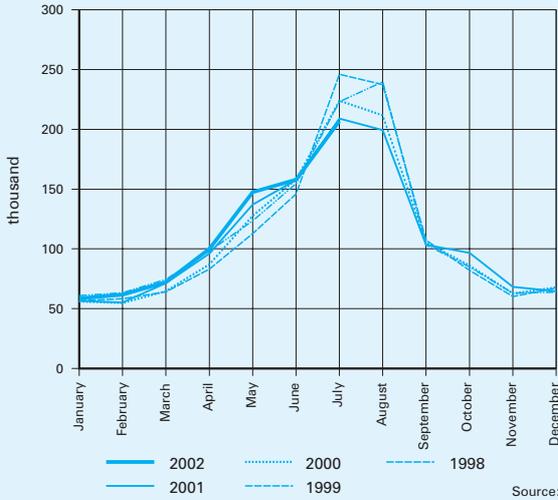


Figure 61

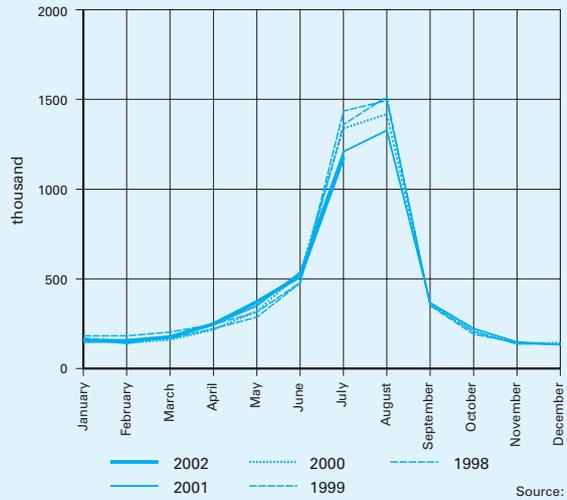
**DOMESTIC TOURIST ARRIVALS**  
including nautical tourism



Source: CBS.

Figure 64

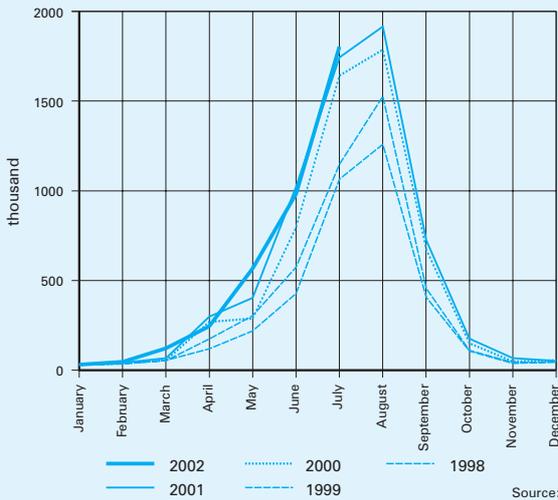
**FOREIGN TOURIST NIGHTS**  
including nautical tourism



Source: CBS.

Figure 62

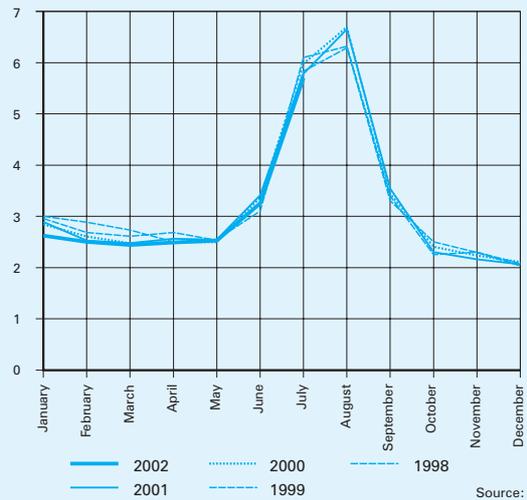
**FOREIGN TOURIST ARRIVALS**  
including nautical tourism



Source: CBS.

Figure 65

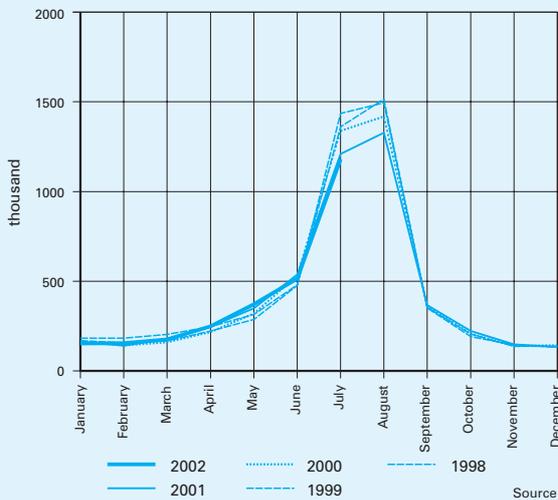
**AVERAGE NUMBER OF DOMESTIC TOURIST NIGHTS**  
including nautical tourism



Source: CBS.

Figure 63

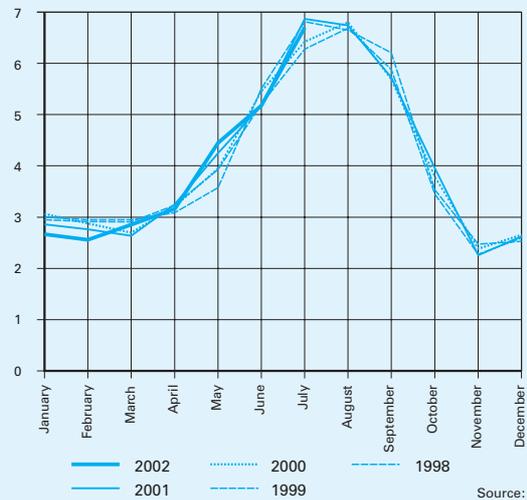
**DOMESTIC TOURIST NIGHTS**  
including nautical tourism



Source: CBS.

Figure 66

**AVERAGE NUMBER OF FOREIGN TOURIST NIGHTS**  
including nautical tourism



Source: CBS.

foreign tourist nights in the peak and off-peak season was larger by one in relation to a corresponding average number of nights by domestic tourists, which can be accounted for by a greater distance of foreign tourists from the destination (which stimulates them to book additional night) and a somewhat larger vacation budget.

The data also show that the number of tourist arrivals (total arrivals) stands at 2 million in July for the second consecutive year, indicating thus that tourist capacities are limited at the peak season. Additionally, it can also be observed that the number of (total) nights continues at 5.7 million, which may also be indicative of capacity limitation. This implies that, in the short-term, increased tourist revenues in the high season months (July, August, September) depend on the increase in tourists' extra spending (caused, primarily, by improved supply). In the long-run, however, tourist revenues depend on the renewal and expansion of the capacity in tourism – naturally, in accordance with the tourism development strategy in the following years.

An improved result in the services account in the second quarter this year managed to reduce deficit in the goods account, which remained at the level of the second quarter last year. The current transfers balance, which somewhat increased, compared to the same period last year (surplus of about USD 260m) contributed to the total current account amount in the second quarter. At the same time, income balance ran a deficit of about USD 70m, which is one fourth of that recorded in the same quarter last year. More specifically, there was no large dividend payments or repatriation of profit to foreign owners as it was the case last year.

## Merchandise trade

Developments in the Republic of Croatia's merchandise foreign trade over the first seven months of 2002 show that Croatia has not managed within such a short time to assess the privileged access to the markets of the EU and CEFTA member states, which was granted following the implementation of the free trade agreements on 1 January 2002. Naturally, a certain period of time is required before exports flows begin to follow the agreed deliveries, which makes this period too short for the analysis of the effects of the improved access to the EU and CEFTA markets. It is encouraging that the annual growth in capital goods continued a sort of investment cycle which started at the end of 2000. Since the movements in the Croatian exports of goods are primarily determined by the movements in manufacturing (in the period from January to July 2002, the goods exports in manufacturing accounted for 95.7% of total goods exports), the annual growth recorded in this activity, as well as the increased share of exports to the EU countries, may indicate that the restructuring of the Croatian economy continued at a slow pace, reflecting in the technological modernization of the certain segments of manufacturing, production capacity expansion and increase in labor productivity. In particular economic segments the facilitated access to the EU market contributed to a significant progress (for example, a large increase in sugar exports). Nevertheless, the violation of the provisions of the Interim Agreement between

the Community and Croatia, particularly as regards sugar exports was also recorded, which can jeopardize the potentials offered by this Agreement.

The average monthly level of seasonally adjusted real trend of goods imports in terms of the kuna, excluding other transport equipment, recorded from January to July 2002 (HRK 6bn), rose by 5.5% over that recorded during the same period last year (HRK 5.7bn). The same indicator of goods exports shows a 2.2% annual fall.

The annual growth in goods exports, according to the NCEA (original data), over the first seven months in 2002 was recorded in manufacturing (7.4% increase), fishing (87.9%), and mining and quarrying (12.7%, which is primarily a result of increased exports of crude petroleum and natural gas). Increase in manufacturing exports can to a greatest extent be accounted for by increased exports of other transport equipment (25.8% annual growth, of which the largest part is related to exports of ships), radio, television and communication equipment and apparatus (68.4%), food and drink (31%), and machinery and equipment (36.2%). A detailed analysis of the food section from the SITC, indicates a strong annual growth in sugar exports (from USD 12.2m in the first seven months of 2001 to USD 31.6m over the same period in 2002, which represents a 159.9% growth). The same classification shows that the annual growth in goods imports results from the growth in imports of general industrial machinery (32.7%), electrical machinery, apparatus and equipment (32.3%) and specialized machinery for particular industrial activities (38.3%).

Viewed by economic classification of countries, over the first seven months of 2002, Croatia placed 61.1% of its total goods exports in terms of US dollars to developed countries. The annual increase in the value of exported goods of 6.8% was also recorded. USD 1.6bn or 56.7% of the Croatia's total exports was placed to EU countries. Germany, Italy and Austria remained Croatia's main trading partners. Exports to Italy and Austria recorded the average growth of 28.3% from January to July 2002, whereas goods exports to Germany declined

Figure 67

**MERCHANDISE EXPORTS (f.o.b.) AND IMPORTS (c.i.f.) AND TREND**  
other transport equipment excluded, at constant prices,  
December 1999 = 100



Source: CBS.

**Table 4. Croatian Merchandise Exports and Imports by Economic Classification of Countries, shares in percentages**

<b>Merchandise exports</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Jan. – Jul. 2001</b>	<b>Jan. – Jul. 2002<sup>a</sup></b>
1. Developed countries	61.9	63.6	61.9	54.2	54.8	52.4	56.9	60.1	61.7	61.2	61.1
EU	57.6	59.0	57.8	50.3	50.2	47.7	49.0	54.5	54.1	54.3	56.7
Austria	3.3	3.5	4.4	4.3	5.4	5.5	6.4	6.6	5.7	5.7	8.0
Italy	21.2	21.2	23.6	21.1	18.7	17.7	18.0	22.3	23.7	23.1	26.6
Germany	23.1	22.2	21.5	18.1	18.3	16.9	15.7	14.3	14.8	15.7	12.3
EFTA	1.1	1.5	1.3	0.9	1.2	1.8	3.5	1.0	1.1	1.1	0.8
Other developed countries	3.2	3.0	2.8	3.0	3.4	3.0	4.4	4.6	6.5	5.8	3.6
2. Developing countries	38.1	36.4	38.1	45.8	45.2	47.6	43.1	39.9	38.3	38.8	38.9
CEFTA	21.4	16.8	17.7	17.6	16.5	13.2	13.5	13.8	12.1	12.3	11.4
Slovenia	18.1	12.8	13.6	13.5	11.9	9.5	10.6	10.8	9.1	9.3	8.2
BIH	4.9	7.7	8.4	12.3	15.7	14.4	12.7	11.2	12.0	11.5	13.5
Yugoslavia	0.0	0.0	0.0	0.3	0.2	0.4	0.6	2.4	3.2	3.6	3.4
Ukupno (1+2)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Merchandise imports</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>Jan. – Jul. 2001</b>	<b>Jan. – Jul. 2002<sup>a</sup></b>
1. Developed countries	63.5	68.1	70.1	67.5	69.0	69.3	66.7	64.7	65.5	65.8	65.1
EU	56.6	59.7	61.9	59.4	59.5	59.3	56.6	55.4	65.5	56.5	56.1
Austria	6.7	6.8	7.6	7.7	7.8	7.3	7.1	6.7	7.0	6.8	6.9
Italy	18.9	19.1	18.1	18.4	18.7	17.9	15.9	16.6	16.9	17.3	17.0
Germany	21.3	21.6	20.0	20.2	20.4	19.1	18.5	16.5	17.6	17.5	16.3
EFTA	1.9	2.4	2.7	2.3	2.7	2.8	2.6	2.4	2.1	2.0	2.2
Other developed countries	5.0	6.0	5.6	5.9	6.8	7.2	7.5	7.0	6.9	7.3	6.8
2. Developing countries	36.5	31.9	29.9	32.5	31.0	30.7	33.3	35.3	34.5	34.2	34.9
CEFTA	20.3	15.9	16.9	17.3	15.0	15.2	13.8	14.8	15.0	14.6	16.0
Slovenia	15.3	10.0	10.8	9.9	8.2	8.7	7.9	7.9	7.9	7.9	8.0
BIH	0.3	0.1	0.1	0.8	1.5	1.8	1.5	1.0	1.4	1.3	1.5
Yugoslavia	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.4	0.4	0.5
Total (1+2)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup> Preliminary data.  
Source: CBS.

by 16.5% in the same period. Total exports to CEFTA countries over the first seven months of 2002 remained at the last year's level. Exports to Slovenia (the most important foreign trade partner within the CEFTA with the 8.2% share in total goods exports over the first seven months of 2002) recorded a 5.6% annual fall. Goods exports to Bosnia and Herzegovina increased by 25.1%, and it should be noted that Bosnia and Herzegovina accounted for as much as 13.5% of total goods exports. The annual growth in goods imports was recorded in the trade with all EU member states, apart from Great Britain, Finland and Greece. Imports from all CEFTA countries also increased (21.4% average annual growth). A 65.2% fall in imports was recorded in the trade with OPEC countries (it primarily refers to the decreased value of crude oil imports).

## Foreign Direct Investments

According to the latest *World Investment Report* (annual UNCTAD publication on international private capital flows), total world foreign direct investments in 2001 were reduced by half compared to 2000. Since the majority of foreign direct investments originates from the developed countries, especially the USA, it is clear that a slowdown of economic activity in the developed countries, as well as the events following 11 September 2001 and recession in the USA, are the main reason for this. As developed countries are also the main recipients of foreign direct investments (in the last few years, EU countries in particular), a long-lasting trend of income reduction in these countries, completion of the consolidation pro-

cess and take-over of companies and banks in the EU, as well as safety problems, significantly influenced the reduction in foreign direct investments in these countries.

However, such a drastic reduction in total world foreign direct investments did not occur in Central Europe, particularly in the countries from the first and second round of EU accession – foreign direct investments in these countries even increased. A partial reason for this increase is the fact that the European banks and financial institutions presently return again to Eastern Europe following the completion of the banking and other financial sector consolidation process in the EU, which – after the completion of the corporate sector consolidation in the EU (following the creation of the common market) and withdrawal from Eastern Europe after the Russian crisis (1997/1998) – was focused on itself, making efforts to improve the efficiency and adjustments to new conditions (i.e. cost reduction and scope of work extension) created by the introduction of the new common currency. This can also partly be accounted for by the fact that return on capital in Central European countries is still higher enough compared to the EU, whereas risks in these countries have been decreasing as the actual EU accession approaches. Another reason for foreign direct investments of non-European countries in Central European countries resembles a huge investment boom in the European Economic Community member states in the early 1990s, which actually represented the investment in the common market which was being created at that time – the same case is today with the candidates for EU membership.

In Croatia, relative to other transition countries, the level

Table 5. FDI in Transition Countries at the end of 2001, in million USD

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total	Population	pcFDI
Bulgaria	4.0	55.9	41.5	40.0	105.4	90.4	109.0	504.8	537.2	806.1	1,002.0	689.0	3,985.3	8.3	481.3
Czech R.	n.a.	n.a.	n.a.	654.3	869.0	2,562.0	1,428.0	1,300.0	3,718.0	6,324.0	4,986.0	4,916.0	26,757.3	10.3	1,405.2
Estonia	n.a.	n.a.	82.3	162.2	214.4	201.5	150.2	266.2	580.5	305.2	387.3	538.0	2,887.9	1.5	1,345.1
Hungary	n.a.	1,462.1	1,479.2	2,349.7	1,144.1	4,518.6	2,274.1	2,167.0	2,037.1	1,976.5	1,691.8	2,414.0	23,514.1	10.1	1,809.9
Latvia	n.a.	n.a.	29.4	45.1	214.5	179.6	381.7	521.1	356.9	347.6	407.4	200.7	2,683.9	2.5	855.0
Lithuania	n.a.	n.a.	n.a.	30.2	31.3	72.6	152.4	354.5	925.5	486.5	378.9	446.0	2,877.8	3.7	554.8
Poland	89.0	291.0	678.0	1,715.0	1,875.0	3,659.0	4,498.0	4,908.0	6,365.0	7,270.0	9,342.0	8,830.0	49,520.0	38.7	837.3
Romania	n.a.	40.0	77.0	940.0	341.0	419.0	2,630.0	1,215.0	2,031.0	1,041.0	1,025.0	1,137.0	10,896.0	22.5	241.7
Slovakia	n.a.	n.a.	n.a.	198.8	269.9	236.1	350.8	173.8	562.1	354.3	2,052.5	1,475.0	5,673.3	5.4	365.0
Slovenia	n.a.	n.a.	111.0	112.6	128.1	177.4	194.0	375.2	247.9	181.2	175.5	441.8	2,144.7	2.0	647.8
Croatia	n.a.	n.a.	n.a.	120.3	117.0	114.2	510.8	532.9	932.4	1,479.0	1,114.9	1,442.0	6,363.5	4.5	810.8

Sources: IMF, IFS CD-ROM; UNCTAD, *World Investment Report 2002*.

of foreign direct investment per capita is rather high. However, the highest level of foreign direct investment in the period from 1990 to 2001 was recorded in Hungary (USD 1,810 per capita), followed by the Czech Republic (USD 1,405), Estonia (USD 1,345), Latvia (USD 855), Poland (USD 837) and Croatia in the sixth place with USD 810 per capita. When the share of foreign direct investment in average GDP is analyzed, the order does not change considerably – the difference between the FDI in the Czech Republic and Hungary is diminished, and Hungary remains in top position accounting for about 40% of foreign direct investment in average GDP, whereas Croatia with almost 20% share precedes Slovakia and Slovenia.

In the early 1990s, Croatia was given a wide berth due to the war and uncertainty. From 1993 to the end of 2001, Croatia attracted foreign direct investment totaling USD 6.6bn in nominal terms, and in the first half of 2002 it rose to a total of USD 7bn, with the inflow of about USD 0.4bn. This is mainly a consequence of privatization, and the largest inflow of foreign exchange, reaching USD 1.5bn (the first round of Croatian Telecom privatization), occurred in 1999.

In the period from 1993 to 2001, about 65% of the total foreign direct investment can be accounted for by three activities: telecommunications (29%), other financial intermedia-

tion (17%) and pharmaceutical products (15%). In the first half of 2002, the investment structure by sectors was the following: financial intermediation (69% – privatization of Dubrovačka banka and Splitska banka, and the first tranche of the new privatization of Riječka banka), hotels and motels (about 9% – privatization of Sunčani Hvar and some other hotels), business and management consulting (5.5%), and pharmaceutical products (5%).

The largest investors in Croatia in the 1993-2001 period were the USA with a total of USD 1.11bn invested so far, Germany with USD 1.06bn, Austria with USD 890.2m, followed by Italy and the Netherlands. The largest investors in Croatia in the first half of 2002 were Austria, Italy, Luxembourg, the Netherlands and Germany.

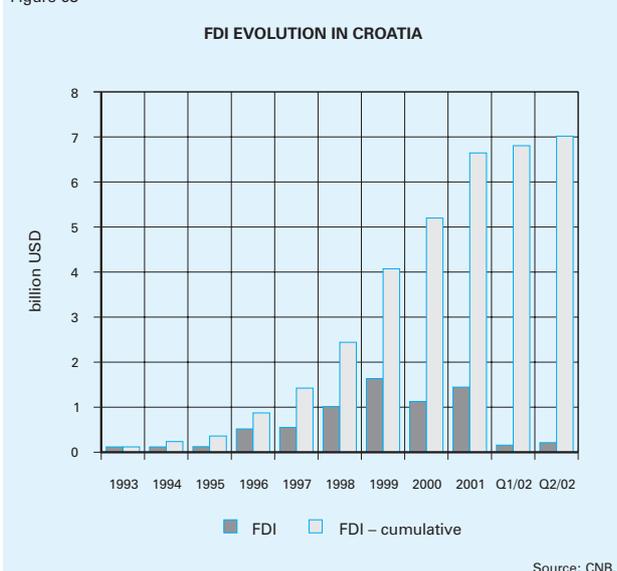
## External Debt

External debt of the Republic of Croatia stood at USD 13.3bn at end-July 2002. Compared to the debt recorded at the end of 2001, the external debt went up by USD 2.1bn or 18.6%, and the effect of the negative cross-currency developments amounted to USD 0.9bn. More specifically, Croatia repaid USD 1.4bn of principal and USD 0.3bn of interest on the external debt and it took USD 2.5bn of new loans. The external debt thus increased by USD 1.2bn in net terms (of which USD 0.6bn relates to banks, USD 0.3bn to government, and USD 0.3bn to other sectors of debtors). Depreciation of the US dollar exchange rate against the euro and other currencies in which the Croatia's external debt is mainly denominated, caused a nominal increase in the external debt of USD 913.9m over the first seven months of 2002.

Assuming that the external debt level will not change significantly to the end of 2002 compared to that recorded at end-July and compared to the estimated GDP for 2002, Croatia with its debt accounting for less than 60% of GDP is still a moderately indebted country. Hungary and Slovakia had a comparable ratio of external debt to GDP in 2001 amounting to about 60% or 56%, respectively, whereas in Slovenia, the Czech Republic and Poland the debt does not exceed 40% of GDP.

However, in order for the external debt to be sustainable in the long run, its growth rate must be lower than the growth rate of GDP (total production in the country is the basis for the foreign trade and debt repayment) and the growth rate of

Figure 68



**Table 6. External Debt of the Republic of Croatia by Debtor, end of period, in million USD and %**

	1998	1999	2000	2001	Jul. 2002	Structure					Index			
						1998	1999	2000	2001	Jul. 2002.	1999/98	2000/99	2001/00	Jul./2002/01
1. Monetary sector	234	197	159	122	111	2.4	2.0	1.4	1.1	0.8	84.0	80.7	77.0	90.8
2. Government	3,395	3,973	4,795	5,012	5,723	35.4	40.2	43.6	44.8	43.1	117.0	120.7	104.5	114.2
of which: London Club	1,405	1,381	1,255	1,106	957	14.7	14.0	11.4	9.9	7.2	98.3	90.9	88.1	86.5
3. Banks	2,266	1,954	1,597	1,829	2,537	23.6	19.8	14.5	16.3	19.1	86.3	81.7	114.5	138.7
of which: Currency and deposits	615	538	433	634	1,268	6.4	5.4	3.9	5.7	9.5	87.5	80.5	146.4	200.2
4. Other sectors (enterprises)	3,215	3,208	3,336	3,109	3,580	33.5	32.5	30.3	27.8	27.0	99.8	104.0	93.2	115.2
5. Direct investment	476	540	1,115	1,124	1,331	5.0	5.5	10.1	10.0	10.0	113.3	206.4	100.8	118.5
Total (1+2+3+4+5)	9,586	9,872	11,002	11,196	13,283	100.0	100.0	100.0	100.0	100.0	103.0	111.4	101.8	118.6

Source: CNB.

**Table 7. External Debt and Projected Future Principal Payments by Debtor, in million USD**

	Outstanding debt as of 31/7/2002	Nonreported principal payments	Projected future principal payments										
			Q3/2002	Q4/2002	2002	2003	2004	2005	2006	2007	2008	2009	Other
1. Direct Investments	1,331.5	140.1	28.7	76.4	105.1	192.6	126.9	256.3	280.9	127.8	24.8	14.9	62.1
2. Government	5,722.8	17.7	16.0	41.8	57.9	340.9	805.8	806.4	819.9	570.9	438.7	714.5	1,150.1
3. Croatian National Bank	111.0	0.0	3.2	14.4	17.6	35.2	35.2	13.6	6.3	3.2	0.0	0.0	0.0
4. Banks	2,537.1	80.9	38.8	70.9	109.7	468.0	182.4	111.9	104.6	64.9	58.1	60.6	1,295.9
5. Other sectors	3,580.3	468.3	108.1	236.3	344.3	584.4	590.4	358.7	378.7	351.2	164.3	122.9	217.0
Total (1+2+3+4+5)	13,282.7	706.9	194.8	439.7	634.5	1,621.1	1,740.7	1,546.9	1,590.5	1,117.9	685.8	913.0	2,725.2
Supplement:													
Projected interest payments		91.3	57.6	106.9	164.5	578.9	506.1	409.7	313.1	228.4	164.6	135.6	186.0

Source: CNB.

goods and services exports (providing foreign exchange for the external debt repayment). From that point of view, the current growth rate of external debt is not sustainable in the long run and the debt dynamics should thus be more compliant with the dynamics of GDP and exports of goods and services.

According to the CNB records for the period between August and December 2002, Croatia will have to repay USD 635m of principal and USD 165m of interest. Taking into account the already repaid principal in the first seven months, Croatia will have serviced by the end of 2002, a total of USD 2bn of the external debt principal, of which USD 0.6bn concerns government obligations. The projections of principal repayment for the following four years indicate that the maturing annual amounts of external debt principal are on the decline in comparison with 2002 (they range between USD 1.6 and 1.7bn). The government obligations are reduced for 2003, but they increase for 2004.

The government issued eurobonds in the European market in the amount of EUR 500m (about USD 500m) in the first quarter, whereas it issued Samurai bonds in the Japanese market amounting to JPY 25bn (USD 207m).

The debt servicing capability should be viewed in relation to other macroeconomic indicators. A real GDP growth in the last two years, the acceleration of investment consumption and reduction of public (government) consumption are encouraging indicators in this regard. Croatia can count on significant revenues from the former state property privatization for two or three years at the most; they have partly been used so far to service the external debt to a great extent. On the other hand, the Croatia's results in goods exports are considerably below its potentials, which implies that the competitiveness level should be constantly improved and that a range

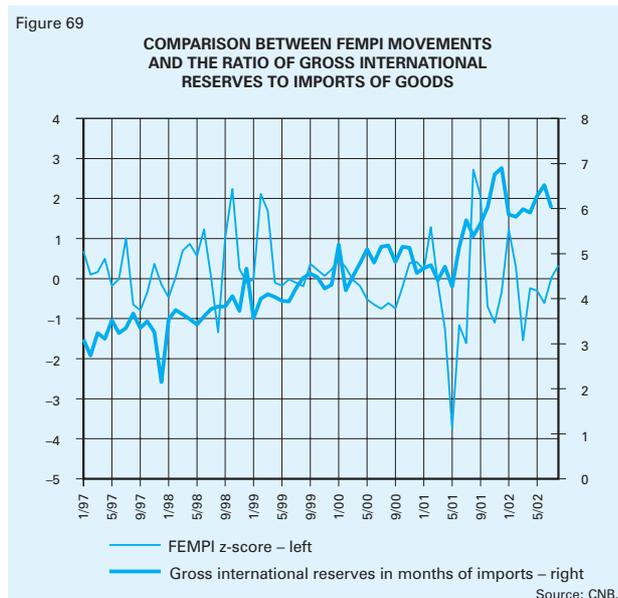
of products that Croatia successfully exports to the world markets should be expanded. A larger profit earning in merchandise foreign trade will facilitate servicing of the existing debt and reduce the need for further borrowing abroad. The Croatia's future capability to service its external debt in time and without major difficulties will primarily depend on the continuation of reform implementation, economic restructuring and consumption restraint (which mainly refers to budget deficit reduction).

## International Liquidity

Croatia's international liquidity improved in the first half of the year and it fluctuated less than in the last year's summer months. This can be observed by the movements in the foreign exchange market pressure index (FEMPI) (weighted average of the depreciation rate of the kuna exchange rate against the euro and the rate of reduction of gross international reserves, using standard deviations as weights), which is adjusted for the deviations from the mean and divided by the standard deviation (the FEMPI z-score variable is thus obtained) relative to the movements of a traditional international liquidity indicator – ratio of gross international reserves to imports (although the ratio of gross international reserves to imports of goods and services is generally used, monthly imports of goods at the CBS c.i.f. parity is used here).

Movements in the ratio of gross international reserves to months of imports suggest that Croatia's international liquidity is improving – from the end of 2001, international reserves cover the six months of imports of goods. If the movements in the FEMPI are analyzed, which stabilized and is around zero following the large fluctuations over the last year's summer months (implying that depreciation rates and rates of changes

Figure 69



in reserves are at the average level recorded in January 1995 – August 2002 period), it can also be concluded that international liquidity is improving.

Nevertheless, both indices should be taken into account. If only the ratio of international reserves to imports is monitored, it can be noted that its movements do not point to foreign exchange market pressures (e.g. at the beginning of 1999 and at the end of 2000), but the FEMPI clearly demonstrates them.

The long-term changes in international liquidity of a country, as well as of any economic entity, depend also on the long-term solvency. More specifically, even if unfavorable shocks for international liquidity occur, a country can always sell its international financial assets (such as international reserves) in order to provide liquidity. However, in case a country continues to pile up obligations (i.e. to take loans), international financial assets are used not only for the provision of extra liquidity, but also to cover growing foreign debts. An excessively fast external debt growth can jeopardize the long-term solvency of a country, and thus become a long-term restriction on country's international liquidity.

## Government Finance

### Budget Highlights in the Second Quarter of 2002 and Expectations through end-2002

A consistent comparison between the consolidated central government deficits (exclusive of capital revenues) in 2002 and 2001 requires the inclusion of the deficits generated by state agencies Croatian Roads (CR) and Croatian Highways (CH), which were completely excluded from the budget at the beginning of 2002. The deficit of the state agencies for construction and maintenance of highways and roads totaled HRK 0.2bn in the first half of 2002. Hence, a comparable consolidated central government deficit on an accrual basis – after adjustment for the settled financial obligations of certain

public enterprises that have been classified as subsidies, and the inclusion of a net increase in government arrears of HRK 0.2bn – amounted to HRK 4.2bn in the first half of 2002 and was 5.2% higher in nominal terms than it was in the first half of 2001.

Major investments in highway construction clearly indicate that the government's preferences have changed with regard to the structure of its spending. Compared with 2000 and 2001, when current expenditures accounted for most government spending, the share of capital expenditures in total expenditures has grown significantly in 2002.

The two newly established extrabudgetary funds (the Development and Employment Fund and the Regional Development Fund) started their operations in the second quarter of 2002. In the first half of the year, their revenues totaled HRK 1.0bn: HRK 0.7bn from privatization revenues and HRK 0.3bn transferred from the central government budget. The revenues and expenditures of these two funds are balanced, and most of their total expenditures (over 65%) are subsidies and capital transfers to non-financial public enterprises.

According to the CNB statistics, the total consolidated central government debt grew by HRK 2.4bn to HRK 68.8bn in the first half of 2002. In the same period, government guarantees fell by HRK 1.0bn, net foreign debt reached HRK 0.6bn, while the government debt on the domestic market rose by HRK 1.9bn. Net subscriptions for T-bills and net banking loans grew, by HRK 0.9bn and HRK 0.8bn respectively.

In the fourth quarter of 2002 the government is expected to increase mostly its domestic debt by issuing long-term "pension fund" bonds and by other short-term borrowing. This is caused by the likely shortfall in the collection of old tax receivables of HRK 2.5bn, an estimated shortfall in privatization revenues of HRK 0.6bn, and a potential breach of the consolidated central government deficit target. We estimate that the general government budgetary deficit will exceed 6.0% of GDP in 2002. The exchange rate fluctuations were not intense over the summer months. Substantial CH borrowing in the foreign market did not affect the exchange rate because the majority of foreign exchange funds was directly channeled to foreign construction firms.

### The Outturn of the Consolidated Central Government Budget

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

Total consolidated central government deficit on a cash basis, exclusive of capital revenues, reached HRK 3.7bn in the first half of 2002, which is a 14.3% reduction compared with the first half of 2001. The deficit on an accrual basis stood at HRK 3.9bn in the first half of 2002, which is an increase of 6.1% over that in the corresponding period of 2001. This growth in the deficit on an accrual basis was caused by the new arrears incurred in the first six months of 2002 of HRK 0.2bn. After adjustments for the deficit outturns of CH and CR and the settled financial obligations of certain public enterprises that have been classified as subsidies, the consoli-

**Table 8. Balances of the Consolidated Central Government Budget, in million HRK and %**

	2001			2002			2002/2001
	Q1	Q2	Jan. – Jun.	Q1	Q2	Jan. – Jun.	Jan. – Jun.
Revenues and grants	14,409	16,845	31,254	14,611	18,059	32,670	4.5%
Expenditures and net lending	17,752	17,657	35,409	17,225	18,312	35,537	0.4%
Deficit on a cash basis	-3,344	-812	-4,156	-2,614	-253	-2,867	-31.0%
Capital revenues	56	96	152	62	765	827	442.9%
Deficit on a cash basis excluding capital revenues	-3,400	-908	-4,308	-2,676	-1,018	-3,694	-14.3%
Net changes in arrears	457	142	599	285	-525	-240	-
Deficit on an accrual basis	-2,943	-766	-3,709	-2,391	-1,543	-3,934	6.1%
Repayments classified as subsidies	240	80	320	32	64	96	-70.0%
Deficit on an accrual basis as defined in the Letter of Intent	-3,183	-846	-4,029	-2,423	-1,607	-4,030	0.0%
Balance of state agencies CH and CR	0	0	0	-161	-47	-208	-
Deficit on an accrual basis as defined in the Letter of Intent and adjusted for CH and CR	-3,183	-846	-4,029	-2,584	-1,654	-4,238	5.2%

Source: MoF.

**Table 9. Calculation of the Primary Deficit of the Consolidated Central Government Budget, in million HRK and %**

	2001			2002			2002/2001
	Q1	Q2	Q1 and Q2	Q1	Q2	Q1 and Q2	Q1 and Q2
Total deficit of the consolidated central government budget (without capital revenues)	-3,400	-908	-4,308	-2,676	-1,019	-3,695	-14.2%
Total deficits of CH and CR budgets	0	0	0	-161	-47	-208	-
Deficit on a cash basis adjusted for CH and CR	-3,400	-908	-4,308	-2,837	-1,066	-3,903	-9.4%
Net changes in arrears	457	142	599	285	-525	-240	-140.1%
Deficit on an accrual basis adjusted for CH and CR	-2,943	-766	-3,709	-2,552	-1,591	-4,143	11.7%
Interest payments in the consolidated central government budget	1,433	389	1,822	1,592	309	1,901	4.3%
Interest payments in CH and CR budgets	0	0	0	4	5	9	-
Primary deficit of the consolidated central government budget on an accrual basis adjusted for CH and CR budgets	-1,510	-377	-1,887	-956	-1,277	-2,233	18.3%

Source: MoF.

dated central government deficit on an accrual basis stood at HRK 4.2bn in the first half of 2002, 5.2% more in nominal terms than in the same period last year. Hence, the picture of the budget outturn in the first half of 2002 differs from that in the same period of 2001: e.g. the deficit on a cash basis fell by 14.3% while the deficit on an accrual basis rose by 5.2% after adjustments for invoiced arrears, settled financial obligations of certain public enterprises that have been classified as subsidies, and operations of CH and CR, which were excluded from the budget at the beginning of 2002.

In the first half of 2002, the primary deficit on a cash basis adjusted for the CH and CR budgets reached HRK 2.0bn, 22.0% less in real terms than in the corresponding period of 2001. On an accrual basis, it moved in the diametrically opposite direction, being 15.4% higher in real terms compared with that in the same period last year.

## Consolidated Central Government Revenues

The total consolidated central government revenues and grants (exclusive of capital revenues) reached HRK 32.7bn in the first half of 2002, HRK 1.4bn more than in the same period of 2001. This reflects a 4.5% growth in nominal terms. The inclusion of revenues of the state agencies for the construction and maintenance of roads and highways (CH and CR),<sup>11</sup> which were completely excluded from the budget at the beginning of the year, increases the consolidated central

government revenues by 1.5bn to a total of HRK 34.2bn.

Adjusted for the CR and CH revenues, tax revenues were HRK 1.8bn (6.1% in nominal terms) higher in the first half of 2002 than in the corresponding period of 2001. Such a slight increase, compared to the one projected, may be attributed to a number of factors. Revenues from excises on tobacco products did not grow as much as expected despite administrative measures to decrease the “gray” economy in the cigarette market.<sup>12</sup> Furthermore, non-tax revenues, which reached HRK 1.5bn, were somewhat below those planned for the first half of 2002. The annual amount planned for 2002 was HRK 3.6bn after the ministries’ own revenues have been included in the government budget at the beginning of the year. A shortfall in revenues from the above mentioned items was partially offset in the first half of 2002 by high inflows from profit tax (32.4% increase in nominal terms) and considerable revenues from customs duties, which were generated despite the decrease in customs tariffs following Croatia’s WTO accession. In addition, income tax revenues fell less than expected probably because of the growth in the average gross wage of 4.0% (1.8% in real terms) in the first six months of 2002 and a still hidden but probable employment growth in the crafts sector. In the first half of 2002, VAT revenues were HRK 0.3bn above those in the same period of 2001 (3.1% growth in nominal terms), and are expected to reach the planned amount of HRK 24.0bn by the year-end.

11 CH and CR generate revenues from road tolls, a part of excises on refined petroleum products and a part of retail sales tax.

12 For example, customs administration has been authorized to cover the entire territory of Croatia in order to, among others, decrease the turnover on the “gray” cigarette market.

Revenues from excises (excluding excises on refined petroleum products) were 4.8% higher in nominal terms (an inflow of HRK 1.5bn) in the first half of 2002 than in the first half of 2001. An increase in excises on beer from HRK 120 to HRK 160 per hectoliter led to its reduced consumption. In the first half of 2002, revenues from excises on beer were 48.2% over those in the same period last year, whereas revenues from excises on tobacco products were only HRK 30m above those in the corresponding period of 2001 (3.0% increase in nominal terms). This will be insufficient for the realization of the MoF plans to increase these revenues by HRK 0.3bn in 2002 compared with 2001 by using administrative measures. The preliminary data for July and August 2002 do not show a significant growth in these revenues. Revenues from excises on refined petroleum products went up nominally by 31.2% in the first half of 2002 compared with the same period of 2001, with total revenues to the government budget of HRK 1.5bn and an outflow to CH and CR of HRK 1.0bn.

Net social security contributions (without those paid by the central government) recorded a 1.4% increase in nominal terms in the first half of 2002 compared with the first half of 2001. This resulted from a higher increase in revenues from health insurance contributions (8.6% in nominal terms) and employment contributions (9.0% in nominal terms) and a lesser than expected outflow of pension insurance contributions to the second pillar (5.2% in nominal terms). Social security contributions are expected to reach some HRK 22.0bn at the annual level. Within a comprehensive reform of the labor-social system, which aims at creating a more flexible labor market, it was projected that the obligation to pay contributions would be extended to all forms of employment starting from July 2002. The next step of the reform projects a further decrease in pension and health contributions, which would reduce labor costs. The extension of the obligation to pay contributions has been postponed until the beginning of 2003, which will influence the budget outturn in 2002.

### Consolidated Central Government Expenditures

In the first half of 2002, total consolidated central government expenditures on a cash basis stood at HRK 35.5bn, up HRK 0.1bn or 0.4% in nominal terms over those in the same period of 2001. In this period, the government incurred net arrears of HRK 0.2bn, which increased its total expenditures on an accrual basis to HRK 35.7bn. In the corresponding period of 2001, the government settled net arrears of HRK 0.6bn. Thus the consolidated central government expenditures grew by HRK 0.9bn on an accrual basis.

After adjustment for the expenditures of CR and CH, the increase in total comparable expenditures of the central government budget amounts to HRK 1.9bn or 5.2% in nominal terms. In the text below we comment on the outturn of individual expenditure items after the consolidated central budget is adjusted for the CH and CR budgets.

Expenditures for other goods and services (cash basis) fell by 8.6% in nominal terms in the first half of 2002 compared with the same period of 2001. Such developments are not in line with the budget projected by the MoF. Still, as these ex-

penditures are subject to discretionary measures, it may be assumed that they will be rationalized by the year-end.

Public debt settlement rose by only 4.8% in nominal terms in the first half of 2002 compared with the same period of 2001. The depreciation of the American dollar reduced the kuna value of interest payments. Hence, it seems that outlays for interest payments will be below the planned annual amount.

Subsidies and other current transfers reached HRK 17.0bn in the first half of 2002, which is a 5.2% increase in nominal terms compared with the same period last year. In this period, subsidies declined by 13.1% in nominal terms. This may indicate a change in the seasonal pattern of budgetary expenditures, and therefore fail to indicate movements in subsidies over the year. Due principal payments that the government budget executes on behalf of certain public enterprises without reimbursement, which have been classified as financing, should be reclassified as subsidies. After this reclassification, subsidies were even lower in the first half of 2002 than in the same period last year, by 21.4% in nominal terms.<sup>13</sup> Pursuant to the government decision, shipyards will be rehabilitated, i.e. their debt will be taken over by the government. However, the budget will not be burdened by these expenses in 2002. Budgetary support to shipyards should be some HRK 1.2–2.0bn in 2003. Since the establishment of the state treasury and a new reporting method, current transfers of the government budget have been presented in summary form, which hinders the analysis of outlays for pensions, health and child benefits.

### Wages

The wage bill in the government sector stood at HRK 8.8bn in the first half of 2002, 2.6% less in nominal terms than in the same period of the previous year. This reduction is insufficient to keep the wage bill within the projected annual framework. It is expected that the net wage bill will exceed the planned annual amount by more than HRK 0.4bn. The announced government intention to cut employment in two ministries (Ministry of Defense and Ministry of the Interior) has not yet been realized.

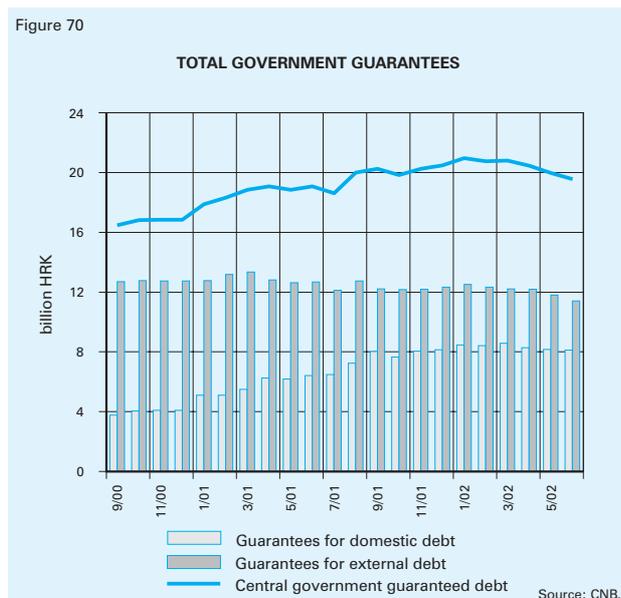
### Financing

According to the CNB statistics, the consolidated central government debt totaled HRK 68.8bn at end-June 2002. On a semi-annual level, total debt grew by HRK 2.4bn compared with end-2001. Government guarantees fell by HRK 1.0bn in the first half of 2002, which shows a reversal in the trend of government operations in comparison with that in previous periods. For example, in the first six months of 2001, government guarantees rose by HRK 2.2bn.

Potential government debt, i.e. total public debt together with government guarantees, reached HRK 88.4bn at end-June 2002, which is HRK 1.5bn more than in December 2001.

<sup>13</sup> The amount of financial obligations, which have been reclassified as subsidies, was greater in 2001 than in 2002.

Figure 70



### Central Government External Debt

The external debt of the consolidated central government fell by HRK 1.0bn in the second quarter of 2002, and stood at HRK 42.0bn. Its net increase in the first half of 2002 reached HRK 0.6bn, which is a 1.4% growth compared with the external debt level at end-December 2001. With regard to the structure of the external debt increase, the net issue of bonds accounts for two thirds of the increase (HRK 0.4bn) and net borrowing from banks accounts for one third (HRK 0.2bn). In the first half of 2002, external bond placements totaled HRK 5.7bn (HRK 3.8bn or EUR 0.5bn worth of eurobonds and HRK 1.9bn or JPY 25bn worth of Samurai bonds). External sources of finance projected for the second half of 2002 include the second tranche of the SAL of USD 1.0bn, with the repayment of the external credit principal of HRK 0.8bn.

### Privatization

It is unlikely that the government revenues from privatization will reach HRK 2.5bn in 2002. In the first half of the year, these revenues reached HRK 0.7bn (Dubrovačka banka, Splitska banka and Riječka banka). Croatia osiguranje and Croatia banka have not yet been privatized despite the projections. Privatization revenues to be expected by the year-end amount to HRK 1.2bn and include the receipts from the sale of the government stake in Privredna banka, the second portion of the receipts from the sale of Riječka banka, which will follow a review of its operations, and the privatization of Podravka. We estimate that privatization revenues will total HRK 1.9bn in 2002, which is 76% of the amount planned.

### Domestic Central Government Debt to Banks

The domestic debt of the consolidated central government rose by HRK 0.5bn in the second quarter of 2002 as a result of net subscriptions of T-bills (HRK 0.1bn), net issue of bonds (HRK 0.8bn) and net repayment of bank loans (HRK 0.5bn). The domestic debt increased by HRK 1.9bn in the first half of 2002 compared with end-2001. With regard to the structure of this increase, the government mostly used net subscriptions for T-bills (47.9%) and bank loans (41.2%), together with an 11.1% increase in debt arising from bonds.

Table 10. Domestic Debt of Central Government, end of period, in million HRK

	Stock			Change	
	Dec. 2001	Mar. 2002	Jun. 2002	Jan. – Jun. 2001	Jan. – Jun. 2002
1. Domestic debt of central government	25,003.7	26,363.6	26,855.8	1,488.1	1,852.1
1.1. Domestic debt of the Republic of Croatia	21,467.9	22,820.2	23,614.7	1,571.0	2,146.7
Treasury bills	4,892.3	5,672.2	5,778.8	3,015.1	886.5
Money market instruments	7.4	0.1	0.1	-3.6	-7.3
Bonds	15,415.8	14,777.4	15,633.1	-1,012.5	217.3
Credits from the CNB	-	-	2.4	0.0	2.4
Credits from DMBs	1,152.4	2,370.5	2,200.2	-428.0	1,047.8
1.2. Domestic debt of central government funds	3,535.8	3,543.4	3,241.1	-82.9	-294.7
Money market instruments	96.4	98.5	96.6	0.2	0.2
Bonds	1,636.1	1,643.4	1,625.2	-61.6	-10.9
Credits from DMBs	1,803.3	1,801.5	1,519.3	-21.5	-283.9

Source: CNB *Bulletin*, Table I3.

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

	Stock			Change	
	Dec. 2001	Mar. 2002	Jun. 2002	Jan. – Jun. 2001	Jan. – Jun. 2002
1. External debt of central government	41,412.2	42,964.0	41,991.8	5,250.4	579.5
1.1. External debt of the Republic of Croatia	38,648.2	40,250.5	39,609.9	4,619.6	961.7
Bonds	30,077.9	30,830.5	30,848.5	4,471.5	770.6
Credits	8,570.3	9,420.0	8,761.4	148.0	191.1
1.2. External debt of central government funds	2,764.0	2,713.5	2,381.9	630.8	-382.2
Bonds	697.9	703.6	283.3	318.8	-414.6
Credits	2,066.1	2,009.8	2,098.5	312.1	32.4

Source: CNB *Bulletin*, Table I3.

### Box 3: Comparison of the Old and New GFS Format Used in Presenting the Government Budget<sup>14</sup>

The 2002 government budget, which was presented to the Parliament, was for the first time prepared according to a new methodology. This methodology is also used for preparing the budget for 2003. The formerly used methodology is known among experts as the 1986 GFS (Government Finance Statistics) format ("old GFS"), whereas the new version is called the 2001 GFS format ("new GFS"). In 2002, as the transitional period, the Ministry of Finance used both methodologies in reporting since the new methodology has introduced a new method of monitoring budget execution. In the CNB publications, data on government finance are presented according to the "old" methodology. The changes introduced by the application of the "new GFS" may be summarized as follows:

a) Flows on the expenditure side are recorded on an *accrual basis* rather than a cash basis. The developments in government arrears have been monitored in Croatia since 2001, but separately from budget reports. According to the "new GFS", government arrears will be integrated in the expenditure side of the budget and added to the appropriate expenditure item, which has not been the case before.

b) *Employer contributions* for social security insurance, which are paid by the government, are no longer excluded in budget consolidation. This has a neutral effect on the budget balance because both the revenue and the expenditure side are increased by the same amount.

c) The term "*non-tax revenues*" is replaced by the term "*other revenues*".

d) *Sale of nonfinancial assets* is not included in revenues but in *net acquisition of nonfinancial assets* (even before the new methodology, privatization revenues were not included in revenues in deficit calculations, but were a part of financing of the government budget, although they were formally classified within total revenues).

e) *Lending minus repayments* are no longer included in expenditures but in *net lending/borrowing*. This item describes financial transactions and is not included in the basic operating balance, which might be a target in the forthcoming negotiations with the IMF. Hence, according to the new GFS, the deficit target will be lower than before by the amount of *lending minus repayments*.

f) A new item introduced in the budget is called *consumption of fixed capital*, and it corresponds to depreciation of fixed assets. As the evaluation method to be used for this item is still unknown, this item is a sensitive spot of the new methodology since it depends on the assumed lifetime of total (heterogeneous) fixed assets and on the method of calculating depreciation.

g) An approximate comparison of the deficit calculated on the basis of "old GFS" and "new GFS":

total deficit exclusive of capital revenues ("old GFS") = operating deficit ("new GFS") + lending minus repayments ("new GFS")

#### Budget for 2002, in million HRK

Government finance methodology in	1986	2001	Difference
1. Revenues	67,373	69,997	2,624
Tax revenues	42,336	42,336	
Contributions	22,336	25,181	
Contributions paid	25,181	25,181	
Net of: Employer contributions	-2,845		2,845
Grants	0	0	
Other revenues	2,701	2,480	-221
Non-tax revenues	2,480	2,480	
Sale of nonfinancial assets	221		
2. Expenditures (2.1+4+5.1)	71,769	74,393	2,624
2.1. Current expenditures / outlays	66,485	71,331	
Employee benefits	16,619	19,464	
Wages	16,619	16,619	
Employer contributions		2,845	2,845
Use of goods and services	11,274	11,274	
Amortisation			
Interest payments	3,800	3,800	
Subsidies	2,265	2,265	
Grants		4,194 <sup>a</sup>	
Current transfers	32,526		
Transfers abroad	113		
Transfers to other levels of government	4,081		
Transfers to non-profit institutions	792		
Transfers (benefits) to households	27,540	27,540	
Other expenditures		2,793 <sup>b</sup>	
3. Net/gross operating balance (1-2.1)		-1,334	
4. Net acquisition of nonfinancial assets (4.1-4.2)	3,926	1,703	
4.1. Capital expenditures	3,926	1,924	
Acquisition of fixed capital assets	1,719	1,719	
Acquisition of strategic stocks	72	72	
Acquisition of land and intangible assets	133	133	
Capital transfers	2,001		
4.2. Sale of nonfinancial assets		-221	-221
5. Net lending/borrowing (3-4)		-3,038	
Change in financial assets			
of which: 5.1. Lending minus repayments	1,359	1,359	
Change in financial obligations			
6. Overall fiscal balance (1-2)	-4,396	4,396	
7. Fiscal burden to GDP (%)	38.8	40.3	

<sup>a</sup> Includes transfers abroad and transfers to other levels of government.

<sup>b</sup> Includes transfers to non-profit institutions and capital expenditures.

14 Source: IMF (2001) *Government Finance Statistics Manual 2001*.

# 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	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	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	
	February	18,954.0	22,164.9	22,511.3	107,183.8	59,950.6	77,244.7	7.50	–1.04	–0.38	–1.35	–2.15	0.05	
	March	19,747.8	24,375.1	24,776.6	106,245.0	63,530.6	79,764.0	4.19	9.97	10.06	–0.88	5.97	3.26	
	April	20,757.4	26,418.4	27,012.0	106,333.0	66,599.9	82,032.8	5.11	8.38	9.02	0.08	4.83	2.84	
	May	20,991.0	26,715.5	27,255.7	106,444.8	68,443.7	83,889.0	1.13	1.12	0.90	0.11	2.77	2.26	
	June	22,036.3	28,254.4	28,792.8	106,593.3	69,199.4	84,916.6	4.98	5.76	5.64	0.14	1.10	1.22	
	July	21,309.5	28,947.0	29,480.3	109,733.8	71,437.7	87,375.1	–3.30	2.45	2.39	2.95	3.21	2.90	
	August	21,706.3	29,502.1	30,155.7	113,036.6	72,715.0	88,993.4	1.86	1.92	2.29	3.01	1.79	1.85	

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

Table A1: Monetary and Credit Aggregates

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

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

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

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

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

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

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

Table B1: Monetary Survey

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec. <sup>b</sup>	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>ASSETS</b>											
1. Foreign assets (net)	16,913.0	12,713.5	16,655.5	29,017.2	48,661.3	42,714.4	39,733.1	38,001.0	37,379.6	38,296.1	40,321.6
2. Domestic credit	56,194.9	66,923.1	65,938.6	72,051.4	87,637.6	94,540.0	96,326.6	97,307.9	97,400.5	99,923.4	101,478.2
2.1. Claims on central government and funds (net)	7,331.4	7,131.1	10,062.8	11,188.2	12,769.5	14,776.0	14,293.8	13,418.8	12,483.9	12,548.3	12,484.8
2.2. Claims on other domestic sectors	48,616.6	59,597.7	55,676.4	60,653.4	74,513.0	79,231.4	81,567.9	83,365.2	84,245.7	86,704.7	88,365.5
2.3. Claims on other banking institutions	–	0.4	45.4	48.2	73.8	70.1	66.9	99.0	88.1	81.2	117.1
2.4. Claims on other financial institutions	246.8	193.9	154.0	161.7	281.4	462.5	398.0	424.8	582.8	589.1	510.8
Total (1+2)	73,107.8	79,636.5	82,594.1	101,068.7	136,298.9	137,254.3	136,059.7	135,308.9	134,780.1	138,219.4	141,799.8
<b>LIABILITIES</b>											
1. Money	13,731.4	13,531.4	13,858.9	18,030.3	23,703.5	24,375.1	26,418.4	26,715.5	28,254.4	28,947.0	29,502.1
2. Savings and time deposits	5,598.9	5,683.8	5,397.5	7,651.1	10,213.1	10,626.7	10,700.5	10,850.5	10,945.0	11,403.8	11,680.1
3. Foreign currency deposits	31,278.1	37,970.9	36,966.0	46,901.6	71,836.9	70,938.8	68,872.0	68,697.1	67,159.9	69,213.2	71,574.3
4. Bonds and money market instruments	133.6	154.1	436.8	478.2	317.8	304.4	342.1	181.6	234.1	169.8	280.0
5. Restricted and blocked deposits	5,953.4	4,315.2	3,814.7	2,864.5	1,926.2	1,861.3	1,908.8	1,833.3	1,993.8	1,754.3	1,731.5
o/w: Households' blocked f/c deposits	4,573.8	3,419.1	2,742.7	1,695.1	770.2	538.6	513.2	496.4	474.0	388.5	372.1
6. Other items (net)	16,412.5	17,981.1	22,120.0	25,143.1	28,301.4	29,148.1	27,817.9	27,030.9	26,192.9	26,731.3	27,031.7
Total (1+2+3+4+5+6)	73,107.8	79,636.5	82,594.1	101,068.7	136,298.9	137,254.3	136,059.7	135,308.9	134,780.1	138,219.4	141,799.8

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

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

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting DMBs	Reporting DMBs classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1993	December	43	16	12	7	4	2	2	0	0	0	0
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	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
	February	45	4	13	7	7	9	5	18	2	12	4
	March	46	5	12	8	7	11	3	17	2	11	4
	April	48	5	14	8	7	11	3	15	2	11	2
	May	50	8	14	7	7	11	3	12	2	8	2
	June	49	7	14	8	6	11	3	12	2	8	2
	July	47	7	13	8	6	10	3	11	3	6	2
	August	47	7	13	7	7	10	3	11	3	6	2

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

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

Special reporting requirements applied to savings banks until June 1995. Savings banks were not legally obliged to report on their 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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec. <sup>b</sup>	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>ASSETS</b>											
1. Foreign assets	16,005.6	17,592.5	23,135.7	28,747.4	39,308.9	41,501.9	41,082.3	41,470.1	41,227.8	42,491.6	43,123.5
1.1. Gold	–	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	927.0	1,444.4	1,449.2	1,204.2	905.8	884.4	753.8	735.5	705.5	718.2	713.5
1.3. Reserve position in the IMF	0.7	1.0	1.6	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7
1.4. Currency and demand deposits with foreign banks	510.6	342.0	1,109.6	7.4	6.1	229.0	10.5	244.9	6.9	6.0	6.2
1.5. Time deposits with foreign banks	12,169.5	11,696.6	17,702.4	20,986.9	25,565.9	27,595.0	26,936.8	26,437.9	26,692.4	27,367.3	28,295.0
1.6. Securities in f/c	2,396.5	4,107.2	2,871.6	6,545.7	12,829.3	12,791.7	13,379.4	14,050.0	13,821.3	14,398.4	14,107.0
1.7. Nonconvertible foreign exchange	1.4	1.4	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	–	–	24.1	0.0	–	–	–	2.5	2.4	–	–
2.1. Claims in kuna	–	–	24.1	0.0	–	–	–	2.5	2.4	–	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	24.4	1.0	276.8	289.5	229.2	128.2	122.6	122.6	122.6	110.5	110.5
4. Claims on DMBs	33.5	1,053.8	1,138.7	329.9	18.5	578.7	16.9	17.1	17.0	17.3	17.5
4.1. Credits to DMBs	31.0	1,044.4	1,125.3	313.6	–	562.0	–	–	–	–	–
Lombard credits	30.0	252.3	176.7	–	–	4.0	–	–	–	–	–
Short-term liquidity credits	–	–	929.0	–	–	558.0	–	–	–	–	–
Other credits	1.0	333.0	19.7	14.0	–	–	–	–	–	–	–
CNB bills under repurchase agreement	–	459.2	–	299.6	–	–	–	–	–	–	–
4.2. CNB deposits with DMBs	2.5	9.3	13.4	15.2	16.6	16.7	16.9	17.1	17.0	17.1	17.2
4.3. Overdue claims	0.0	0.0	0.0	1.1	1.9	–	–	–	–	0.3	0.3
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	16,063.5	18,647.3	24,575.3	29,366.8	39,556.6	42,208.8	41,221.8	41,612.3	41,369.8	42,619.5	43,251.5
<b>LIABILITIES</b>											
1. Reserve money	10,346.1	9,954.2	10,310.0	11,717.3	17,803.2	19,747.8	20,757.4	20,991.0	22,036.3	21,309.5	21,706.3
1.1. Currency outside banks	5,307.5	5,718.8	5,958.9	6,636.7	8,507.4	9,145.9	9,112.4	9,276.9	9,904.2	10,288.2	10,295.5
1.2. DMBs' cash in vaults	216.9	251.4	382.1	532.3	538.8	891.3	831.6	980.2	972.4	909.9	1,084.8
1.3. DMBs' deposits	4,821.6	3,980.2	3,960.4	4,540.7	8,741.5	9,706.6	10,808.7	10,725.6	11,156.1	10,103.0	10,315.1
Settlement accounts	866.6	467.5	247.9	459.5	2,450.1	2,635.8	3,699.8	3,368.5	3,747.3	2,610.1	2,711.6
Statutory reserves	3,955.0	3,512.7	3,712.5	4,081.2	6,291.4	7,070.7	7,109.0	7,357.1	7,408.8	7,492.9	7,603.5
CNB bills on obligatory basis	–	–	–	–	–	–	–	–	–	–	–
1.4. Deposits of other banking institutions	–	2.4	8.5	7.5	15.5	4.0	4.7	8.3	3.6	8.4	10.9
1.5. Deposits of other domestic sectors	0.1	1.3	–	0.0	0.1	–	–	–	–	–	–
2. Restricted and blocked deposits	101.1	1,787.6	5,016.8	5,805.5	6,030.5	6,951.0	6,708.0	6,578.5	6,468.8	6,673.5	6,590.0
2.1. Statutory reserve in f/c	–	1,668.4	4,636.2	5,490.5	5,705.1	6,840.9	6,660.1	6,534.0	6,428.2	6,633.3	6,546.7
2.2. Restricted deposits	101.1	119.1	380.6	315.0	325.4	110.1	47.9	44.5	40.7	40.3	43.3
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,471.4	1,465.4	1,671.2	1,630.8	1,597.5	1,995.7	2,033.0	1,856.5	1,317.0	1,811.9	2,310.4
3.1. Use of IMF credit	1,468.4	1,461.3	1,501.7	1,290.3	1,025.5	1,010.3	877.6	861.1	826.1	841.5	834.6
3.2. Liabilities to international organizations	3.0	4.1	6.8	9.5	12.2	13.5	13.1	13.2	12.4	12.6	12.6
3.3. Liabilities to foreign banks <sup>a</sup>	–	–	162.7	331.0	559.8	971.9	1,142.3	982.2	478.6	957.8	1,463.2
4. Central government and funds deposits	1,032.7	434.8	397.2	1,157.4	1,752.1	1,086.0	851.3	976.6	778.5	895.6	850.4
4.1. Demand deposits	805.7	390.2	394.2	1,008.5	1,752.1	1,086.0	851.3	976.6	778.5	845.7	750.6
Central government demand deposits	625.7	291.0	388.0	980.8	1,564.8	1,033.7	822.8	930.6	698.5	755.0	747.9
Central government funds demand deposits	180.1	99.3	6.2	27.7	187.3	52.3	28.5	45.9	80.0	90.6	2.7
4.2. Central government f/c deposits	147.6	–	0.0	–	–	–	–	–	–	–	–
4.3. CNB bills	79.4	44.6	2.9	148.8	–	–	–	–	–	49.9	99.8
5. CNB bills	722.0	2,242.9	2,887.2	4,207.3	6,372.3	6,052.0	5,248.2	5,940.0	6,342.4	6,989.6	6,898.8
5.1. CNB bills in kuna	722.0	830.7	1,252.5	2,394.6	3,458.9	4,026.3	3,327.2	4,070.2	4,531.8	5,168.5	5,204.1
5.2. CNB bills in f/c	–	1,412.2	1,634.7	1,812.7	2,913.4	2,025.7	1,921.0	1,869.8	1,810.5	1,821.1	1,694.7
6. Capital accounts	2,361.8	2,898.2	4,535.5	5,216.6	6,425.2	6,802.4	6,050.4	5,693.6	4,852.2	5,367.5	5,322.7
7. Other items (net)	28.5	–135.8	–242.4	–368.1	–424.2	–426.1	–426.5	–423.9	–425.3	–428.1	–427.1
Total (1+2+3+4+5+6+7)	16,063.5	18,647.3	24,575.3	29,366.8	39,556.6	42,208.8	41,221.8	41,612.3	41,369.8	42,619.5	43,251.5

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

Table C1: Monetary Authorities Accounts

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

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

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

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

Claims on DMBs are credits to DMBs, deposits by the CNB with DMBs and overdue claims on DMBs. Credits to DMBs are split according to the type of financial instruments. Item Lombard credits comprises credits to DMBs for regular maintaining of the day-to-day liquidity, which were replaced by lombard credits in December 1994. Short-term liquidity credits, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other credits include intervention credits, special credits for bridging liquidity problems granted in the past (initial credits, prerehabilitation credits) and due but unpaid credits. Overdue claims on DMBs comprise settlement account overdrafts (until mid-1994) and banks' failure to correctly and promptly allocate and maintain statutory reserve requirements.

Since May 1999, Claims on other domestic sectors include overdue claims on banks against which bankruptcy proceedings have been initi-

ated. Due to the reclassification of savings banks from the sub-sector other banking institutions to the sub-sector banks, data for Claims on DMBs and Claims on other banking institutions have been revised.

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

Restricted and blocked deposits include required foreign exchange reserves and accrued interest, restricted deposits and blocked foreign exchange deposits. Banks and savings banks are required to place foreign exchange reserve deposits in accounts at the Croatian National Bank on the basis of certain foreign exchange deposits they hold. Restricted deposits are kuna funds set aside on the basis of a court order or legal regulation, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign exchange deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

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

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

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

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

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

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

Table D1: Deposit Money Banks' Accounts

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>ASSETS</b>											
1. Reserves with the CNB	5,045.6	5,908.1	8,987.9	10,588.9	15,002.7	17,532.5	18,502.5	18,286.6	18,618.3	17,712.5	18,010.8
1.1. In kuna	5,045.6	4,239.7	4,352.6	5,098.4	9,306.2	10,701.6	11,852.7	11,763.9	12,199.1	11,088.8	11,472.9
1.2. In f/c	–	1,668.4	4,635.3	5,490.5	5,696.5	6,830.8	6,649.8	6,522.7	6,419.2	6,623.7	6,538.0
2. Foreign assets	16,185.8	12,763.1	12,400.1	19,710.4	32,807.6	26,352.3	23,221.9	23,276.4	22,324.4	23,421.2	23,899.8
3. Claims on central government and funds	15,238.8	14,864.2	16,264.4	19,076.0	20,156.3	21,752.8	21,349.0	20,600.6	20,367.4	19,893.6	19,856.6
3.1. Bonds arising from blocked f/c deposits	6,714.4	5,802.3	5,419.9	4,484.4	3,420.1	2,948.8	2,953.0	2,949.2	2,920.3	2,454.4	2,444.6
3.2. Big bonds	2,291.9	2,103.1	1,321.8	1,475.7	1,659.4	1,650.9	1,663.8	1,667.3	1,672.3	1,680.7	1,680.1
3.3. Other claims	6,232.5	6,958.8	9,522.8	13,115.8	15,076.8	17,153.2	16,732.2	15,984.1	15,774.8	15,758.5	15,731.9
4. Claims on other domestic sectors	48,592.2	59,596.7	55,399.7	60,363.9	74,283.8	79,103.2	81,445.2	83,242.6	84,123.1	86,594.2	88,254.9
4.1. Claims on local government and funds	308.8	654.0	905.6	1,174.9	1,280.0	1,194.2	1,178.6	1,175.0	1,200.8	1,201.9	1,174.1
4.2. Claims on enterprises	35,487.2	41,225.5	35,244.3	35,890.7	42,882.0	45,346.0	46,466.6	46,887.4	46,936.3	47,557.8	48,458.0
4.3. Claims on households	12,796.2	17,717.2	19,249.8	23,298.3	30,121.9	32,563.0	33,800.0	35,180.2	35,986.0	37,834.5	38,622.8
5. Claims on other banking institutions	–	0.4	45.4	48.2	73.8	70.1	66.9	99.0	88.1	81.2	117.1
6. Claims on other financial institutions	246.8	193.9	154.0	161.7	281.4	462.5	398.0	424.8	582.8	589.1	510.8
Total (1+2+3+4+5+6)	85,309.3	93,326.4	93,251.5	109,949.1	142,605.6	145,273.4	114,983.6	145,930.0	146,104.2	148,291.8	150,650.1
<b>LIABILITIES</b>											
1. Demand deposits	8,423.8	7,808.9	7,891.5	11,386.0	15,180.6	15,225.2	17,301.4	17,430.2	18,346.6	18,650.4	19,195.7
2. Savings and time deposits	5,598.9	5,683.8	5,397.5	7,651.1	10,213.1	10,626.7	10,700.5	10,850.5	10,945.0	11,403.8	11,680.1
3. Foreign currency deposits	31,278.1	37,970.9	36,966.0	46,901.6	71,836.9	70,938.8	68,872.0	68,697.1	67,159.9	69,213.2	71,574.3
4. Bonds and money market instruments	133.6	154.1	436.8	478.2	317.8	304.4	342.1	181.6	234.1	169.8	280.0
5. Foreign liabilities	13,807.1	16,176.8	17,209.1	17,809.7	21,857.8	23,144.1	22,538.1	24,889.0	24,855.7	25,804.9	24,391.3
6. Central government and funds' deposits	6,874.7	7,298.3	5,828.6	6,730.5	5,634.7	5,890.8	6,203.9	6,207.7	7,107.5	6,449.7	6,521.3
7. Credit from central bank	33.7	1,049.2	1,138.7	328.8	16.6	578.7	16.9	17.1	17.0	17.1	17.2
8. Restricted and blocked deposits	5,852.3	4,196.0	3,434.2	2,549.6	1,600.8	1,751.3	1,861.0	1,788.8	1,953.1	1,714.0	1,688.2
o/w: Households' blocked f/c deposits	4,573.8	3,419.1	2,742.7	1,695.1	770.2	538.6	513.2	496.4	474.0	388.5	372.1
9. Capital accounts	17,027.0	19,785.6	21,975.4	24,953.1	25,455.1	25,694.4	25,093.9	24,867.8	25,005.9	25,047.1	25,231.7
10. Other items (net)	-3,719.9	-6,797.2	-7,026.4	-8,839.4	-9,507.8	-8,880.9	-7,946.1	-8,999.9	-9,520.5	-10,178.1	-9,929.8
Total (1+2+3+4+5+6+7+8+9+10)	85,309.3	93,326.4	93,251.5	109,949.1	142,605.6	145,273.4	144,983.6	145,930.0	146,104.2	148,291.8	150,650.1

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

Table D1: Deposit Money Banks' Accounts

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

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

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

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

Claims on other domestic sectors include the following claims in

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

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

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

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

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

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

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

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

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

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

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

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

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

Tables: D2-D12

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

Table D2: Deposit Money Banks' Foreign Assets

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign assets in f/c	16,167.9	12,743.4	12,352.8	19,619.2	32,763.6	26,321.8	23,166.3	23,220.4	22,264.8	23,357.7	23,766.9
1.1. Claims on foreign banks	15,425.6	11,980.5	11,598.5	19,154.9	31,660.3	25,055.2	21,979.0	22,101.1	21,156.0	22,172.4	22,592.0
Foreign currencies	850.4	586.9	886.7	1,002.8	7,324.7	1,760.3	1,079.0	941.9	1,085.0	1,351.3	1,082.6
Demand deposits	6,938.5	6,228.6	1,498.5	995.0	1,231.9	1,080.2	832.4	929.5	1,091.8	928.0	891.7
Time and notice deposits	7,010.9	4,637.1	8,509.4	16,286.7	21,765.2	20,236.6	18,058.2	18,036.2	16,745.1	17,532.8	18,151.2
Securities	88.6	51.1	–	454.9	1,008.5	1,646.0	1,680.7	1,848.7	1,899.3	1,972.0	2,076.0
Loans and advances	408.7	343.4	569.8	370.9	290.3	292.3	288.9	305.0	295.4	348.5	350.7
Shares and participations	128.4	133.5	134.1	44.6	39.7	39.8	39.8	39.7	39.4	39.8	39.7
1.2. Claims on foreign nonbanks	742.4	762.9	754.3	464.3	1,103.3	1,266.6	1,187.4	1,119.2	1,108.8	1,185.3	1,174.9
Claims on foreign governments	–	–	399.9	137.8	596.2	683.5	683.1	602.8	641.5	716.8	691.0
Claims on other nonresidents	580.4	583.9	350.4	322.4	505.5	581.5	502.7	514.9	465.7	466.9	482.4
Securities	17.7	3.7	4.5	–	72.1	109.0	57.4	48.8	11.1	11.3	0.0
Loans and advances	562.7	580.2	345.9	322.4	433.4	472.5	445.3	466.1	454.6	455.6	482.4
Shares and participations	162.0	179.0	4.0	4.1	1.6	1.6	1.6	1.5	1.5	1.6	1.5
2. Foreign assets in kuna	17.9	19.7	47.3	91.2	44.1	30.5	55.5	56.1	59.7	63.5	132.9
2.1. Claims on foreign banks	3.6	3.1	16.6	66.1	29.2	19.9	19.9	20.6	25.0	25.0	94.5
2.2. Claims on foreign nonbanks	14.3	16.6	30.6	25.1	14.8	10.6	35.6	35.5	34.6	38.5	38.4
o/w: Loans and advances	14.3	16.6	29.6	23.3	13.9	9.8	34.8	34.6	33.8	37.7	37.6
Total (1+2)	16,185.8	12,763.1	12,400.1	19,710.4	32,807.6	26,352.3	23,221.9	23,276.4	22,324.4	23,421.2	23,899.8

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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Bonds (c'part to blocked f/c savings deposits)	6,714.4	5,802.3	5,419.9	4,484.4	3,420.1	2,948.8	2,953.0	2,949.2	2,920.3	2,454.4	2,444.6
2. Big bonds	2,291.9	2,103.1	1,321.8	1,475.7	1,659.4	1,650.9	1,663.8	1,667.3	1,672.3	1,680.7	1,680.1
3. Other claims	6,232.5	6,958.8	9,522.8	13,115.8	15,076.8	17,153.2	16,732.2	15,984.1	15,774.8	15,758.5	15,731.9
3.1. In kuna	4,261.8	5,066.1	8,564.0	11,432.5	12,795.6	14,307.5	14,012.8	13,281.9	12,819.3	12,715.3	12,725.3
3.1.1. Claims on central government	4,191.8	4,614.1	7,831.3	9,812.6	11,150.7	12,664.4	12,617.6	11,942.0	11,512.9	11,447.3	11,449.8
Securities	4,171.7	4,426.9	6,897.3	8,587.8	10,323.7	10,674.4	10,292.1	10,333.8	9,915.1	9,836.5	9,896.5
Loans and advances	20.1	187.2	934.0	1,224.9	826.9	1,990.0	2,325.4	1,608.2	1,597.8	1,610.8	1,553.3
3.1.2. Claims on central government funds	70.0	452.0	732.7	1,619.9	1,644.9	1,643.1	1,395.2	1,339.9	1,306.4	1,268.0	1,275.5
Securities	–	–	–	647.8	656.5	682.1	646.5	690.4	656.6	620.5	628.4
Loans and advances	70.0	452.0	732.7	972.1	988.4	961.0	748.7	649.5	649.8	647.5	647.1
3.2. In f/c	1,970.7	1,892.7	958.8	1,683.3	2,281.2	2,845.7	2,719.4	2,702.2	2,955.5	3,043.2	3,006.6
3.2.1. Claims on central government	1,966.7	1,879.5	921.4	1,492.7	1,390.9	1,935.7	1,833.5	1,825.6	2,047.7	2,153.0	2,122.3
Bonds	1,172.5	1,182.2	518.1	869.2	1,065.5	1,555.2	1,459.2	1,441.4	1,445.2	1,580.3	1,551.7
Loans and advances	794.2	697.3	403.3	623.5	325.5	380.5	374.2	384.3	602.4	572.7	570.6
3.2.2. Claims on central government funds	4.0	13.2	37.4	190.6	890.3	910.0	885.9	876.5	907.8	890.2	884.3
Securities	2.8	0.2	27.6	35.0	75.4	69.6	68.7	40.7	38.3	39.6	39.4
Loans and advances	1.3	13.0	9.8	155.5	814.8	840.4	817.3	835.8	869.5	850.6	844.8
Total (1+2+3)	15,238.8	14,864.2	16,264.4	19,076.0	20,156.3	21,752.8	21,349.0	20,600.6	20,367.4	19,893.6	19,856.6

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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Claims in kuna	40,149.5	50,509.7	48,336.4	53,739.5	66,626.8	70,267.6	72,327.9	74,192.6	75,541.2	78,058.2	79,499.3
1.1. Money market instruments	81.5	101.8	365.7	231.9	544.7	619.7	645.5	726.2	778.8	878.1	926.7
1.2. Bonds	1.7	0.7	0.0	1.0	7.7	124.5	168.1	167.1	163.1	161.6	119.6
1.3. Loans and advances	35,971.2	45,956.0	44,505.1	49,566.8	62,180.6	65,820.6	67,653.7	69,516.3	70,852.8	73,500.9	74,919.4
1.4. Shares and participations	4,095.2	4,451.3	3,465.5	3,939.8	3,893.8	3,702.8	3,860.7	3,783.0	3,746.5	3,517.6	3,533.5
2. Claims in f/c	8,442.7	9,087.0	7,063.3	6,624.3	7,657.0	8,835.5	9,117.3	9,050.0	8,581.9	8,536.0	8,755.7
2.1. Securities	0.6	0.6	74.9	112.4	126.6	201.6	396.8	392.8	380.4	310.2	334.6
2.2. Loans and advances	8,442.1	9,086.3	6,988.5	6,512.0	7,530.5	8,633.9	8,720.5	8,657.2	8,201.5	8,225.8	8,421.1
Total (1+2)	48,592.2	59,596.7	55,399.7	60,363.9	74,283.8	79,103.2	81,445.2	83,242.6	84,123.1	86,594.2	88,254.9

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

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

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

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

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

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

End of period, million kuna											
	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>LOANS IN KUNA</b>											
1. Loans to central government and funds	74.6	633.2	1,666.6	2,196.9	1,815.4	2,951.0	3,074.2	2,257.7	2,247.6	2,258.3	2,200.4
1.1. Loans to central government	4.6	181.9	934.0	1,224.9	826.9	1,990.0	2,325.4	1,608.2	1,597.8	1,610.8	1,553.3
1.2. Loans to central government funds	70.0	451.3	732.7	972.1	988.4	961.0	748.7	649.5	649.8	647.5	647.1
2. Loans to local governments and funds	293.2	623.5	785.7	996.8	1,069.1	965.3	945.7	941.6	969.5	970.7	943.1
3. Loans to enterprises	22,925.8	27,660.0	24,533.4	25,328.0	31,049.4	32,361.7	32,978.9	33,469.3	33,973.5	34,775.7	35,434.5
4. Loans to households	12,752.2	17,672.5	19,186.1	23,242.1	30,062.1	32,493.6	33,729.1	35,105.4	35,909.8	37,754.5	38,541.8
o/w: Housing loans	....	....	7,469.5	8,257.8	9,450.0	9,793.8	9,948.7	10,134.4	10,245.9	10,631.6	10,844.4
5. Loans to other banking institutions	–	0.4	31.3	33.5	34.7	34.6	22.4	21.9	19.3	19.4	19.3
6. Loans to other financial institutions	166.6	114.2	138.6	105.5	240.9	320.5	319.3	321.0	472.5	410.6	418.1
A. Total (1+2+3+4+5+6)	36,212.4	46,703.7	46,341.6	51,902.8	64,271.6	69,126.8	71,069.5	72,116.9	73,592.3	76,189.2	77,557.2
<b>LOANS IN F/C</b>											
1. Loans to central government and funds	679.9	637.4	413.1	779.1	1,140.3	1,221.0	1,191.5	1,220.1	1,471.9	1,423.3	1,415.5
1.1. Loans to central government	678.6	624.5	403.3	623.5	325.5	380.5	374.2	384.3	602.4	572.7	570.6
1.2. Loans to central government funds	1.3	13.0	9.8	155.5	814.8	840.4	817.3	835.8	869.5	850.6	844.8
2. Loans to local governments and funds	13.1	30.5	118.7	171.6	179.1	179.1	177.2	176.8	165.5	165.3	164.6
3. Loans to enterprises	8,382.3	9,009.8	6,806.1	6,284.0	7,291.7	8,385.4	8,472.4	8,405.6	7,959.7	7,980.5	8,175.4
4. Loans to households	46.8	46.0	63.7	56.3	59.7	69.4	70.9	74.8	76.2	80.1	81.1
5. Loans to other banking institutions	–	–	1.7	–	–	–	–	–	–	–	–
6. Loans to other financial institutions	–	–	–	–	–	–	–	29.5	43.9	118.3	33.2
B. Total (1+2+3+4+5+6)	9,122.0	9,723.8	7,403.2	7,291.0	8,670.7	9,854.9	9,912.0	9,906.8	9,717.4	9,767.5	9,869.7
TOTAL (A+B)	45,334.4	56,427.5	53,744.9	59,193.9	72,942.3	78,981.7	80,981.5	82,023.6	83,309.6	85,956.7	87,426.9

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											
	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Local governments and funds	484.2	514.3	314.7	573.6	907.0	1,014.8	1,396.3	1,520.6	1,515.2	1,562.0	1,653.4
2. Enterprises	5,692.8	4,794.2	4,695.6	7,087.1	8,981.6	8,587.7	9,729.5	9,901.3	10,421.0	10,426.3	10,658.2
3. Households	2,235.7	2,492.2	2,686.5	3,499.7	4,872.0	4,979.6	5,317.3	5,504.4	5,828.0	5,909.5	6,072.2
4. Other banking institutions	–	–	6.9	11.6	17.0	25.7	37.1	22.5	22.8	20.0	16.3
5. Other financial institutions	203.8	190.0	190.0	221.7	407.1	622.0	826.6	487.9	567.5	739.7	802.1
6. Less: Checks of other banks and checks in collection	–192.6	–181.8	–2.2	–7.6	–4.2	–4.7	–5.3	–6.3	–8.0	–7.1	–6.4
Total (1+2+3+4+5+6)	8,423.8	7,808.9	7,891.5	11,386.0	15,180.6	15,225.2	17,301.4	17,430.2	18,346.6	18,650.4	19,195.7

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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	1,115.7	1,117.5	1,371.4	1,676.1	2,006.8	1,916.8	1,980.5	1,986.0	2,064.9	2,081.1	2,088.4
1.1. Local governments and funds	–	–	91.7	137.6	118.3	13.3	9.6	8.6	10.8	12.8	14.9
1.2. Enterprises	–	–	92.1	142.4	88.0	105.2	93.5	65.8	71.4	124.0	136.8
1.3. Households	1,115.7	1,117.5	1,167.3	1,348.3	1,712.2	1,780.9	1,797.5	1,831.0	1,908.9	1,898.8	1,910.8
1.4. Other banking institutions	–	–	2.6	0.6	20.8	0.0	66.1	72.9	66.4	0.2	0.1
1.5. Other financial institutions	–	–	17.8	47.2	67.5	17.3	14.0	7.7	7.4	45.3	25.8
2. Time and notice deposits	4,483.2	4,566.3	4,026.2	5,975.0	8,206.3	8,709.9	8,720.0	8,864.5	8,880.0	9,322.7	9,591.8
2.1. Local governments and funds	102.6	185.3	176.1	230.7	340.7	409.9	402.3	497.9	462.2	474.6	494.6
2.2. Enterprises	1,785.0	1,569.2	1,417.0	2,871.4	3,618.3	3,853.4	3,817.4	3,796.6	3,616.3	3,794.4	4,014.1
2.3. Households	1,962.1	1,998.7	1,531.7	1,789.8	2,554.1	2,803.2	2,886.0	3,036.1	3,221.7	3,385.0	3,423.1
2.4. Other banking institutions	–	–	33.5	20.8	24.7	14.5	7.1	22.8	27.0	30.3	44.9
2.5. Other financial institutions	633.6	813.1	867.8	1,062.2	1,668.5	1,628.9	1,607.3	1,511.1	1,552.9	1,638.4	1,615.0
Total (1+2)	5,598.9	5,683.8	5,397.5	7,651.1	10,213.1	10,626.7	10,700.5	10,850.5	10,945.0	11,403.8	11,680.1

Table D7: Time and Savings Deposits with Deposit Money Banks

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

In May 1999, bankruptcy proceedings have been initiated against

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

Table D8: Foreign Currency Deposits with Deposit Money Banks

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	10,750.3	12,140.3	12,228.1	14,566.3	23,748.8	21,658.3	20,767.1	21,026.8	20,419.4	21,369.8	21,857.4
1.1. Local governments and funds	111.7	19.5	29.5	16.8	13.2	16.2	16.2	16.5	17.0	13.6	13.8
1.2. Enterprises	1,969.4	2,091.9	1,842.6	2,408.0	2,884.2	2,819.3	2,838.8	3,341.2	3,042.6	3,631.9	3,751.3
1.3. Households	8,616.2	9,976.4	10,256.6	12,041.5	20,688.3	18,721.1	17,797.9	17,503.7	17,204.4	17,551.6	17,900.8
1.4. Other banking institutions	–	–	6.4	10.3	23.9	18.3	17.2	16.7	17.4	18.5	19.0
1.5. Other financial institutions	52.9	52.5	93.0	89.8	139.2	83.4	97.0	148.7	138.0	154.2	172.4
2. Time deposits	20,527.8	25,830.6	24,737.9	32,335.3	48,088.1	49,280.6	48,104.9	47,670.3	46,740.4	47,843.4	49,716.9
2.1. Local governments and funds	–	–	15.5	8.2	1.7	9.7	9.7	9.3	9.5	11.1	10.8
2.2. Enterprises	1,457.2	1,579.4	1,442.3	2,753.1	4,619.1	5,040.9	4,868.2	4,896.5	4,723.1	4,815.3	5,908.5
2.3. Households	18,849.8	23,994.7	22,957.7	29,097.2	42,705.4	43,324.6	42,454.2	41,984.4	41,232.1	42,229.7	42,887.8
2.4. Other banking institutions	–	–	2.5	4.2	11.5	9.4	12.5	20.4	22.4	22.0	21.9
2.5. Other financial institutions	220.8	256.5	320.0	472.7	750.3	896.0	760.2	759.7	753.3	765.3	887.9
Total (1+2)	31,278.1	37,970.9	36,966.0	46,901.6	71,836.9	70,938.8	68,872.0	68,697.1	67,159.9	69,213.2	71,574.3

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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Money market instruments (net)	7.0	4.5	1.4	–	–	–	–	–	–	–	5.0
2. Bonds (net)	19.1	24.1	384.1	353.5	104.4	103.4	105.1	100.9	96.2	97.1	96.9
3. Other domestic borrowing	107.5	125.6	51.2	124.7	213.4	201.0	237.1	80.8	137.9	72.7	178.2
3.1. Local governments and funds	0.0	0.0	–	–	–	–	–	–	–	–	–
3.2. Enterprises	29.9	22.5	13.7	15.2	158.1	45.8	45.2	44.3	44.0	43.5	44.6
3.3. Other banking institutions	–	54.2	15.7	1.3	4.6	4.8	3.6	1.6	2.5	–	–
3.4. Other financial institutions	77.6	48.9	21.8	108.2	50.7	150.4	188.3	34.8	91.4	29.2	133.6
Total (1+2+3)	133.6	154.1	436.8	478.2	317.8	304.4	342.1	181.6	234.1	169.8	280.0

Table D9: Bonds and Money Market Instruments

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

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

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

ments, excluding those purchased by foreign investors.

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

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

Table D10: Deposit Money Banks' Foreign Liabilities

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	13,540.1	15,878.2	17,066.0	17,669.8	21,692.7	22,109.0	22,320.2	24,044.4	24,091.5	24,801.7	24,130.2
1.1. Liabilities to foreign banks	8,979.3	10,557.0	11,525.4	11,957.6	16,407.4	16,644.2	16,904.0	18,622.8	18,794.9	19,428.7	18,710.0
Demand deposits	300.9	242.3	157.1	176.3	147.1	113.2	95.8	284.8	314.3	107.1	93.8
Time and notice deposits	2,365.5	411.5	1,267.0	345.9	1,208.3	1,677.4	2,543.2	4,006.8	4,118.7	4,977.8	4,534.3
Loans and advances	6,313.0	9,903.2	10,101.2	11,435.4	15,052.1	14,853.6	14,265.1	14,331.1	14,361.8	14,343.8	14,081.9
1.2. Liabilities to foreign nonbanks	4,560.8	5,321.2	5,540.7	5,712.2	5,285.2	5,464.8	5,416.1	5,421.6	5,296.6	5,373.0	5,420.2
Savings and time deposits	2,056.8	2,892.6	2,545.9	2,868.1	3,777.8	3,977.1	3,941.3	3,975.3	3,887.9	3,975.3	4,028.1
Sight deposits	608.4	620.5	754.0	745.5	873.7	925.9	901.4	938.4	883.8	901.4	898.5
Time and notice deposits	1,448.4	2,272.1	1,791.9	2,122.6	2,904.1	3,051.2	3,039.8	3,036.9	3,004.2	3,073.9	3,129.7
Loans and advances	2,504.0	2,428.6	2,994.8	2,844.1	1,507.4	1,487.7	1,474.9	1,446.3	1,408.6	1,397.7	1,392.1
2. Foreign liabilities in kuna	266.9	298.6	143.1	140.0	165.1	1,035.1	217.9	844.6	764.2	1,003.2	261.1
2.1. Liabilities to foreign banks	187.1	156.3	65.0	37.0	46.9	949.4	126.6	756.3	675.5	912.1	178.7
Demand deposits	52.3	70.5	52.6	14.4	38.2	50.7	112.5	394.1	316.7	306.6	93.2
Time and notice deposits	128.4	85.8	11.7	22.0	4.2	880.4	12.7	10.7	7.4	83.7	76.3
Loans and advances	6.4	–	0.7	0.7	4.5	18.3	1.5	351.4	351.4	521.9	9.2
2.2. Liabilities to foreign nonbanks	79.9	142.3	78.1	103.0	118.2	85.7	91.3	88.3	88.6	91.1	82.4
Demand deposits	42.0	41.0	42.1	50.8	60.1	53.2	58.9	55.6	55.6	56.6	51.7
Time and notice deposits	33.1	96.1	35.9	52.2	58.1	32.5	32.4	32.8	33.1	34.4	30.7
Loans and advances	4.8	5.2	0.1	–	–	–	–	–	–	–	–
Total (1+2)	13,807.1	16,176.8	17,209.1	17,809.7	21,857.8	23,144.1	22,538.1	24,889.0	24,855.7	25,804.9	24,391.3

Table D10: Deposit Money Banks' Foreign Liabilities

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

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

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

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

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

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

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. In kuna	2,386.3	3,033.3	3,269.6	3,073.3	3,335.1	3,685.8	3,759.2	3,658.7	3,628.0	3,720.6	3,812.3
1.1. Central government deposits	82.1	130.1	330.9	430.0	295.9	583.0	711.1	647.0	540.3	528.3	554.1
Demand deposits	31.7	4.5	74.7	116.7	33.9	249.3	397.2	327.6	240.3	222.4	263.1
Savings deposits	–	–	15.9	26.1	41.6	33.3	17.3	9.1	0.4	0.3	0.3
Time and notice deposits	21.7	100.4	202.3	259.5	217.6	297.6	293.7	307.4	296.8	302.7	287.9
Loans and advances	28.7	25.2	38.1	27.7	2.8	2.9	2.9	2.9	2.8	2.9	2.8
1.2. Central government funds' deposits	2,304.2	2,903.2	2,938.8	2,643.3	3,039.2	3,102.8	3,048.1	3,011.7	3,087.7	3,192.3	3,258.2
Demand deposits	85.7	83.0	40.6	116.9	214.6	156.2	201.1	221.0	301.8	319.2	401.4
Savings deposits	–	–	4.5	15.2	10.8	7.6	0.0	0.0	0.0	0.1	0.1
Time and notice deposits	19.4	33.9	57.2	32.6	195.2	232.2	240.0	222.0	204.1	189.0	154.8
Loans and advances	2,199.1	2,786.4	2,836.5	2,478.6	2,618.6	2,706.7	2,607.0	2,568.7	2,581.8	2,684.0	2,702.0
2. In f/c	4,488.4	4,265.0	2,559.0	3,657.1	2,299.6	2,205.0	2,444.7	2,549.0	3,479.5	2,729.1	2,709.0
2.1. Central government deposits	4,483.7	4,249.5	2,497.6	3,622.6	2,275.0	2,146.8	2,383.9	2,487.5	3,406.8	2,635.6	2,602.6
Savings deposits	160.1	83.2	59.1	1,256.1	329.8	311.8	613.9	771.4	1,811.7	1,128.3	1,065.1
Time and notice deposits	0.1	0.1	10.5	27.0	55.8	52.6	52.6	52.6	50.9	51.6	88.3
Refinanced loans and advances	4,323.5	4,166.2	2,428.0	2,339.4	1,889.5	1,782.4	1,717.5	1,663.4	1,544.2	1,455.7	1,449.2
2.2. Central government funds' deposits	4.7	15.5	61.4	34.6	24.5	58.2	60.8	61.6	72.7	93.5	106.3
Savings deposits	4.7	8.0	55.2	25.0	22.9	56.9	60.8	61.6	71.3	93.5	92.6
Time and notice deposits	–	7.5	6.1	9.5	1.6	1.4	–	–	1.5	–	13.7
Total (1+2)	6,874.7	7,298.3	5,828.6	6,730.5	5,634.7	5,890.8	6,203.9	6,207.7	7,107.5	6,449.7	6,521.3

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

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

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

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

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

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

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

End of period, million kuna

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Restricted deposits	1,199.4	700.6	691.4	854.4	830.6	1,212.7	1,347.7	1,292.4	1,479.1	1,325.5	1,316.1
1.1. In kuna	260.9	202.5	81.8	131.6	100.3	393.7	755.6	791.5	791.5	701.6	706.5
1.2. In f/c	938.5	498.0	609.7	722.8	730.3	819.0	592.2	501.0	687.6	623.9	609.6
2. Blocked f/c deposits	4,652.9	3,495.5	2,742.7	1,695.1	770.2	538.6	513.2	496.4	474.0	388.5	372.1
2.1. Central government	69.9	74.0	–	–	–	–	–	–	–	–	–
2.2. Enterprises	9.1	2.4	–	–	–	–	–	–	–	–	–
2.3. Households	4,573.8	3,419.1	2,742.7	1,695.1	770.2	538.6	513.2	496.4	474.0	388.5	372.1
Total (1+2)	5,852.3	4,196.0	3,434.2	2,549.6	1,600.8	1,751.3	1,861.0	1,788.8	1,953.1	1,714.0	1,688.2

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

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

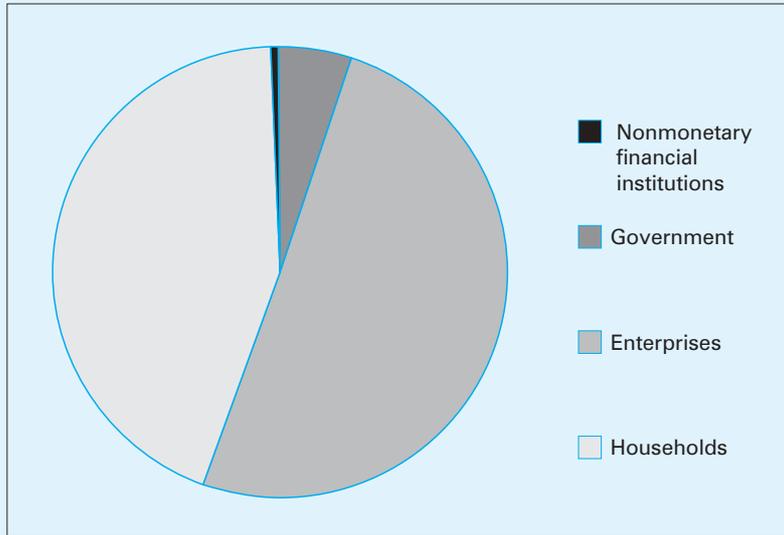
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

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

Figure D1

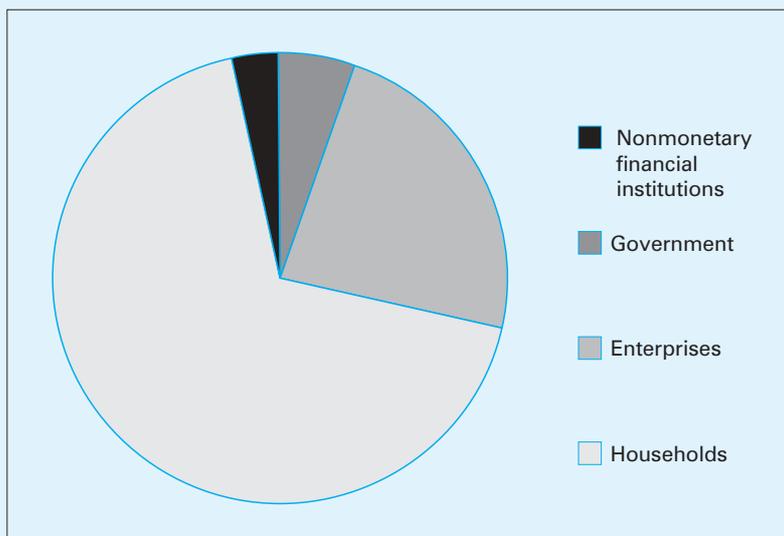
**DISTRIBUTION OF DEPOSIT MONEY BANKS' LOANS  
BY DOMESTIC INSTITUTIONAL SECTORS**



August 2002

Figure D2

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



August 2002

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.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>ASSETS</b>										
1. Reserves with the CNB	2.4	8.6	7.6	15.5	4.0	4.7	8.3	3.6	8.5	10.9
2. Claims on central government and funds	49.7	81.4	497.6	1,208.8	1,310.3	1,333.4	1,322.1	1,359.4	1,405.4	1,507.8
3. Claims on other domestic sectors	–	5.3	1.1	11.6	25.0	32.1	63.6	46.7	58.6	66.3
o/w: Claims on households	–	–	0.6	11.6	25.0	32.1	39.3	46.7	58.6	66.3
4. Claims on banks	54.2	57.0	7.6	18.1	15.1	8.9	7.6	13.3	11.1	37.1
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
<b>Total (1+2+3+4+5)</b>	<b>106.3</b>	<b>152.3</b>	<b>513.8</b>	<b>1,254.0</b>	<b>1,354.5</b>	<b>1,379.1</b>	<b>1,401.7</b>	<b>1,423.1</b>	<b>1,483.6</b>	<b>1,622.1</b>
<b>LIABILITIES</b>										
1. Time deposits	8.7	87.6	437.8	1,137.5	1,253.8	1,287.6	1,321.9	1,350.7	1,406.6	1,531.0
2. Bonds and money market instruments	0.4	–	10.0	10.0	10.0	11.2	11.2	10.0	–	–
3. Capital accounts	108.3	117.4	112.5	124.0	120.3	117.4	113.7	91.5	110.1	113.1
4. Other items (net)	–11.0	–52.7	–46.5	–17.5	–29.7	–37.1	–45.1	–29.1	–33.1	–22.0
<b>Total (1+2+3+4)</b>	<b>106.3</b>	<b>152.3</b>	<b>513.8</b>	<b>1,254.0</b>	<b>1,354.5</b>	<b>1,379.1</b>	<b>1,401.7</b>	<b>1,423.1</b>	<b>1,483.6</b>	<b>1,622.1</b>

Table E1: Housing Savings Banks' Accounts

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

Housing savings banks' required reserves held at the central bank include kuna vault cash and kuna funds held in accounts at the central bank.

Claims on central government and funds are claims in kuna on the Republic of Croatia and central government funds.

Claims on other domestic sectors include kuna loans to local government and households.

Claims on banks include loans extended to banks, as well as depos-

its with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

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

Table F1: Credit Rates of the Croatian National Bank

In percentage, on annual basis

Year	Month	CNB discount rate	Credit rates						
			On lombard credits	On intervention credits	On intra-day refinancing facility	On short-term liquidity credits	On advances on the account of statutory reserves	On inaccurately calculated statutory reserves	On arrears
1	2	3	4	5	6	7	8	9	10
1992	December	1,889.39	2,840.09	–	6,881.51	–	4,191.93	6,881.51	4,191.93
1993	December	34.49	46.78	–	289.60	–	101.22	289.60	166.17
1994	December	8.50	18.00	19.00	17.00	14.00	–	19.00	22.00
1995	December	8.50	25.49	19.00	17.00	–	–	19.00	22.00
1996	December	6.50	11.00	19.00	17.00	–	–	19.00	18.00
1997	December	5.90	9.50	19.00	17.00	–	–	19.00	18.00
1998	December	5.90	12.00	19.00	7.00	14.00	–	19.00	18.00
1999	December	7.90	13.00	19.00	–	14.00	–	19.00	18.00
2000	December	5.90	12.00	18.00	–	13.00	–	18.00	18.00
2001	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>a</sup>	–	–	11.50	–	18.00	18.00
	October	5.90	10.50	–	–	11.50	–	18.00	18.00
	November	5.90	10.00 <sup>b</sup>	–	–	11.00	–	15.00 <sup>b</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
	February	5.90	10.00	–	–	11.00	–	15.00	18.00
	March	5.90	10.00	–	–	11.00	–	15.00	18.00
	April	5.90	9.50 <sup>c</sup>	–	–	10.50	–	15.00	18.00
	May	5.90	9.50	–	–	10.50	–	15.00	18.00
	June	5.90	9.50	–	–	10.50	–	15.00	18.00
	July	5.90	9.50	–	–	10.50	–	15.00	15.00
	August	5.90	9.50	–	–	10.50	–	15.00	15.00

<sup>a</sup> Since 15 September 2001. <sup>b</sup> Since 22 November 2001. <sup>c</sup> Since 24 April 2002.

Table F1: Credit Rates of the Croatian National Bank

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

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

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

In percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis				Interest rates on f/c CNB bills on a voluntary basis				
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	367.60	556.66	1,057.67	1,889.39	–	–	–	–	–	–	–
1993	December	0.00	–	67.84	63.08	97.38	–	–	–	–	–	–
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–
2001	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>a</sup>	–	–	–	–	–	–	3.98	4.27	–	–
	August	3.50	–	–	4.06	4.80	5.34	–	3.91	4.12	–	–
	September	2.00 <sup>b</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	–	–
	February	2.00	–	–	3.41	4.05	4.37	–	2.53	3.10	–	–
	March	2.00	–	–	–	–	–	–	2.78	3.18	2.15	2.82
	April	1.75 <sup>c</sup>	–	–	3.03	3.79	4.35	–	2.50	3.09	–	3.29
	May	1.75	–	–	2.71	3.42	4.05	–	2.80	3.26	3.33	3.82
	June	1.75	–	–	2.24	2.76	3.39	–	2.99	2.68	3.06	3.41
	July	1.75	–	–	1.90	–	–	2.29	2.97	–	–	–
	August	1.75	–	–	1.97	–	–	2.36	3.05	–	–	–

<sup>a</sup> Since 9 July 2001. <sup>b</sup> Since 15 September 2001. <sup>c</sup> Since 24 April 2002.

Table F2: Deposit Rates of the Croatian National Bank

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

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

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

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

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

Since April 1998 columns 9 through 13 report weighted average interest rates on CNB bills on a voluntary basis in EUR and USD (until December 1998 in DEM and USD) attained at CNB bills' auctions as a weighted average of subscribed amounts in those two currencies.

Table F3: Deposit Money Banks' Reserve Requirements

Daily averages and percentages, million kuna and %

Year	Month	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	December	4,646.8	24.17	4,191.6	90.21	5.0	4,651.8	24.20	4.05	1.1
2001	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	0.3
	February	9,431.5	36.09	6,810.9	72.21	–	9,431.5	36.09	1.93	–
	March	9,676.3	36.57	7,029.1	72.64	–	9,676.3	36.57	1.94	–
	April	9,720.5	35.90	7,113.7	73.18	–	9,720.5	35.90	1.91	–
	May	10,024.5	34.20	7,304.8	72.87	–	10,024.5	34.20	1.71	–
	June	10,225.7	33.46	7,393.2	72.30	–	10,225.7	33.46	1.73	–
	July	10,415.5	32.98	7,473.7	71.76	–	10,415.5	32.98	1.70	4.1
	August	10,599.9	32.78	7,578.3	71.49	–	10,599.9	32.78	1.71	1.4

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	7
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	December	638.8	3.32	80.1	2,496.0	1,692.7
2001	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	1.0	3,252.8	3,084.0
	February	272.0	1.04	51.9	3,087.7	3,025.9
	March	910.1	3.44	241.8	3,275.8	2,296.0
	April	2,120.0	7.83	134.0	2,816.8	1,982.9
	May	2,146.2	7.32	0.4	3,179.1	1,878.6
	June	2,010.0	6.58	0.4	3,910.6	1,846.1
	July	1,106.9	3.50	8.4	4,726.2	1,757.5
	August	916.2	2.83	0.6	4,766.4	1,704.2

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' Interest Rates on Kuna Credits Not Indexed to Foreign Currency

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency							
		On daily market	On overnight market	Total average	On short-term credits					On long-term credits		
					Total average	Enterprises	Households		Total average	Enterprises	Households	
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	....	....	....	....	1,166.29	....	....
1993	December	86.90	34.49	59.00	59.00	....	....	....	....	78.97	....	....
1994	December	17.76	8.50	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.15	27.26	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38
1996	December	10.41	9.66	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28
1997	December	9.41	8.46	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75
1998	December	15.81	10.00	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16
1999	December	12.72	10.00	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16
2000	December	4.46	2.39	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97
2001	May	4.13	2.96	9.32	9.31	5.57	19.42	19.43	16.08	10.43	9.92	11.53
	June	2.79	2.69	9.88	9.89	6.08	19.38	19.42	14.64	9.64	9.51	13.79
	July	3.04	3.55	9.39	9.33	5.57	19.41	19.43	16.05	11.70	9.62	12.11
	August	4.04	3.88	9.27	9.25	6.65	19.44	19.45	17.02	11.17	8.59	12.21
	September	5.38	4.75	9.46	9.44	6.69	19.45	19.47	17.32	11.26	9.15	12.66
	October	4.81	4.04	8.53	8.52	5.64	18.94	18.96	16.14	12.06	10.78	13.48
	November	2.99	4.08	9.56	9.54	5.35	18.88	18.90	16.28	12.64	11.45	13.30
	December	2.67	3.56	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14
2002	January	1.88	1.62	15.28	15.30	9.69	18.98	19.04	10.97	13.69	10.57	14.41
	February	2.18	2.31	14.57	14.66	9.36	18.16	18.23	11.33	11.20	8.69	12.70
	March	2.38	3.08	13.73	13.84	8.86	17.32	17.47	11.08	11.89	7.24	12.38
	April	2.54	3.15	13.70	13.95	8.78	17.22	17.34	11.68	10.68	7.08	12.39
	May	1.99	3.10	13.74	13.85	8.82	17.15	17.25	10.67	10.85	6.60	12.43
	June	1.70	1.93	13.07	13.24	8.42	17.08	17.20	11.16	9.23	6.35	12.15
	July	1.00	1.19	12.14	12.28	8.16	15.46	17.07	5.58	9.55	6.84	11.20
	August	1.07	0.99	12.62	12.84	7.85	16.97	17.12	9.34	8.12	7.34	11.02
Relative significance <sup>a</sup>		–	–	46.45	44.34	20.12	24.22	23.77	0.44	2.11	1.66	0.45

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

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

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

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

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

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

Columns 3 and 4 show interest rates on the interbank, daily and overnight money markets, according to information published by the

Zagreb Money Market. Columns 5 through 13 show weighted averages of DMBs' and savings banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Total average	Housing credits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1992	December	20.41	9.90	....	....	21.41	....	....	....	....	....	....	....
1993	December	21.84	19.00	....	....	23.14	....	....	....	....	....	....	....
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	May	10.34	10.33	10.27	11.03	10.35	8.40	11.37	....	....	7.15	7.11	7.24
	June	10.15	10.09	9.98	10.65	10.18	8.73	11.27	....	....	6.80	6.80	6.80
	July	9.31	9.27	9.17	10.19	9.34	7.96	10.87	....	....	6.50	7.01	6.08
	August	9.64	9.76	9.66	11.13	9.56	7.98	10.85	....	....	6.51	6.05	8.54
	September	9.81	9.81	9.73	11.85	9.81	8.02	11.09	....	....	6.44	6.47	6.22
	October	9.37	9.24	9.61	7.56	9.45	7.71	10.97	....	....	5.93	5.65	6.27
	November	9.68	9.36	9.24	11.65	9.87	7.89	11.00	....	....	5.61	5.58	5.84
	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	January	9.55	9.79	9.36	12.22	9.44	7.54	10.95	8.80	11.57	8.26	8.53	7.61
	February	9.28	9.76	9.37	11.21	9.12	7.29	10.21	8.54	10.61	7.76	7.58	8.36
	March	9.21	9.08	8.57	11.32	9.24	7.03	10.10	8.22	10.36	6.20	6.44	5.86
	April	8.19	9.08	8.42	11.69	8.01	6.56	9.81	7.95	10.16	6.38	6.62	6.05
	May	8.63	8.75	8.04	11.57	8.60	7.01	9.67	7.37	10.13	7.48	7.74	6.41
	June	8.21	8.25	7.57	11.66	8.20	7.14	8.83	7.55	9.06	6.71	6.65	6.89
	July	8.12	8.70	7.98	11.44	7.99	6.57	9.48	7.35	10.16	6.48	6.69	6.24
	August	7.99	8.70	7.95	11.52	7.83	6.61	9.40	7.37	10.14	6.55	6.48	6.61
Relative significance <sup>a</sup>		46.54	8.38	6.62	1.76	38.16	21.44	16.72	4.49	12.23	7.01	3.26	3.73

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1992	December	434.47	184.69	1,867.18	....	....	....	....	....	....
1993	December	27.42	18.16	52.16	....	....	....	....	....	....
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	May	3.32	1.53	6.72	6.71	6.66	6.72	7.51	8.24	5.83
	June	3.18	1.54	6.26	6.23	6.51	6.13	7.97	8.42	6.68
	July	3.04	1.46	6.07	6.03	6.58	5.88	7.50	8.14	5.65
	August	3.11	1.49	6.28	6.21	6.40	6.13	8.13	8.64	7.13
	September	3.10	1.50	6.44	6.39	6.56	6.33	8.09	8.47	6.92
	October	3.06	1.43	6.24	6.19	6.46	6.09	7.57	8.02	7.11
	November	2.99	1.42	5.93	5.90	6.18	5.81	6.92	8.00	6.27
	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	January	2.48	1.34	5.79	5.74	6.31	5.45	7.53	7.74	6.85
	February	2.32	1.25	5.47	5.41	5.93	5.01	7.20	7.59	5.73
	March	2.02	1.16	5.06	5.00	5.55	4.59	7.24	7.47	5.70
	April	1.94	1.18	4.58	4.56	5.62	3.80	5.15	7.12	3.06
	May	1.97	1.16	4.60	4.52	5.54	3.85	7.23	7.45	3.39
	June	1.91	1.16	4.51	4.45	5.48	3.36	6.51	7.37	2.66
	July	1.75	1.01	4.25	4.23	5.45	2.96	4.54	7.57	1.97
	August	1.77	1.00	4.04	3.97	5.45	3.07	6.20	7.57	3.72
Relative significance <sup>a</sup>		40.20	32.80	4.17	4.02	1.53	2.50	0.14	0.09	0.05

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits					
						Total average	Households		Enterprises		
							EUR	USD	EUR	USD	
1	2	3	4	5	6	7	8	9	10	11	
1992	December	6.04	....	....	....	....	....	....	....	....	....
1993	December	5.91	....	....	....	....	....	....	....	....	....
1994	December	6.95	....	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	
2001	May	5.94	6.30	3.07	3.09	0.87	0.84	1.00	0.87	0.82	
	June	5.69	5.95	5.06	2.98	0.85	0.82	0.89	0.96	0.86	
	July	5.29	5.71	2.97	2.93	0.77	0.75	0.87	0.70	0.72	
	August	4.63	4.81	4.35	2.96	0.77	0.75	0.86	0.76	0.70	
	September	4.98	5.37	3.84	2.83	0.76	0.75	0.86	0.84	0.56	
	October	4.58	4.84	3.07	2.75	0.73	0.73	0.81	0.83	0.51	
	November	4.40	4.61	3.50	2.59	0.70	0.73	0.81	0.71	0.33	
	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	
2002	January	2.99	3.77	1.58	2.72	0.67	0.67	0.70	0.74	0.38	
	February	3.32	4.22	3.80	2.62	0.67	0.67	0.70	0.65	0.63	
	March	2.89	4.58	6.04	2.62	0.60	0.60	0.64	0.61	0.40	
	April	3.76	3.87	5.22	2.60	0.59	0.61	0.61	0.56	0.38	
	May	2.78	4.15	3.58	2.57	0.61	0.60	0.58	0.83	0.49	
	June	3.39	4.54	3.20	2.58	0.59	0.58	0.56	0.77	0.43	
	July	3.59	4.11	3.66	2.59	0.58	0.57	0.52	0.79	0.38	
	August	3.44 <sup>b</sup>	3.66	4.90	2.59	0.57	0.56	0.48	0.60	0.87	
Relative significance <sup>a</sup>		0.95	0.46	0.08	58.85	37.95	27.08	5.07	4.30	1.50	

<sup>a</sup> Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table). <sup>b</sup> Of the total amount of deposits to which this interest rate refers, 65.71 percent refers to enterprises.

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

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

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

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

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

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

Up to December 2001, interest rates on foreign currency deposits

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

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

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

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

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

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

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

Year	Month	Interest rates on foreign currency deposits											
		On time deposits											
		Total Average	On short-term deposits				On long-term deposits						
			Total Average	Households		Enterprises		Total Average	Households		Enterprises		
1	2	12	13	EUR	USD	EUR	USD	18	EUR	USD	EUR	USD	
1992	December	....	....	....	....	....	....	....	....	....	....	....	....
1993	December	....	....	....	....	....	....	....	....	....	....	....	....
1994	December	....	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50	
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50	
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76	
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92	
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77	
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53	
2001	May	4.04	3.92	3.47	4.07	4.72	5.02	4.63	4.27	5.41	6.24	5.99	
	June	3.88	3.76	3.50	3.79	4.57	4.15	4.63	4.50	4.86	5.65	3.61	
	July	3.87	3.68	3.52	3.76	4.39	3.73	4.85	4.74	5.11	5.32	4.10	
	August	3.94	3.72	3.50	3.76	4.46	3.71	4.98	4.87	5.28	6.21	0.72	
	September	3.71	3.58	3.48	3.50	4.20	3.26	4.40	4.65	4.72	6.60	0.39	
	October	3.61	3.45	3.46	3.36	3.88	2.85	4.64	4.64	4.80	5.92	2.41	
	November	3.40	3.21	3.24	3.17	3.59	2.25	4.56	4.59	4.36	4.81	3.02	
	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23	
2002	January	3.75	3.41	3.63	3.18	3.35	1.24	4.82	5.08	4.52	3.73	0.32	
	February	3.39	3.22	3.35	2.88	3.33	1.92	4.73	4.95	4.38	3.51	2.75	
	March	3.31	3.17	3.42	2.82	3.27	1.98	4.57	4.75	4.17	3.65	-	
	April	3.31	3.17	3.33	2.76	3.36	1.91	4.51	4.72	4.20	3.50	6.46	
	May	3.24	3.13	3.31	2.77	3.31	1.94	4.36	4.66	4.17	2.54	-	
	June	3.17	3.07	3.34	2.74	3.24	1.75	4.56	4.73	4.21	3.51	0.76	
	July	3.28	3.14	3.36	2.69	3.41	1.89	4.52	4.68	4.25	3.69	2.90	
	August	3.33	3.14	3.40	2.63	3.27	1.84	4.66	4.84	4.03	3.62	0.00	
Relative significance <sup>a</sup>		20.91	18.33	11.35	1.76	3.29	1.93	2.58	2.12	0.26	0.20	0.00	

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

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

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

Table G5: Deposit Money Banks' Trade with Foreign Exchange

Million EUR, current exchange rate

	1997	1998	1999	2000	2001	2002						
						Mar.	Apr.	May	Jun.	Jul. <sup>b</sup>	Aug. <sup>a</sup>	Sep. <sup>a</sup>
A. Purchase of foreign exchange												
1. Legal persons	2,506.4	3,186.0	2,924.9	3,316.4	653.2	706.0	625.8	451.6	573.9	653.7	495.9	551.2
2. Natural persons	2,093.4	2,273.5	2,170.0	2,549.2	375.9	241.0	262.4	274.6	275.5	424.5	349.8	250.7
2.1. Residents	1,695.5	1,854.5	1,794.7	2,021.1	339.9	226.6	239.3	237.1	223.2	305.0		
2.2. Non-residents	397.9	419.1	375.3	528.0	36.0	14.4	23.1	37.5	52.4	119.5		
3. Commercial banks	1,002.3	1,138.2	1,204.4	2,441.4	221.2	471.7	401.4	507.2	405.8	682.2	500.6	446.7
4. Croatian National Bank	57.1	582.2	934.8	168.2	7.3	73.9	–	–	–	–		
Total (1+2+3+4)	5,659.1	7,179.9	7,234.0	8,475.2	1,257.6	1,492.7	1,289.6	1,233.4	1,255.2	1,760.4	1,346.3	1,248.6
B. Sale of foreign exchange												
1. Legal persons	4,513.7	4,656.0	4,487.0	5,414.8	847.8	785.6	917.8	847.9	860.3	1,150.8	1,021.3	1,044.2
2. Natural persons	925.9	1,011.8	893.1	963.6	108.6	93.3	93.2	83.0	78.0	134.2	148.5	114.8
2.1. Residents	925.2	1,011.5	892.7	962.8	108.5	93.2	93.1	82.8	77.7	133.5		
2.2. Non-residents	0.7	0.3	0.4	0.6	0.1	0.1	0.1	0.2	0.3	0.7		
3. Commercial banks	1,002.3	1,138.2	1,204.4	2,441.4	221.2	471.7	401.4	507.2	405.8	682.2	500.6	446.7
4. Croatian National Bank	257.8	217.0	48.3	284.2	210.4	237.9	27.8	141.3	173.1	–	47.2	
Total (1+2+3+4)	6,699.7	7,022.9	6,632.8	9,104.1	1,388.0	1,588.5	1,440.2	1,579.3	1,517.2	1,967.2	1,717.5	1,605.7
C. Net purchase (A-B)												
1. Legal persons	-2,007.4	-1,470.1	-1,562.1	-2,098.4	-194.6	-79.5	-292.0	-396.2	-286.4	-497.1	-525.4	-493.0
2. Natural persons	1,167.5	1,261.7	1,276.8	1,585.4	267.3	147.8	169.2	191.6	197.5	290.3	201.3	135.9
2.1. Residents	770.3	843.0	901.9	1,058.2	231.4	133.5	146.3	154.3	145.5	171.5		
2.2. Non-residents	397.3	418.7	374.9	527.3	35.9	14.3	23.0	37.3	52.0	118.8		
3. Croatian National Bank	-200.7	365.2	886.5	-116.0	-203.1	-164.0	-27.8	-141.3	-173.1	–	-47.2	
Total (1+2+3)	-1,040.6	156.8	601.2	-628.9	-130.4	-95.7	-150.6	-345.9	-262.0	-206.8	-371.3	-357.1
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	78.5	254.5	1,044.9	405.8	100.6	–	–	–	–	–		
Sale of foreign exchange	8.4	279.5	100.4	86.9	1.0	–	0.6	–	1.3	–		

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

Table G5: Deposit Money Banks' Trade with Foreign Exchange

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

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

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

Million US dollars

	1997	1998	1999 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-2,512.1	-1,452.8	-1,397.8	-438.9	-616.8	-617.1	-798.1	1,215.0	-416.6	-821.3	-637.6
1. Goods, services, and income (2+5)	-3,381.5	-2,158.8	-2,030.2	-1,322.1	-1,582.5	-839.7	-1,052.2	976.9	-667.5	-1,061.5	-901.1
1.1. Credit	8,389.0	8,939.6	8,365.1	8,994.5	10,028.6	1,787.6	2,179.6	3,929.6	2,131.8	1,753.5	2,499.4
1.2. Debit	-11,770.5	-11,098.4	-10,395.3	-10,316.6	-11,611.1	-2,627.3	-3,231.9	-2,952.6	-2,799.3	-2,815.0	-3,400.5
2. Goods and services (3+4)	-3,359.0	-1,994.8	-1,673.4	-935.9	-1,045.4	-692.5	-797.0	1,080.9	-636.7	-843.5	-751.3
2.1. Credit	8,025.2	8,544.7	8,117.8	8,663.1	9,631.8	1,689.8	2,085.9	3,795.8	2,060.3	1,649.8	2,389.4
2.2. Debit	-11,384.2	-10,539.5	-9,791.1	-9,598.9	-10,677.2	-2,382.3	-2,882.9	-2,714.9	-2,697.0	-2,493.2	-3,140.7
3. Goods	-5,383.2	-4,071.5	-3,298.6	-3,203.8	-3,978.6	-808.3	-1,251.3	-974.6	-944.4	-979.8	-1,315.6
3.1. Credit	4,020.9	4,580.6	4,394.7	4,567.2	4,758.7	1,111.4	1,164.1	1,221.2	1,262.0	1,048.7	1,238.6
3.2. Debit	-9,404.2	-8,652.0	-7,693.3	-7,770.9	-8,737.2	-1,919.7	-2,415.4	-2,195.7	-2,206.4	-2,028.5	-2,554.2
4. Services	2,024.2	2,076.7	1,625.2	2,267.9	2,933.1	115.8	454.3	2,055.4	307.6	136.3	564.3
4.1. Credit	4,004.3	3,964.1	3,723.0	4,095.9	4,873.1	578.4	921.8	2,574.6	798.3	601.0	1,150.8
4.2. Debit	-1,980.1	-1,887.4	-2,097.8	-1,828.0	-1,940.0	-462.6	-467.5	-519.2	-490.7	-464.7	-586.5
5. Income	-22.4	-164.0	-356.8	-386.2	-537.0	-147.2	-255.2	-103.9	-30.7	-218.0	-149.8
5.1. Credit	363.8	394.9	247.3	331.4	396.8	97.8	93.8	133.8	71.5	103.8	110.0
5.2. Debit	-386.2	-558.9	-604.2	-717.6	-933.9	-245.0	-349.0	-237.8	-102.2	-321.8	-259.8
6. Current transfers	869.4	706.0	632.5	883.2	965.7	222.6	254.1	238.1	250.9	240.2	263.5
6.1. Credit	964.0	919.1	967.4	1,101.0	1,174.5	269.4	297.9	289.7	317.6	301.9	334.3
6.2. Debit	-94.6	-213.1	-335.0	-217.8	-208.8	-46.8	-43.8	-51.6	-66.7	-61.7	-70.8
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	2,651.6	1,469.0	2,372.7	1,203.2	1,159.6	315.8	765.1	-221.9	300.6	1,165.7	1,289.3
B1. Capital account	21.5	19.1	24.9	20.9	133.0	3.4	119.3	4.4	5.9	5.6	7.8
B2. Financial account, excl. reserves	3,058.2	1,601.5	2,726.3	1,764.5	2,339.6	452.5	1,032.5	187.7	666.9	1,389.7	1,538.4
1. Direct investment	346.7	834.9	1,413.3	1,077.2	1,367.8	175.3	263.0	331.2	598.3	216.0	277.8
1.1. Abroad	-186.1	-97.5	-44.8	0.2	-144.1	41.5	16.1	-156.3	-45.4	-4.7	-31.3
1.2. In Croatia	532.9	932.4	1,458.1	1,077.0	1,511.8	133.7	246.9	487.5	643.7	220.7	309.1
2. Portfolio investment	577.0	14.9	570.2	722.2	716.0	575.9	26.7	174.8	-61.4	-11.4	329.9
2.1. Assets	11.1	-0.1	-0.3	-0.2	-6.3	0.0	3.2	36.0	-45.4	-51.5	19.4
2.2. Liabilities	565.9	15.1	570.5	722.3	722.3	576.0	23.5	138.8	-16.0	40.0	310.5
3. Other investment	2,134.4	751.7	742.7	-34.9	255.8	-298.7	742.8	-318.3	130.0	1,185.1	930.7
3.1. Assets	171.3	348.8	-117.7	-847.5	311.0	84.3	248.3	-517.4	496.0	1,016.6	270.2
3.2. Liabilities	1,963.2	402.9	860.5	812.6	-55.2	-383.0	494.6	199.2	-366.0	168.5	660.4
B3. Reserve assets (CNB)	-428.0	-151.5	-378.5	-582.1	-1,313.1	-140.0	-386.8	-414.1	-372.2	-229.5	-256.9
<b>C. NET ERRORS AND OMISSIONS</b>	-139.5	-16.2	-974.9	-764.4	-542.8	301.3	33.0	-993.1	116.0	-344.4	-651.7

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data. Operating debt investments made by foreign direct investors in the banking sector have been reclassified from Foreign direct investments to Other investments. Also, item Foreign direct investments – Other capital includes hybrid and subordinated instruments that are included in the supplementary capital.

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	2001 <sup>b</sup>	2001				2002	
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
1. Goods	-5,383.2	-4,071.5	-3,298.6	-3,203.8	-3,978.6	-808.3	-1,251.3	-974.6	-944.4	-979.8	-1,315.6
1.1. Credit	4,020.9	4,580.6	4,394.7	4,567.2	4,758.7	1,111.4	1,164.1	1,221.2	1,262.0	1,048.7	1,238.6
1.1.1. Exports f.o.b. in trade statistics	3,981.3	4,517.2	4,302.5	4,431.6	4,665.9	1,093.3	1,141.4	1,196.6	1,234.6	1,031.5	1,217.1
1.1.2. Adjustments for coverage	39.6	63.4	92.2	135.6	92.8	18.1	22.7	24.6	27.4	17.2	21.5
1.2. Debit	-9,404.2	-8,652.0	-7,693.3	-7,770.9	-8,737.2	-1,919.7	-2,415.4	-2,195.7	-2,206.4	-2,028.5	-2,554.2
1.2.1. Imports c.i.f. in trade statistics	-9,101.5	-8,275.6	-7,798.6	-7,886.5	-9,015.0	-1,989.9	-2,508.4	-2,247.6	-2,269.1	-2,105.7	-2,665.3
1.2.2. Adjustments for coverage	-948.9	-964.0	-448.4	-444.4	-362.3	-71.2	-85.1	-107.7	-98.3	-72.4	-78.1
1.2.3. Adjustments for classification	646.2	587.6	553.7	559.9	640.1	141.3	178.1	159.6	161.1	149.5	189.2
2. Services	2,024.2	2,076.7	1,625.2	2,267.9	2,933.1	115.8	454.3	2,055.4	307.6	136.3	564.3
2.1. Transportation	282.6	229.5	83.8	178.6	169.1	45.4	38.9	49.6	35.2	23.5	25.0
2.1.1. Credit	681.5	565.7	484.0	557.3	588.6	135.2	154.2	160.7	138.5	95.2	141.3
2.1.2. Debit	-399.0	-336.2	-400.1	-378.7	-419.5	-89.8	-115.3	-111.2	-103.2	-71.7	-116.3
2.2. Travel	1,993.0	2,133.2	1,742.0	2,189.9	2,728.6	80.9	391.8	1,981.0	274.9	95.0	551.7
2.2.1. Credit	2,523.1	2,733.4	2,493.4	2,758.0	3,335.0	237.5	533.2	2,151.2	413.1	236.7	756.9
2.2.2. Debit	-530.1	-600.3	-751.4	-568.1	-606.4	-156.6	-141.4	-170.2	-138.2	-141.7	-205.2
2.3. Other services	-251.4	-286.0	-200.6	-100.6	35.4	-10.6	23.5	24.9	-2.5	17.8	-12.4
2.3.1. Credit	799.6	665.0	745.7	780.6	949.4	205.6	234.3	262.7	246.8	269.1	252.7
2.3.2. Debit	-1,051.0	-951.0	-946.3	-881.2	-914.1	-216.2	-210.8	-237.8	-249.2	-251.3	-265.1
Total (1+2)	-3,359.0	-1,994.8	-1,673.4	-935.9	-1,045.4	-692.5	-797.0	1,080.9	-636.7	-843.5	-751.3

<sup>a</sup> Preliminary data. <sup>b</sup> Revised 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 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
1. Income	-22.4	-164.0	-356.8	-386.2	-537.0	-147.2	-255.2	-103.9	-30.7	-218.0	-149.8
1.1. Compensation of employees	55.6	69.7	60.3	69.6	124.5	28.8	29.6	31.9	34.3	34.6	36.5
1.1.1. Credit	70.2	81.0	75.2	82.7	137.3	31.6	32.7	34.7	38.2	38.3	40.3
1.1.2. Debit	-14.6	-11.4	-14.9	-13.1	-12.8	-2.9	-3.1	-2.8	-3.9	-3.8	-3.9
1.2. Direct investment income	-52.0	-100.6	-66.8	-134.1	-326.1	-15.5	-219.9	-76.8	-13.9	-94.0	-152.3
1.2.1. Credit	16.9	5.3	2.7	5.5	14.3	1.1	9.7	1.9	1.6	0.6	3.4
1.2.2. Debit	-68.9	-105.9	-69.6	-139.5	-340.4	-16.6	-229.6	-78.7	-15.5	-94.6	-155.8
1.3. Portfolio investment income	-91.6	-102.6	-129.2	-178.8	-218.1	-123.7	-23.8	-65.5	-5.1	-139.5	-7.7
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	-218.1	-123.7	-23.8	-65.5	-5.1	-139.5	-7.8
1.4. Other investment income	65.6	-30.5	-221.1	-142.8	-117.4	-36.7	-41.1	6.5	-46.0	-19.1	-26.2
1.4.1. Credit	274.1	308.3	169.3	243.3	245.2	65.1	51.3	97.1	31.7	64.9	66.2
1.4.2. Debit	-208.6	-338.8	-390.4	-386.1	-362.6	-101.8	-92.4	-90.7	-77.7	-83.9	-92.4
2. Current transfers	869.4	706.0	632.5	883.2	965.7	222.6	254.1	238.1	250.9	240.2	263.5
2.1. General government	32.8	-9.2	-130.3	21.7	56.7	14.9	22.7	12.1	7.0	4.0	6.8
2.1.1. Credit	55.6	77.6	76.2	118.0	125.5	27.7	35.2	28.9	33.8	27.6	30.4
2.1.2. Debit	-22.8	-86.8	-206.5	-96.3	-68.9	-12.8	-12.5	-16.8	-26.8	-23.6	-23.5
2.2. Other sectors	836.5	715.2	762.7	861.5	909.0	207.7	231.5	226.0	243.9	236.2	256.7
2.2.1. Credit	908.4	841.5	891.2	983.0	1,049.0	241.7	262.7	260.8	283.8	274.3	303.9
2.2.2. Debit	-71.9	-126.3	-128.5	-121.5	-139.9	-34.0	-31.3	-34.8	-39.9	-38.1	-47.3
Total (1+2)	846.9	542.0	275.6	497.0	428.7	75.4	-1.1	134.1	220.2	22.2	113.7

<sup>a</sup> Preliminary data. <sup>b</sup> Revised 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 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
<b>ASSETS</b>	171.3	348.8	-117.7	-847.5	311.7	84.3	248.9	-517.4	496.0	1,016.6	270.2
1. Trade credits	18.1	-19.5	-292.1	97.8	60.0	124.1	-62.5	72.1	-73.8	45.1	-123.8
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	-292.1	97.8	60.0	124.1	-62.5	72.1	-73.8	45.1	-123.8
1.2.1. Long-term	0.0	0.0	-20.7	2.4	8.3	4.2	3.2	0.6	0.3	-8.7	1.9
1.2.2. Short-term	18.1	-19.5	-271.4	95.4	51.7	119.9	-65.7	71.5	-74.0	53.9	-125.7
2. Loans	0.0	0.0	-23.5	2.7	-12.4	-10.2	6.6	-7.5	-1.4	-4.3	-13.6
2.1. General government	0.0	0.0	1.1	0.0	-3.2	-4.0	0.0	0.0	0.8	0.0	0.0
2.1.1. Long-term	0.0	0.0	1.1	0.0	-3.2	-4.0	0.0	0.0	0.8	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	-24.6	2.7	-9.2	-6.2	6.6	-7.5	-2.2	-4.3	-13.6
2.2.1. Long-term	0.0	0.0	-14.8	2.3	-3.0	1.8	3.8	-8.6	0.1	-0.7	-4.8
2.2.2. Short-term	0.0	0.0	-9.8	0.4	-6.3	-8.0	2.8	1.2	-2.2	-3.5	-8.8
2.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Currency and deposits	153.2	368.3	197.9	-948.1	264.1	-29.7	304.8	-582.1	571.1	975.8	407.6
3.1. General government	30.7	-22.3	12.3	-26.7	-15.2	-64.3	10.6	53.1	-14.6	3.4	75.1
3.2. Banks	-371.8	406.1	185.6	-921.4	-1,613.7	34.6	294.2	-635.2	-1,307.3	972.4	332.5
3.3. Other sectors	494.3	-15.5	0.0	0.0	1,893.0	0.0	0.0	0.0	1,893.0	0.0	0.0
<b>LIABILITIES</b>	1,963.2	402.9	860.5	812.6	-55.2	-383.0	494.6	199.2	-366.0	168.5	660.4
1. Trade credits	217.9	-466.9	310.6	280.1	58.7	-424.0	346.2	279.2	-142.8	-107.8	460.5
1.1. General government	0.0	0.0	0.9	-3.2	1.1	0.0	1.1	0.0	0.0	0.4	0.0
1.1.1. Long-term	0.0	0.0	-1.0	-0.5	1.1	0.0	1.1	0.0	0.0	0.4	0.0
1.1.2. Short-term	0.0	0.0	1.9	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other sectors	217.9	-466.9	309.7	283.3	57.6	-424.0	345.1	279.2	-142.8	-108.2	460.6
1.2.1. Long-term	0.0	0.0	-9.4	-9.4	-27.4	-3.8	9.0	-15.9	-16.6	-0.7	1.0
1.2.2. Short-term	217.9	-466.9	319.1	292.8	85.0	-420.1	336.2	295.1	-126.1	-107.5	459.6
2. Loans	1,474.1	1,045.7	514.2	637.4	-315.7	-35.7	100.4	-78.6	-301.8	104.2	-85.7
2.1. Monetary authorities	37.3	-8.9	-31.4	-28.7	-30.8	0.0	-13.8	-3.1	-13.9	-3.0	-13.7
2.1.1. Use of Fund credit and loans	37.3	-8.9	-31.4	-28.7	-30.8	0.0	-13.8	-3.1	-13.9	-3.0	-13.7
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	-30.8	0.0	-13.8	-3.1	-13.9	-3.0	-13.7
2.2. General government	95.7	-61.4	185.2	270.4	-338.9	23.0	-7.8	-30.8	-323.3	92.6	25.1
2.2.1. Long-term	104.2	-12.2	169.7	-16.4	21.1	23.0	-7.8	-30.8	36.7	92.6	25.1
2.2.1.1. Drawings	180.7	248.0	235.1	235.1	166.7	50.6	11.8	44.9	59.3	120.1	47.1
2.2.1.2. Repayments	-76.4	-260.2	-65.5	-251.5	-145.6	-27.6	-19.7	-75.7	-22.6	-27.5	-22.1
2.2.2. Short-term (net)	-8.6	-49.2	15.5	286.9	-360.0	0.0	0.0	0.0	-360.0	0.0	0.0
2.3. Banks	399.2	311.6	-5.7	100.7	121.1	-19.0	123.3	-26.4	43.1	2.4	-48.5
2.3.1. Long-term	337.3	362.3	-7.2	107.4	127.2	-17.1	118.5	-26.4	52.3	2.0	-48.9
2.3.1.1. Drawings	587.9	517.0	494.6	651.9	729.9	84.8	187.0	348.1	110.0	70.1	28.8
2.3.1.2. Repayments	-250.6	-154.7	-501.8	-544.4	-602.7	-101.9	-68.5	-374.5	-57.7	-68.1	-77.7
2.3.2. Short-term (net)	61.9	-50.7	1.5	-6.8	-6.1	-1.8	4.8	0.1	-9.1	0.4	0.4
2.4. Other sectors	942.0	804.3	366.2	295.0	-67.0	-39.7	-1.3	-18.3	-7.7	12.2	-48.6
2.4.1. Long-term	747.0	668.0	377.8	344.2	-21.4	9.5	26.2	-7.6	-49.6	-3.2	-63.9
2.4.1.1. Drawings	1,007.0	969.7	914.9	829.6	588.0	105.5	174.9	154.9	152.6	124.9	140.7
2.4.1.2. Repayments	-259.9	-301.8	-537.1	-485.4	-609.4	-96.0	-148.8	-162.5	-202.1	-128.1	-204.6
2.4.2. Short-term (net)	194.9	136.4	-11.6	-49.2	-45.6	-49.3	-27.5	-10.7	41.8	15.4	15.2
3. Currency and deposits	271.1	-175.9	35.6	-104.9	201.7	76.7	48.0	-1.5	78.6	171.9	285.9
3.1. Monetary authorities	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	0.0
3.2. Banks	271.1	-175.9	35.6	-104.9	200.7	76.7	48.0	-2.5	78.6	171.9	285.9
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. <sup>b</sup> Revised data.

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

Million kuna

	1997	1998	1999 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-15,184.9	-9,239.2	-9,958.2	-3,719.3	-5,169.5	-5,181.3	-6,759.4	9,996.8	-3,225.6	-6,995.8	-5,166.5
1. Goods, services, and income (2+5)	-20,527.7	-13,736.0	-14,461.5	-11,042.8	-13,225.0	-7,033.1	-8,918.0	8,029.6	-5,303.5	-9,057.6	-7,275.1
1.1. Credit	52,092.8	56,904.8	59,682.0	74,574.1	83,771.2	14,830.0	18,523.8	32,507.3	17,910.1	14,926.8	20,075.9
1.2. Debit	-72,620.5	-70,640.8	-74,143.5	-85,616.9	-96,996.2	-21,863.1	-27,441.9	-24,477.6	-23,213.6	-23,984.5	-27,350.9
2. Goods and services (3+4)	-20,456.0	-12,665.6	-11,928.5	-7,894.9	-8,942.8	-5,811.6	-6,753.0	8,900.1	-5,278.3	-7,198.5	-6,052.8
2.1. Credit	49,827.5	54,398.7	57,919.7	71,797.8	80,225.9	14,020.4	17,726.3	31,399.5	17,079.7	14,043.2	19,196.9
2.2. Debit	-70,283.5	-67,064.3	-69,848.2	-79,692.7	-89,168.7	-19,832.0	-24,479.3	-22,499.3	-22,358.0	-21,241.7	-25,249.7
3. Goods	-33,309.5	-25,946.4	-23,586.6	-26,686.7	-33,302.4	-6,765.7	-10,616.9	-8,094.2	-7,825.7	-8,358.4	-10,539.6
3.1. Credit	24,755.0	29,130.4	31,369.6	37,910.1	39,690.9	9,229.3	9,891.6	10,105.8	10,464.2	8,931.0	9,999.6
3.2. Debit	-58,064.5	-55,076.9	-54,956.2	-64,596.7	-72,993.3	-15,995.0	-20,508.5	-18,199.9	-18,289.9	-17,289.3	-20,539.2
4. Services	12,853.5	13,280.8	11,658.1	18,791.7	24,359.6	954.0	3,863.9	16,994.3	2,547.3	1,159.8	4,486.8
4.1. Credit	25,072.5	25,268.3	26,550.1	33,887.7	40,535.0	4,791.1	7,834.8	21,293.7	6,615.5	5,112.2	9,197.3
4.2. Debit	-12,219.0	-11,987.5	-14,892.0	-15,096.0	-16,175.4	-3,837.0	-3,970.8	-4,299.4	-4,068.2	-3,952.3	-4,710.5
5. Income	-71.7	-1,070.4	-2,533.0	-3,147.9	-4,282.2	-1,221.5	-2,165.1	-870.5	-25.1	-1,859.1	-1,222.3
5.1. Credit	2,265.3	2,506.0	1,762.3	2,776.3	3,545.4	809.7	797.5	1,107.8	830.4	883.7	879.0
5.2. Debit	-2,336.9	-3,576.5	-4,295.3	-5,924.1	-7,827.5	-2,031.1	-2,962.6	-1,978.3	-855.5	-2,742.8	-2,101.2
6. Current transfers	5,342.7	4,496.8	4,503.2	7,323.5	8,055.5	1,851.8	2,158.7	1,967.2	2,077.8	2,061.8	2,108.5
6.1. Credit	5,925.9	5,846.2	6,898.2	9,131.4	9,795.4	2,239.8	2,530.9	2,393.8	2,630.9	2,580.4	2,682.0
6.2. Debit	-583.1	-1,349.4	-2,394.9	-1,807.9	-1,740.0	-388.0	-372.3	-426.7	-553.1	-518.6	-573.5
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	16,177.9	9,123.9	16,332.9	9,754.1	7,311.7	2,567.1	6,496.9	-4,294.1	2,541.8	9,780.4	10,120.3
B1. Capital account	132.4	121.9	178.0	172.1	1,140.1	27.9	1,027.1	36.6	48.6	47.9	63.1
B2. Financial account, excl. reserves	18,730.7	10,056.6	19,146.8	14,391.8	17,206.6	3,746.1	8,747.7	-868.0	5,580.9	11,676.7	12,089.2
1. Direct investment	2,135.2	5,349.3	10,086.4	8,464.8	9,040.3	1,455.4	2,215.3	668.3	4,701.3	1,898.6	2,160.3
1.1. Abroad	-1,149.7	-619.7	-329.0	2.3	-1,191.9	344.7	135.9	-1,296.3	-376.2	-40.8	-249.8
1.2. In Croatia	3,284.8	5,969.1	10,415.3	8,462.4	10,232.2	1,110.8	2,079.3	1,964.6	5,077.5	1,939.4	2,410.1
2. Portfolio investment	3,523.4	107.9	3,970.9	5,781.8	5,995.1	4,776.5	202.5	1,149.4	-133.3	-240.3	2,647.3
2.1. Assets	70.6	-0.9	-2.1	-1.4	2.4	-0.3	2.7	-0.1	0.1	-580.8	162.7
2.2. Liabilities	3,452.8	108.8	3,973.1	5,783.2	5,992.8	4,776.8	199.8	1,149.5	-133.3	340.5	2,484.6
3. Other investment	13,072.0	4,599.3	5,089.5	145.2	2,171.2	-2,485.9	6,329.9	-2,685.8	1,012.9	10,018.3	7,281.6
3.1. Assets	750.9	2,139.9	-1,149.9	-6,977.2	2,671.7	701.3	2,124.1	-4,265.7	4,112.0	8,652.5	2,129.6
3.2. Liabilities	12,321.1	2,459.4	6,239.4	7,122.4	-500.5	-3,187.1	4,205.8	1,579.9	-3,099.1	1,365.8	5,151.9
B3. Reserve assets (CNB)	-2,685.2	-1,054.5	-2,992.0	-4,809.8	-11,035.1	-1,206.8	-3,277.9	-3,462.7	-3,087.7	-1,944.2	-2,032.0
<b>C. NET ERRORS AND OMISSIONS</b>	-992.9	115.3	-6,374.6	-6,034.8	-2,142.1	2,614.2	262.5	-5,702.6	683.8	-2,784.5	-4,953.8

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data. Operating debt investments made by foreign direct investors in the banking sector have been reclassified from Foreign direct investments to Other investments. Also, item Foreign direct investments – Other capital includes hybrid and subordinated instruments that are included in the supplementary capital.

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	December	3,524.8	147.7	0.2	–	3,376.9	2,574.3	802.6	2,389.2
2001	May	3,695.1	126.0	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	4,750.0	106.4	0.2	–	4,643.3	3,273.2	1,370.2	3,457.2
	March	4,885.5	104.1	0.2	–	4,781.1	3,275.3	1,505.8	2,906.3
	April	5,018.8	92.1	0.2	–	4,926.5	3,292.0	1,634.5	2,658.1
	May	5,230.8	92.8	0.2	–	5,137.8	3,365.6	1,772.2	2,745.6
	June	5,601.8	95.9	0.2	–	5,505.7	3,627.8	1,878.0	2,837.6
	July	5,648.4	95.5	0.2	–	5,552.7	3,638.7	1,914.0	2,861.4
	August	5,758.3	95.3	0.2	–	5,662.8	3,779.1	1,883.7	2,901.1
	September <sup>c</sup>	5,705.2	91.6	0.2	–	5,613.4	3,573.5	2,039.9	2,931.0

<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 31 December 2001. Accrued interest on deposits, with the effect of USD 7.6m, was included in the international reserves as at 31 December 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.	Dec. <sup>c</sup>	Mar.	Apr.	May	Jun.	Jul.	Aug.
<b>I. Official reserve assets and other f/c assets (approximate market value)</b>									
A. Official reserve assets	2,847.4	3,432.3	4,704.2	4,885.5	5,018.8	5,230.8	5,601.8	5,648.4	5,758.3
(1) Foreign currency reserves (in convertible f/c)	2,616.3	2,567.4	3,420.3	3,661.5	3,744.9	4,036.5	4,284.3	4,302.7	4,358.1
(a) Securities	375.5	802.6	1,535.3	1,505.8	1,634.5	1,772.2	1,878.0	1,914.0	1,883.7
o/w: issuer headquartered in reporting country but located abroad									
(b) Total currency and deposits with:	2,240.8	1,764.8	1,885.0	2,155.7	2,110.5	2,264.3	2,406.3	2,388.7	2,474.4
(i) other national central banks, BIS and IMF	712.3	545.7	406.9	382.6	352.2	364.6	361.2	338.4	337.9
(ii) banks headquartered in the reporting country									
o/w: located abroad									
(iii) banks headquartered outside the reporting country	1,528.6	1,219.1	1,478.1	1,773.0	1,758.2	1,899.7	2,045.1	2,050.3	2,136.5
o/w: located in the reporting country									
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	189.5	147.7	108.4	104.1	92.1	92.8	95.9	95.5	95.3
(4) gold									
(5) other reserve assets	41.4	717.0	1,175.3	1,119.7	1,181.5	1,101.3	1,221.4	1,250.1	1,304.7
– reverse repo	41.4	717.0	1,175.3	1,119.7	1,181.5	1,101.3	1,221.4	1,250.1	1,304.7
B. Other foreign currency assets (specify)	177.6	92.5							
– time deposits	177.6	92.5							
C. Total (A+B)	3,025.0	3,524.8	4,704.2	4,885.5	5,018.8	5,230.8	5,601.8	5,648.4	5,758.3
<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	-1,191.4	-802.9	-809.0	-818.2	-876.3	-869.8	-854.7
(a) Croatian National Bank	-258.7	-265.0	-391.1	-280.1	-276.6	-278.2	-292.4	-287.3	-270.7
Up to 1 month									
Principal	-90.2	-107.6	-172.9	-141.5	-105.0	-81.2	-147.6	-122.4	-148.6
Interest	-5.0	-4.3	-2.8	-2.3	-2.5	-2.4	-2.8	-2.5	-2.4
More than 1 and up to 3 months									
Principal	-123.6	-116.5	-179.6	-106.7	-122.4	-146.3	-95.2	-132.7	-91.8
Interest	-2.7	-2.8	-1.9	-1.7	-1.2	-1.1	-1.7	-1.2	-0.7
More than 3 months and up to 1 year									
Principal	-29.9	-29.0	-30.4	-24.6	-42.3	-43.9	-42.0	-25.3	-24.2
Interest	-7.3	-4.7	-3.4	-3.2	-3.3	-3.3	-3.2	-3.2	-3.1
(b) Central government (excluding extrabudgetary funds) <sup>a</sup>	-673.9	-945.8	-800.3	-522.9	-532.4	-539.9	-583.9	-582.5	-584.0
Up to 1 month									
Principal	-63.5	-89.3	-89.7	-3.1	-2.4	-17.3	-95.6	0.0	-8.7
Interest	-58.3	-69.0	-49.0	-1.3	-1.0	-13.5	-57.7	-3.1	-3.1
More than 1 and up to 3 months									
Principal	-6.0	-93.8	-310.1	-19.4	-111.6	-94.8	-8.6	-12.2	-6.4
Interest	-42.9	-77.1	-110.9	-14.0	-69.3	-59.5	-6.0	-6.0	-4.1
More than 3 months and up to 1 year									
Principal	-384.6	-497.1	-150.6	-237.6	-147.5	-151.4	-187.3	-285.7	-283.0
Interest	-118.7	-119.6	-90.0	-247.5	-200.5	-203.4	-228.6	-275.5	-278.7
2. Aggregate short and long positions in forwards and futures in f/c vis-à-vis the domestic currency (including the forward leg of currency swaps)									
(a) Short positions (-)									
Up to 1 month									
More than 1 and up to 3 months									
More than 3 months and up to 1 year									
(b) Long positions (+)									
Up to 1 month									
More than 1 and up to 3 months									
More than 3 months and up to 1 year									
3. Other	-21.3	-40.7	-66.3	-113.2	-137.1	-121.5	-60.4	-122.7	-190.9
– outflows related to repos (-)									
Up to 1 month									
Principal	-21.3	-40.6	-66.3	-113.2	-137.1	-121.4	-60.3	-122.6	-190.7
Interest	0.0	-0.1	-0.1	0.0	-0.1	-0.1	0.0	-0.1	-0.2
More than 1 and up to 3 months									
Principal									
Interest									
More than 3 months and up to 1 year									
Principal									
Interest									
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-954.0	-1,251.5	-1,257.7	-916.1	-946.2	-939.6	-936.6	-992.5	-1,045.6
<b>III. Contingent short-term net drains on f/c assets (nominal value)</b>									
1. Contingent liabilities in foreign currency	-869.9	-969.3	-960.3	-1,059.2	-1,094.1	-1,059.0	-1,110.9	-1,135.0	-1,146.2
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-278.6	-255.1	-281.7	-236.2	-238.7	-254.5	-273.2
– Croatian National Bank									
– Central government (excluding extrabudgetary funds) <sup>a</sup>	-263.6	-296.0	-278.6	-255.1	-281.7	-236.2	-238.7	-254.5	-273.2
Up to 1 month	-37.3	-48.4	-43.6	-10.8	-52.3	-38.2	-40.7	-3.4	-32.9
More than 1 and up to 3 months	-57.6	-11.4	-21.8	-86.6	-76.8	-42.6	-29.4	-37.5	-15.2

## INTERNATIONAL ECONOMIC RELATIONS

More than 3 months and up to 1 year	-168.7	-236.2	-213.2	-157.8	-152.5	-155.4	-168.7	-213.6	-225.1
(b) Other contingent liabilities	-606.2	-673.2	-681.7	-804.1	-812.4	-822.8	-872.2	-880.4	-873.0
– Croatian National Bank	-606.2	-673.2	-681.7	-804.1	-812.4	-822.8	-872.2	-880.4	-873.0
Up to 1 month									
More than 1 and up to 3 months	-606.2	-673.2	-681.7	-804.1	-812.4	-822.8	-872.2	-880.4	-873.0
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	150.7	150.1	211.1				
– BIS (+)	80.0	80.0							
– IMF (+)			150.7	150.2	211.1				
4. Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency									
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-789.9	-889.3	-809.7	-909.0	-883.0	-1,059.0	-1,110.9	-1,135.0	-1,146.2
<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	-61.7	-78.7	-100.0	-83.3	-20.0	-79.0	-143.7
– lent or repoed but not included in Section I									
– borrowed or acquired and included in Section I									
– borrowed or acquired but not included in Section I	37.4	685.6	1,089.3	1,060.7	1,141.3	1,052.0	1,201.9	1,187.3	1,224.3
(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	4,704.2	4,885.4	5,018.7	5,230.8	5,601.8	5,648.4	5,758.3
– currencies not in SDR basket	41.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
– by individual currencies									
USD	1,186.1	922.5	1,533.2	1,702.5	1,756.6	1,782.9	1,779.8	1,878.3	1,911.6
EUR	1,405.1	2,453.9	2,062.0	3,078.6	3,169.8	3,354.9	3,725.8	3,674.4	3,751.2
Other	433.8	148.4	109.0	104.4	92.3	93.0	96.1	95.7	95.5

<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 31 December 2001. Accrued interest on deposits, with the effect of USD 7.6m, was included in the international reserves as at 31 December 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
2001	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	
	March	7.403144				5.043763	12.027717	8.454575	
	April	7.392964				5.043037	12.043841	8.358554	
	May	7.378303				5.065595	11.779217	8.071944	
	June	7.344009				4.993381	11.405167	7.697451	
	July	7.350401				5.026632	11.500657	7.405215	
	August	7.377005				5.045000	11.605190	7.541780	
	September	7.346884				5.014697	11.644205	7.483577	

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
2001	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	
	March	7.402535				5.052580	12.107516	8.494991	
	April	7.395818				5.054205	11.969280	8.185742	
	May	7.377827				5.039844	11.587603	7.928032	
	June	7.320722				4.972641	11.273055	7.359729	
	July	7.394853				5.071916	11.762133	7.522740	
	August	7.376568				5.022857	11.620302	7.488902	
	September	7.341343				5.003642	11.677021	7.504951	

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

Indices 1995=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producers' prices	Retail price index
1997	December	107.96	104.89	103.27
1998	December	111.87	108.03	102.41
1999	December	122.56	116.27	109.49
2000	December	125.97	113.53	107.66
2001	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	104.32
2002	January	124.74	113.95	105.45
	February	125.80	114.35	106.57
	March	123.91	114.53	105.08
	April	123.36	113.38	104.60
	May	121.86	111.78	103.25
	June	119.64	109.37	101.24
	July	118.32	107.66 <sup>a</sup>	100.56 <sup>a</sup>
	August	119.29	108.80 <sup>a</sup>	101.71 <sup>a</sup>
	September	118.68		

<sup>a</sup> Preliminary data.

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

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

The index of the nominal effective exchange rate of the kuna is a weighted geometric average of the index of bilateral exchange rates of the kuna against the euro, US dollar, Swiss franc, British pound and Slovenian tolar. The weights are determined based on the average share of a particular foreign currency in the structure of the current account of the balance of foreign currency transactions between July 1996 and January 2000. The year 1995 is a base period for calculating the index. The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency against a basket of currencies. An increase in the index of the nominal effective

exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna corrected for the relevant relative price indices (the ratio of price indices in partner countries and domestic prices). Producer price and retail price indices are used, in particular the total harmonized retail price index for the Economic and Monetary Union member countries. Data for the last two months are preliminary. The historical data may be corrected for the subsequent changes in the data published by the statistical offices of the countries whose prices are included in the calculation of the index of the real effective exchange rate of the kuna.

Table H11: External Debt by Domestic Sectors

Million US dollars

	1997	1998	1999	2000	2001	2002					
	Dec.*	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Direct investment	0.0	243.5	307.0	624.3	648.0	663.8	718.6	773.5	838.8	852.0	872.3
2. Government	2,905.7	3,395.3	3,973.0	4,795.3	5,011.8	5,112.4	5,258.3	5,331.7	5,767.4	5,722.8	5,769.8
2.1 Portfolio investment	1,954.5	2,049.3	2,522.9	3,141.2	3,683.1	3,712.1	3,810.8	3,844.1	4,230.0	4,124.3	4,140.0
Bonds	1,954.5	2,049.3	2,522.9	3,141.2	3,683.1	3,712.1	3,810.8	3,844.1	4,230.0	4,124.3	4,140.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2 Other investment	951.2	1,346.0	1,450.2	1,654.1	1,328.8	1,400.3	1,447.5	1,487.6	1,537.4	1,598.5	1,629.8
2.2.1 Trade credits	18.1	2.7	3.4	0.1	1.1	1.5	1.6	1.6	1.6	1.4	1.4
Long-term	18.1	1.8	0.7	0.1	1.1	1.5	1.6	1.6	1.6	1.4	1.4
Short-term	0.0	0.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	933.1	1,343.3	1,446.8	1,654.0	1,327.6	1,398.8	1,445.9	1,486.0	1,535.8	1,597.1	1,628.5
Long-term	833.1	1,293.3	1,371.5	1,294.0	1,327.6	1,398.8	1,445.9	1,486.0	1,535.8	1,597.1	1,628.5
Short-term	100.0	50.0	75.3	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	231.8	233.9	196.6	158.7	122.2	118.4	106.4	108.3	111.7	111.0	111.2
o/w: IMF	231.8	233.9	196.6	158.7	122.2	118.4	106.4	108.3	111.7	111.0	111.2
4. Banks	2,215.6	2,498.6	2,187.4	2,087.5	2,304.6	2,433.7	2,480.9	2,820.0	2,990.4	3,016.6	2,802.7
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2 Other investment	2,215.6	2,498.6	2,187.4	2,087.5	2,304.6	2,433.7	2,480.9	2,820.0	2,990.4	3,016.6	2,802.7
4.2.1 Currency and deposits	789.9	614.6	537.7	432.8	633.5	798.6	830.3	1,104.9	1,186.7	1,268.3	1,189.5
4.2.2 Credits	1,425.7	1,884.0	1,649.7	1,654.7	1,671.1	1,635.1	1,650.6	1,715.1	1,803.7	1,748.3	1,613.2
Long-term	1,382.0	1,835.7	1,618.6	1,640.5	1,662.4	1,627.5	1,640.9	1,704.7	1,792.9	1,738.7	1,603.6
Short-term	43.7	48.3	31.2	14.2	8.7	7.7	9.7	10.4	10.8	9.7	9.6
5. Other sectors	2,098.5	3,214.9	3,208.3	3,336.3	3,129.7	3,060.5	3,239.9	3,320.8	3,485.8	3,580.3	3,724.2
5.1 Portfolio investment	0.0	8.7	48.5	38.4	54.8	31.9	150.4	154.7	165.1	163.2	163.5
Bonds	0.0	0.0	31.1	28.9	27.4	27.0	145.5	149.8	160.1	158.3	158.6
Money market instruments	0.0	8.7	17.4	9.5	27.4	4.9	4.9	4.9	4.9	4.9	4.9
5.2 Other investment	2,098.5	3,206.2	3,159.8	3,298.0	3,074.9	3,028.6	3,089.5	3,166.0	3,320.7	3,417.1	3,560.7
5.2.1 Trade credits	608.4	441.1	373.8	341.6	293.3	287.3	295.7	300.5	316.5	305.8	315.6
Long-term	442.8	323.4	274.3	277.3	238.6	239.0	239.8	241.4	257.5	251.0	260.2
Short-term	165.6	117.7	99.5	64.4	54.7	48.2	55.9	59.1	59.0	54.8	55.5
5.2.2 Credits	1,490.1	2,765.1	2,786.0	2,956.3	2,781.6	2,741.4	2,793.7	2,865.5	3,004.2	3,111.3	3,245.1
Long-term	1,260.9	2,373.1	2,535.7	2,810.4	2,696.4	2,636.5	2,676.1	2,731.7	2,877.0	2,980.4	3,100.6
Short-term	229.2	392.0	250.3	145.9	85.1	104.9	117.6	133.8	127.2	131.0	144.5
Total (1+2+3+4+5)	7,451.6	9,586.2	9,872.3	11,002.2	11,216.4	11,388.9	11,804.1	12,354.3	13,194.0	13,282.7	13,280.2

Note: Data series are revised due to the reclassification of banking sector direct investments to the debt stock of the banking sector.

Table H11: External Debt by Domestic Sectors

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

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

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

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

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

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

Table H12: External Debt by Creditors

Million US dollars

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Portfolio investment	1,954.8	2,058.0	2,571.4	3,179.6	3,737.9	3,744.0	3,961.2	3,998.8	4,395.1	4,287.5	4,303.5
Bonds	1,954.8	2,049.3	2,554.0	3,170.1	3,710.5	3,739.1	3,956.3	3,993.9	4,390.2	4,282.6	4,298.6
o/w: London Club	1,428.4	1,404.7	1,380.9	1,255.4	1,106.0	1,031.4	1,031.4	1,031.4	1,031.4	956.7	956.7
Money market instruments	0.0	8.7	17.4	9.5	27.4	4.9	4.9	4.9	4.9	4.9	4.9
2. Other investment	5,496.8	7,528.1	7,301.0	7,822.6	7,478.4	7,644.8	7,842.8	8,355.5	8,798.9	8,995.2	8,976.7
2.1. Currency and deposits	789.9	614.6	537.7	432.8	633.5	798.6	830.3	1,104.9	1,186.7	1,268.3	1,189.5
2.2. Long-term	4,168.4	6,249.1	6,221.9	6,724.8	6,640.3	6,603.9	6,758.5	6,979.3	7,336.4	7,449.5	7,501.3
2.2.1. Public creditors	1,867.0	2,196.7	2,162.4	2,254.2	2,235.8	2,324.0	2,302.0	2,357.3	2,455.2	2,424.0	2,476.5
a) International financial organizations	851.0	1,039.2	1,013.9	1,115.1	1,168.8	1,299.8	1,250.6	1,274.7	1,324.2	1,313.2	1,350.2
– IMF	231.8	233.9	196.6	158.7	122.2	118.4	106.4	108.3	111.7	111.0	111.2
– IBRD	294.5	344.1	395.0	412.6	469.5	570.5	577.5	584.3	593.1	590.9	597.5
– IFC	0.0	30.9	28.6	71.9	85.7	90.0	91.0	91.8	90.5	93.1	93.2
– EBRD	171.2	251.3	218.8	296.8	319.9	346.4	283.2	292.2	316.2	309.6	339.3
– EUROFIMA	42.9	72.6	78.5	85.6	83.0	91.1	94.5	97.3	103.6	103.1	102.8
– EIB	108.3	105.2	81.0	65.6	52.4	46.9	48.7	50.1	53.6	50.6	50.7
– CEB	2.3	1.1	15.4	24.0	36.1	36.5	49.3	50.6	55.5	55.0	55.7
b) Governments and government agencies	1,016.0	1,157.5	1,148.5	1,139.1	1,067.1	1,024.2	1,051.4	1,082.6	1,131.0	1,110.8	1,126.2
– Paris Club	852.5	884.8	770.8	686.4	623.9	595.3	607.6	617.4	640.9	619.0	617.9
– Other	163.5	272.7	377.7	452.7	443.2	428.9	443.8	465.2	490.2	491.8	508.3
2.2.2. Private creditors	2,301.4	4,052.5	4,059.5	4,470.7	4,404.5	4,279.9	4,456.6	4,622.0	4,881.2	5,025.5	5,024.8
a) Banks	1,833.3	3,257.5	3,311.9	3,351.4	3,339.4	3,268.2	3,394.7	3,515.0	3,681.1	3,845.3	3,761.6
o/w: guaranteed by government agencies	167.0	213.7	330.7	608.1	608.0	594.6	610.3	621.6	643.9	637.9	640.8
b) Other sectors	468.1	794.9	747.6	1,119.3	1,065.0	1,011.6	1,061.9	1,107.0	1,200.1	1,180.2	1,263.2
o/w: guaranteed by government agencies	17.6	28.5	17.8	13.8	10.3	9.2	9.5	9.8	3.0	2.8	10.1
2.3. Short-term	538.5	664.4	541.3	665.0	204.7	242.4	253.9	271.3	275.9	277.4	286.0
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	0.0
2.3.2. Private creditors	538.5	664.4	541.3	665.0	204.7	242.4	253.9	271.3	275.9	277.4	286.0
a) Banks	370.1	381.1	246.1	486.9	68.8	84.6	96.9	109.2	94.3	95.1	106.6
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	0.0
b) Other sectors	168.4	283.3	295.2	178.3	135.8	157.7	157.0	162.1	181.5	182.2	179.4
o/w: guaranteed by government agencies	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	7,451.6	9,586.2	9,872.3	11,002.2	11,216.4	11,388.9	11,804.0	12,354.3	13,194.0	13,282.7	13,280.2

Table H12: External Debt by Creditors

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

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

Million US dollars

	Outstanding debt 31/08/2002	Nonreported principal payments	Projected future principal payments										
			Q3/02	Q4/02	2002	2003	2004	2005	2006	2007	2008	2009	Other
1. Direct investment	872.3	127.4	39.2	71.7	110.9	80.7	79.2	71.1	237.3	112.5	13.4	5.4	34.3
2. Government	5,769.8	17.1	16.3	41.9	58.2	342.6	809.7	809.3	824.9	576.7	443.2	717.7	1,170.2
2.1. Portfolio investment	4,140.0	0.0	0.0	0.0	0.0	161.2	562.6	653.7	668.5	416.9	289.8	570.5	816.7
Bonds	4,140.0	0.0	0.0	0.0	0.0	161.2	562.6	653.7	668.5	416.9	289.8	570.5	816.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investment	1,629.8	17.1	16.3	41.9	58.2	181.4	247.1	155.6	156.4	159.8	153.4	147.2	353.5
2.2.1. Trade credits	1.4	0.0	0.1	0.1	0.1	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1.4	0.0	0.1	0.1	0.1	0.6	0.6	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
2.2.2. Credits	1,628.5	17.1	16.3	41.8	58.1	180.8	246.5	155.6	156.4	159.8	153.4	147.2	353.5
Long-term	1,628.5	17.1	16.3	41.8	58.1	180.8	246.5	155.6	156.4	159.8	153.4	147.2	353.5
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
3. Croatian National Bank	111.2	0.0	3.2	14.4	17.6	35.2	35.2	13.6	6.4	3.2	0.0	0.0	0.0
o/w: IMF	111.2	0.0	3.2	14.4	17.6	35.2	35.2	13.6	6.4	3.2	0.0	0.0	0.0
4. Banks	2,802.7	64.2	17.0	76.8	93.7	333.8	334.3	309.5	155.3	96.7	74.6	75.3	1,265.4
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
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
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
4.2. Other investment	2,802.7	64.2	17.0	76.8	93.7	333.8	334.3	309.5	155.3	96.7	74.6	75.3	1,265.4
4.2.1. Currency and deposits	1,189.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,189.5
4.2.2. Credits	1,613.2	64.2	17.0	76.8	93.7	333.8	334.3	309.5	155.3	96.7	74.6	75.3	75.9
Long-term	1,603.6	57.9	14.5	75.8	90.3	333.8	334.3	309.5	155.3	96.7	74.6	75.3	75.9
Short-term	9.6	6.2	2.4	0.9	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	3,724.2	445.7	82.5	248.0	330.5	635.0	638.0	378.6	391.2	369.3	169.5	127.6	238.9
5.1. Portfolio investment	163.5	0.0	0.0	4.9	4.9	0.0	30.5	0.0	0.0	128.0	0.0	0.0	0.0
Bonds	158.6	0.0	0.0	0.0	0.0	0.0	30.5	0.0	0.0	128.0	0.0	0.0	0.0
Money market instruments	4.9	0.0	0.0	4.9	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	3,560.7	445.7	82.5	243.0	325.6	635.0	607.4	378.6	391.2	241.3	169.5	127.6	238.9
5.2.1. Trade credits	315.6	89.0	11.3	45.5	56.8	104.2	33.6	18.7	7.9	2.8	1.1	0.8	0.7
Long-term	260.2	65.1	8.9	29.8	38.6	90.9	33.6	18.7	7.9	2.8	1.1	0.8	0.7
Short-term	55.5	24.0	2.4	15.7	18.2	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	3,245.1	356.6	71.2	197.5	268.8	530.7	573.9	359.9	383.3	238.5	168.4	126.8	238.2
Long-term	3,100.6	294.2	46.7	152.3	199.0	518.4	573.9	359.9	383.3	238.5	168.4	126.8	238.2
Short-term	144.5	62.4	24.5	45.3	69.8	12.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	13,280.2	654.4	158.2	452.8	611.0	1,427.2	1,896.5	1,582.1	1,615.1	1,158.4	700.8	926.1	2,708.8
Supplement: Projected interest payments		81.4	41.0	109.8	150.8	585.0	521.1	420.4	321.6	235.8	169.5	139.1	196.9
Note:													
Publicly guaranteed debt	1,660.1												
o/w: Banks and other sectors	1,041.8												

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

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

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

able interest rates.

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

Table H14: International Investment Position – Summary

Million US dollars

	1998 <sup>b</sup>	1999 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
					Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
1. International investment position (net)	-5,286.0	-6,367.6	-6,884.4	-5,546.8	-7,513.7	-7,598.6	-6,936.8	-5,546.8	-7,533.4	-8,122.2
2. Assets	6,162.8	5,919.5	7,152.6	9,983.3	6,918.4	6,919.6	8,282.9	9,983.3	9,123.2	9,835.9
2.1. Direct investment abroad	1,002.4	886.3	873.8	969.1	687.4	763.4	807.8	969.1	911.7	1,025.1
2.2. Portfolio investment	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	50.1
2.2.1. Equity securities	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	50.1
2.2.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	2,314.9	1,982.3	2,739.8	4,287.6	2,709.2	2,351.9	3,040.2	4,287.6	3,280.7	3,158.9
2.4.1. Trade credits	200.1	207.2	184.1	181.8	177.5	172.8	176.0	181.8	183.5	179.3
2.4.2. Loans	165.3	166.2	97.4	107.3	104.9	97.1	107.5	107.3	111.6	130.6
2.4.3. Currency and deposits	1,949.4	1,608.9	2,458.2	3,998.5	2,426.8	2,082.0	2,756.7	3,998.5	2,985.6	2,849.0
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	2,815.8	3,025.0	3,524.9	4,704.2	3,514.1	3,798.6	4,416.3	4,704.2	4,885.4	5,601.7
3. Liabilities	11,448.8	12,287.1	14,037.0	15,530.1	14,432.1	14,518.2	15,219.7	15,530.1	16,656.7	17,958.2
3.1. Direct investment in Croatia	1,945.8	2,551.0	3,550.4	4,934.4	3,736.1	3,866.4	4,025.4	4,934.4	5,717.9	5,426.5
3.2. Portfolio investment	2,144.3	2,699.7	3,288.5	3,889.8	3,747.7	3,716.6	4,009.6	3,889.8	3,957.6	4,562.6
3.2.1. Equity securities	87.3	128.3	108.9	158.0	144.4	137.8	137.1	158.0	213.6	167.5
3.2.2. Debt securities	2,057.0	2,571.5	3,179.6	3,731.8	3,603.3	3,578.8	3,872.5	3,731.8	3,744.0	4,395.1
Bonds	2,048.3	2,554.1	3,170.1	3,704.4	3,589.3	3,543.2	3,836.3	3,704.4	3,739.1	4,390.2
Money market instruments	8.7	17.4	9.5	27.4	14.0	35.6	36.3	27.4	4.9	4.9
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,358.6	7,036.4	7,198.2	6,705.9	6,948.2	6,935.2	7,184.6	6,705.9	6,981.1	7,969.0
3.4.1. Trade credits	458.5	388.8	341.7	295.2	322.3	326.8	333.1	295.2	288.8	321.2
3.4.2. Loans	6,285.5	6,109.9	6,423.7	5,777.1	6,116.5	6,051.0	6,296.6	5,777.1	5,893.7	6,461.1
3.4.3. Currency and deposits	614.6	537.7	432.8	633.5	509.5	557.4	554.9	633.5	798.6	1,186.7
3.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

Table H14: International Investment Position

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

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

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

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

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

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

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

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

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

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

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

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

Table H15: International Investment Position – Direct Investment

Million US dollars

	1998 <sup>b</sup>	1999 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
					Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
Direct investment (net)	-943.4	-1,664.7	-2,676.6	-3,965.4	-3,048.8	-3,103.0	-3,217.6	-3,965.4	-4,806.2	-4,401.4
1. Abroad	1,002.4	886.3	873.8	969.1	687.4	763.4	807.8	969.1	911.7	1,025.1
1.1. Equity capital and reinvested earnings	960.2	839.7	824.1	928.8	645.0	720.8	763.6	928.8	870.7	983.4
Claims	960.2	839.7	824.1	928.8	645.0	720.8	763.6	928.8	870.7	983.4
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	42.2	46.6	49.7	40.3	42.3	42.6	44.2	40.3	41.0	41.8
Claims	...	...	...	...	...	...	...	...	...	...
Liabilities	...	...	...	...	...	...	...	...	...	...
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	1,945.8	2,551.0	3,550.4	4,934.4	3,736.1	3,866.4	4,025.4	4,934.4	5,717.9	5,426.5
2.1. Equity capital and reinvested earnings	1,659.1	2,205.5	2,894.0	4,011.9	3,003.2	3,090.1	3,063.1	4,011.9	4,756.4	4,204.4
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	1,659.1	2,205.5	2,894.0	4,011.9	3,003.2	3,090.1	3,063.1	4,011.9	4,756.4	4,204.4
2.2. Other capital	286.7	345.5	656.3	922.5	732.9	776.3	962.4	922.5	961.6	1,222.2
Claims	...	...	...	...	...	...	...	...	...	...
Liabilities	...	...	...	...	...	...	...	...	...	...
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

Table H16: International Investment Position – Portfolio Investment

Million US dollars

	1998 <sup>b</sup>	1999 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
					Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>b</sup>	Q2 <sup>a</sup>
Portfolio investment (net)	-2,114.6	-2,673.8	-3,274.2	-3,867.4	-3,740.0	-3,710.8	-3,991.1	-3,867.4	-3,912.2	-4,512.5
1. Assets	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	50.1
1.1. Equity capital and reinvested earnings	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	50.1
Banks	2.3	0.7	7.2	7.1	5.7	4.2	5.9	7.1	6.5	8.1
Other sectors	27.4	25.3	7.1	15.3	2.0	1.6	12.7	15.3	36.3	39.1
1.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,144.3	2,699.7	3,288.5	3,889.8	3,747.7	3,716.6	4,009.6	3,889.8	3,957.6	4,562.6
2.1. Equity capital and reinvested earnings	87.3	128.3	108.9	158.0	144.4	137.8	137.1	158.0	213.6	167.5
Banks	36.5	61.5	36.5	37.8	38.2	39.5	39.5	37.8	70.2	48.6
Other sectors	50.8	66.8	72.4	120.2	106.2	98.3	97.6	120.2	143.4	118.9
2.2. Debt securities	2,057.0	2,571.5	3,179.6	3,731.8	3,603.3	3,578.8	3,872.5	3,731.8	3,744.0	4,395.1
Bonds	2,048.3	2,554.1	3,170.1	3,704.4	3,589.3	3,543.2	3,836.3	3,704.4	3,739.1	4,390.2
General government	2,048.3	2,522.9	3,141.2	3,677.1	3,562.0	3,516.9	3,807.9	3,677.1	3,712.1	4,230.0
Other sectors	0.0	31.2	28.9	27.3	27.3	26.2	28.4	27.3	27.0	160.1
Money market instruments	8.7	17.4	9.5	27.4	14.0	35.6	36.3	27.4	4.9	4.9
Other sectors	8.7	17.4	9.5	27.4	14.0	35.6	36.3	27.4	4.9	4.9

<sup>a</sup> Preliminary data. <sup>b</sup> Revised data.

Table H17: International Investment Position – Other Investment

Million US dollars

	1998 <sup>b</sup>	1999 <sup>b</sup>	2000 <sup>b</sup>	2001 <sup>b</sup>	2001				2002	
					Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>	Q1 <sup>a</sup>	Q2 <sup>a</sup>
Other investment (net)	-5,043.7	-5,054.1	-4,458.4	-2,418.3	-4,239.0	-4,583.3	-4,144.4	-2,418.3	-3,700.4	-4,810.1
1. Assets	2,314.9	1,982.3	2,739.8	4,287.6	2,709.2	2,351.9	3,040.2	4,287.6	3,280.7	3,158.9
1.1. Trade credits	200.1	207.2	184.1	181.8	177.5	172.8	176.0	181.8	183.5	179.3
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	200.1	207.2	184.1	181.8	177.4	172.8	176.0	181.8	183.5	179.2
Long-term	181.3	171.3	169.2	158.9	163.0	159.0	160.0	158.9	165.5	166.6
Short-term	18.9	35.9	14.9	22.9	14.5	13.8	16.0	22.9	18.0	12.7
1.2. Loans	165.3	166.2	97.4	107.3	104.9	97.1	107.5	107.3	111.6	130.6
1.2.1. General government	5.8	3.7	2.3	5.4	6.1	6.1	6.2	5.4	5.3	5.6
Long-term	5.8	3.7	2.3	5.4	6.1	6.1	6.2	5.4	5.3	5.6
1.2.2. Banks	93.4	132.7	65.9	73.0	69.8	61.8	72.2	73.0	76.7	95.2
Long-term	55.0	88.7	39.9	41.4	36.5	31.9	42.4	41.4	42.5	60.2
Short-term	38.4	44.1	26.0	31.6	33.3	30.0	29.8	31.6	34.2	35.1
1.2.3. Other sectors	66.1	29.8	29.2	28.9	29.0	29.2	29.0	28.9	29.5	29.8
Long-term	66.1	29.8	29.2	28.9	29.0	29.2	29.0	28.9	29.5	29.8
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3. Currency and deposits	1,949.4	1,608.9	2,458.2	3,998.5	2,426.8	2,082.0	2,756.7	3,998.5	2,985.6	2,849.0
1.3.2. General government	64.2	46.0	69.0	83.5	131.6	118.8	71.0	83.5	79.3	11.4
1.3.3. Banks	1,885.2	1,562.9	2,389.2	3,915.0	2,295.2	1,963.2	2,685.7	3,915.0	2,906.3	2,837.6
1.3.4. Other sectors	...	...	...	...	...	...	...	...	...	...
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,358.6	7,036.4	7,198.2	6,705.9	6,948.2	6,935.2	7,184.6	6,705.9	6,981.1	7,969.0
2.1. Trade credits	458.5	388.8	341.7	295.2	322.3	326.8	333.1	295.2	288.8	321.2
2.1.1. General government	2.7	3.3	0.1	1.2	0.1	1.2	1.2	1.2	1.5	1.5
Long-term	1.8	0.6	0.1	1.2	0.1	1.2	1.2	1.2	1.5	1.5
Short-term	0.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	455.8	385.4	341.6	294.1	322.2	325.6	332.0	294.1	287.3	319.7
Long-term	353.3	299.6	277.3	235.5	258.2	258.6	259.9	235.5	239.0	263.1
Short-term	102.5	85.9	64.4	58.6	64.0	67.0	72.0	58.6	48.2	56.5
2.2. Loans	6,285.5	6,109.9	6,423.7	5,777.1	6,116.5	6,051.0	6,296.6	5,777.1	5,893.7	6,461.1
2.2.1. Croatian National Bank	233.3	196.7	158.7	122.1	151.7	136.4	138.4	122.1	118.4	111.7
o/w: IMF	233.3	196.7	158.7	122.1	151.7	136.4	138.4	122.1	118.4	111.7
2.2.2. General government	1,361.1	1,448.4	1,654.0	1,266.1	1,637.6	1,603.7	1,619.1	1,266.1	1,398.8	1,535.7
Long-term	1,311.1	1,372.9	1,294.0	1,266.1	1,277.6	1,243.7	1,259.1	1,266.1	1,398.8	1,535.7
Short-term	50.0	75.5	360.0	0.0	360.0	360.0	360.0	0.0	0.0	0.0
2.2.3. Banks	1,878.6	1,651.7	1,654.6	1,656.1	1,553.6	1,618.5	1,711.8	1,656.1	1,635.1	1,799.0
Long-term	1,857.8	1,631.6	1,640.4	1,648.1	1,541.6	1,602.0	1,694.2	1,648.1	1,627.5	1,789.6
Short-term	20.8	20.1	14.2	8.0	12.0	16.5	17.6	8.0	7.7	9.4
2.2.4. Other sectors	2,812.5	2,813.1	2,956.3	2,732.8	2,773.6	2,692.4	2,827.3	2,732.8	2,741.4	3,014.7
Long-term	2,525.7	2,591.0	2,810.4	2,640.8	2,685.0	2,633.5	2,775.1	2,640.8	2,636.5	2,881.1
Short-term	286.8	222.0	145.9	91.9	88.6	58.9	52.2	91.9	104.9	133.6
2.3. Currency and deposits	614.6	537.7	432.8	633.5	509.5	557.4	554.9	633.5	798.6	1,186.7
2.3.1. Banks	614.6	537.7	432.8	633.5	509.5	557.4	554.9	633.5	798.6	1,186.7
2.4. Other liabilities	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. <sup>b</sup> Revised data.

Table I1: Consolidated Central Government

Million kuna

	1997	1998	1999	2000	2001	2002			
						Mar.	Apr.	May	Jun.
<b>TOTAL REVENUE AND GRANTS</b>									
1. Budgetary central government	33,846.1	43,808.6	46,355.5	44,635.7	52,747.4	4,908.2	6,233.0	5,902.7	4,892.6
2. Extrabudgetary funds	19,499.1	21,302.1	21,185.5	22,099.3	18,098.2	75.3	429.4	317.5	283.6
2.1. Pension Fund	11,022.2	10,713.4	10,799.8	11,254.2	5,806.8	3.1	6.7	3.4	7.9
2.2. Health Insurance Fund	5,824.2	8,269.0	8,686.4	8,967.4	10,314.5	18.6	9.9	6.1	39.2
2.3. Employment Fund	638.3	718.2	760.6	822.4	910.9	2.3	1.9	1.3	3.7
2.4. Child Benefit Fund	976.7	542.8	9.1	7.1	5.1	–	–	–	–
2.5. Croatian Waters	1,037.7	1,058.6	929.6	1,048.2	1,060.9	51.4	81.0	97.1	60.7
2.6. Development and Employment Fund	–	–	–	–	–	–	330.0	209.5	99.3
2.7. Regional Development Fund	–	–	–	–	–	–	–	–	72.9
A. Total (1+2)	53,345.3	65,110.7	67,541.0	66,735.0	70,845.6	4,983.5	6,662.4	6,220.1	5,176.2
<b>TOTAL EXPENDITURE AND NET LENDING (minus repayments)</b>									
3. Budgetary central government	29,409.4	34,125.4	35,979.1	36,730.8	44,844.5	6,526.1	5,581.1	5,876.0	5,145.3
4. Extrabudgetary funds	25,522.5	30,103.1	34,363.9	37,701.4	30,044.6	229.0	756.9	499.7	453.4
4.1. Pension Fund	13,795.1	16,170.4	18,998.5	20,180.8	12,125.3	121.7	124.5	117.3	136.6
4.2. Health Insurance Fund	8,742.8	10,776.0	11,919.6	13,918.1	13,192.7	19.6	21.1	39.8	13.3
4.3. Employment Fund	714.1	571.2	824.9	995.5	983.4	24.2	32.1	26.7	24.2
4.4. Child Benefit Fund	1,003.7	1,032.1	1,136.2	1,250.6	2,467.0	–	–	–	–
4.5. Croatian Waters	1,266.8	1,553.3	1,484.8	1,356.4	1,276.1	63.5	65.1	64.9	99.5
4.6. Development and Employment Fund	–	–	–	–	–	–	514.0	250.9	149.7
4.7. Regional Development Fund	–	–	–	–	–	–	–	–	30.1
B. Total (3+4)	54,931.9	64,228.6	70,343.0	74,432.3	74,889.1	6,755.2	6,338.0	6,375.7	5,598.7
C. Overall surplus/deficit (A-B)	–1,586.7	882.1	–2,802.1	–7,697.3	–4,043.5	–1,771.6	324.4	–155.5	–422.5
5. Budgetary central government (1-3)	4,436.7	9,683.1	10,376.4	7,904.8	7,902.9	–1,617.9	651.9	26.7	–252.7
6. Extrabudgetary funds (2-4)	–6,023.4	–8,801.1	–13,178.4	–15,602.1	–11,946.4	–153.7	–327.5	–182.2	–169.7

Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

Million kuna

	1997	1998	1999	2000	2001	2002			
						Mar.	Apr.	May	Jun.
1. Total revenue	33,846.1	43,808.6	46,355.5	44,635.7	53,503.6	5,163.1	6,484.2	6,140.1	5,136.2
1.1. Current revenue	33,385.0	42,019.4	40,044.6	41,535.0	48,906.3	5,145.1	6,466.2	6,123.3	5,121.5
1.1.1. Tax revenue	31,338.2	39,899.7	38,317.6	39,939.0	47,274.0	5,063.5	6,025.9	5,964.1	5,015.2
1.1.2. Nontax revenue	2,046.8	2,119.7	1,727.0	1,595.9	1,632.3	81.6	440.3	159.2	106.3
1.2. Capital revenue	461.1	1,789.2	6,310.9	3,100.7	4,597.3	17.9	18.1	16.7	14.7
2. Grants	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
2.2. Capital	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)	33,846.1	43,808.6	46,355.5	44,635.7	53,503.6	5,163.1	6,484.2	6,140.1	5,136.2
3. Total expenditure	34,395.2	41,390.4	47,379.6	49,567.5	56,723.3	6,907.0	5,920.0	5,973.1	5,495.7
3.1. Current expenditure	29,579.7	34,883.0	38,476.1	44,237.4	52,819.2	6,654.5	5,740.5	5,743.8	5,333.3
3.2. Capital expenditure	4,815.5	6,507.3	8,903.5	5,330.1	3,904.1	252.5	179.5	229.4	162.4
4. Lending minus repayments	611.1	1,161.5	1,499.2	1,176.1	1,089.5	31.4	418.7	571.7	–264.9
B. Total expenditure and net lending (3+4)	35,006.3	42,551.9	48,878.8	50,743.5	57,812.8	6,938.4	6,338.7	6,544.8	5,230.8
5. Current account surplus without grants (1.1.-3.1.)	3,805.3	7,136.4	1,568.5	–2,702.4	–3,912.9	–1,509.4	725.7	379.6	–211.8
6. Current account surplus with current grants (5+2.1.)	3,805.3	7,136.4	1,568.5	–2,702.4	–3,912.9	–1,509.4	725.7	379.6	–211.8
7. Gross fixed capital formation <sup>a</sup>	1,516.4	976.1	–2,216.9	–395.4	–3,101.4	80.2	97.7	60.1	51.5
8. Gross capital formation <sup>b</sup>	1,516.4	976.1	–2,216.9	–395.4	–3,101.4	80.2	97.7	60.1	51.5
C. Overall surplus/deficit (A-B)	–1,160.2	1,256.7	–2,523.3	–6,107.9	–4,309.1	–1,775.6	145.6	–404.7	–94.6
9. Foreign financing	2,985.9	–9.1	4,615.1	6,921.5	2,299.6	981.8	14.4	693.9	1,419.4
10. Domestic financing	–1,825.7	–1,247.6	–2,091.8	–813.6	2,009.6	793.5	–160.0	–289.2	–1,324.8
10.1. From other government	0.0	190.0	–87.0	–92.0	–11.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	–354.8	112.4	2.0	–12.5	–389.1	62.5	44.2	–284.6	257.4
10.3. From deposit money banks	–1,357.3	–1,638.6	–1,859.4	–288.8	2,559.1	596.8	–36.4	38.6	–1,584.2
10.4. Other domestic financing	–113.6	88.7	–147.4	–420.3	–149.4	134.2	–167.8	–43.1	2.0
D. Total financing (9+10)	1,160.2	–1,256.7	2,523.3	6,107.9	4,309.1	1,775.3	–145.6	404.7	94.6

<sup>a</sup> Net purchase of fixed capital formation. <sup>b</sup> Net purchase of fixed capital formation and net purchase of shares. Source: Ministry of Finance.

Table I3: Central Government Debt

End of period, million kuna

	1997	1998	1999	2000	2001	2002			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.
1. Domestic debt of central government	15,538.4	15,047.8	16,754.6	21,344.7	25,003.7	26,363.6	26,344.1	26,504.7	26,855.8
1.1. Domestic debt of the Republic of Croatia	15,467.1	14,582.9	16,012.1	18,509.7	21,467.9	22,820.2	23,037.7	23,283.9	23,614.7
Treasury bills	449.6	565.8	776.7	2,564.6	4,892.3	5,672.2	5,572.3	5,551.0	5,778.8
Money market instruments	44.0	96.8	153.3	14.2	7.4	0.1	0.1	0.1	0.1
Bonds	14,159.2	13,035.8	13,720.7	14,082.5	15,415.8	14,777.4	14,765.7	15,737.9	15,633.1
Credits from the CNB	–	–	24.1	0.0	–	–	–	2.5	2.4
Credits from DMBs	814.3	884.4	1,337.3	1,848.4	1,152.4	2,370.5	2,699.7	1,992.4	2,200.2
1.2. Domestic debt of central government funds	71.3	465.0	742.5	2,835.0	3,535.8	3,543.4	3,306.3	3,220.8	3,241.1
Money market instruments	–	–	–	20.5	96.4	98.5	98.5	97.9	96.6
Bonds	–	–	–	1,686.8	1,636.1	1,643.4	1,641.9	1,637.6	1,625.2
Credits from DMBs	71.3	465.0	742.5	1,127.6	1,803.3	1,801.5	1,566.0	1,485.3	1,519.3
2. External debt of central government	18,270.6	21,049.7	29,977.3	38,658.9	41,412.2	42,964.0	42,579.9	41,808.5	41,991.8
2.1. External debt of the Republic of Croatia	17,513.8	19,920.2	28,610.0	36,577.8	38,648.2	40,250.5	39,826.7	39,400.4	39,609.9
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	12,319.4	12,431.3	18,904.8	25,231.2	30,077.9	30,830.5	30,503.0	30,170.6	30,848.5
Credits	5,194.4	7,488.9	9,705.2	11,346.6	8,570.3	9,420.0	9,323.7	9,229.8	8,761.4
2.2. External debt of central government funds	756.9	1,129.5	1,367.2	2,081.1	2,764.0	2,713.5	2,753.2	2,408.1	2,381.9
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	–	372.4	391.5	386.5	697.9	703.6	691.4	305.2	283.3
Credits	756.9	757.2	975.8	1,694.6	2,066.1	2,009.8	2,061.9	2,102.9	2,098.5
3. Total (1+2)	33,809.1	36,097.5	46,731.9	60,003.6	66,416.0	69,327.6	68,924.0	68,313.2	68,847.6
Supplement: Central government guaranteed debt									
– guarantees for domestic debt	....	....	....	4,104.5	8,141.2	8,587.4	8,275.2	8,174.8	8,129.6
– guarantees for external debt	....	9,656.1	11,260.4	12,741.1	12,331.8	12,225.1	12,191.8	11,806.4	11,420.8

Table I3: Central Government Debt

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

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

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

Year	Month	Chain indices			Monthly year-on-year indices			Cumulative year-on-year indices		
		Retail prices	Cost of living	Producer prices	Retail prices	Cost of living	Producer prices	Retail prices	Cost of living	Producer prices
1992	December	122.4	125.3	129.1	1,053.4	1,026.3	1,120.9	745.4	694.7	846.6
1993	December	99.5	100.6	98.5	1,249.7	1,225.1	1,175.6	1,616.6	1,591.3	1,610.4
1994	December	100.2	100.9	100.2	97.0	102.5	94.5	197.5	207.2	177.7
1995	December	100.2	100.7	100.5	103.7	104.6	101.6	102.0	104.0	100.8
1996	December	100.0	100.4	100.3	103.4	103.7	101.5	103.5	104.3	101.4
1997	December	100.7	101.2	99.9	103.8	104.9	101.6	103.6	104.1	102.3
1998	December	100.2	100.7	100.0	105.4	105.3	97.9	105.7	106.4	98.8
1999	December	100.3	101.0	100.3	104.4	103.6	105.9	104.2	103.5	102.6
2000	December	100.0	100.5	100.2	107.4	106.8	111.2	106.2	105.3	109.7
2001	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
	March	100.4	100.1	98.9	103.2	102.9	97.7	103.2	103.0	97.4
	April	100.4	100.5	100.9	102.2	102.0	98.6	102.9	102.8	97.7
	May	100.2	100.7	100.2	101.8	101.5	98.8	102.6	102.5	97.9
	June	100.1	99.2	100.3	102.2	101.0	99.0	119.7	102.2	98.1
	July	99.6	99.1	100.5	102.3	101.3	100.2	102.6	102.1	98.4
	August	99.9	99.8	99.9	101.2	101.1	100.7	102.4	102.0	98.7
	September	100.8	100.7	101.3	101.8	101.5	101.3	102.3	102.0	99.0

Source: Central Bureau of Statistics.

Table J2: Core Retail Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services
1994	December	100.1	99.9	101.2	96.3	94.8	109.1
1995	December	100.1	100.0	100.5	103.1	102.6	107.1
1996	December	100.0	100.0	100.0	102.8	101.9	109.5
1997	December	100.2	100.2	100.5	102.5	102.3	104.5
1998	December	100.1	100.0	100.2	105.7	105.3	107.8
1999	December	100.1	100.2	100.0	104.2	104.2	104.1
2000	December	100.1	100.1	100.2	104.6	104.8	103.5
2001	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
	March	100.3	100.3	100.1	101.8	101.2	105.8
	April	100.1	100.1	100.0	101.4	100.8	105.2
	May	100.0	100.0	100.1	101.0	100.5	104.1
	June	100.1	100.1	100.0	101.0	100.4	104.1
	July	99.7	99.7	100.0	100.4	100.0	103.3
	August	100.0	100.0	99.9	100.3	99.9	102.9
	September	100.3	100.3	100.1	100.6	100.3	102.7

Source: Central Bureau of Statistics.

Table J3: Average Monthly Net Wages

In current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1992	December	74.4	120.2	681.7	409.4
1993	December	1,073.2	105.2	1,442.1	1,605.3
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	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	
2002	January	3,597.0	100.4	101.4	101.4
	February	3,500.0	97.3	103.1	102.3
	March	3,622.0	103.5	102.5	102.3
	April	3,696.0	102.0	105.2	103.1
	May	3,800.0	102.8	104.9	103.4
	June	3,722.0	97.9	106.2	103.9
	July	3,757.0	101.0	105.8	104.2

Source: Central Bureau of Statistics.

Table J2: Core Retail Prices Indices

The Central Bureau of Statistics calculates the core retail price index in the manner that agricultural products prices and administrative prices (which among others include the prices of electricity and refined petroleum products) are excluded from the basket of goods and ser-

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

# List of Deposit Money Banks & Savings Banks

1 October 2002

## Licensed Banks

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

## Licensed Savings Banks

1. Međimurska štedionica d.d., Čakovec<sup>2</sup>

## Licensed Housing Savings Banks

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

## Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

## Representative Offices of Foreign Banks

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

## Banks and Savings Banks under Bankruptcy Proceedings

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

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

<sup>2</sup> Operating license includes collection of households' foreign exchange savings and exchange operations.

#### Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Gospodarska štedionica d.d., Vrbovec	06/04/2002
2. Investicijsko-komercijalna štedionica d.d., Zagreb	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 vrutak 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

1 October 2002

## Members of the Council of the Croatian National Bank

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

## Management of the CNB

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

## Executive Directors

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

## List of Abbreviations & Symbols

b.p.	– basis points
CBS	– Central Bureau of Statistics
CEFTA	– Central European Free Trade Agreement
CEI	– Croatian Employment Institute
CH	– Croatian Highways
CNB	– Croatian National Bank
CPII	– Croatian Pension Insurance Institute
CR	– Croatian Roads
dep.	– deposit
DMB	– deposit money bank
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– European Monetary Union
EU	– European Union
f/c	– foreign currency
FDI	– foreign direct investment
FEMPI	– foreign exchange market pressure index
GDP	– gross domestic product
GFS	– Government Finance Statistics
HR	– Croatia
IMF	– International Monetary Fund
IPT	– Institute for Payment Transactions
MoF	– Ministry of Finance
NCEA	– National Classification of Economic Activities
NFA	– net foreign assets
NUR	– net usable reserves
o.w.	– of which
PPI	– producer price index
Q	– quarterly
RPI	– retail price index
RR	– reserve requirement
SDR	– special drawing rights

VAT	– value-added tax
VSE	– Varaždin Stock Exchange
VSM	– Varaždin Securities Market
ZIBOR	– Zagreb Interbank Offered Rate
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange
WTO	– World Trade Organization

### Abbreviations for Currency

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

### Symbols

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

