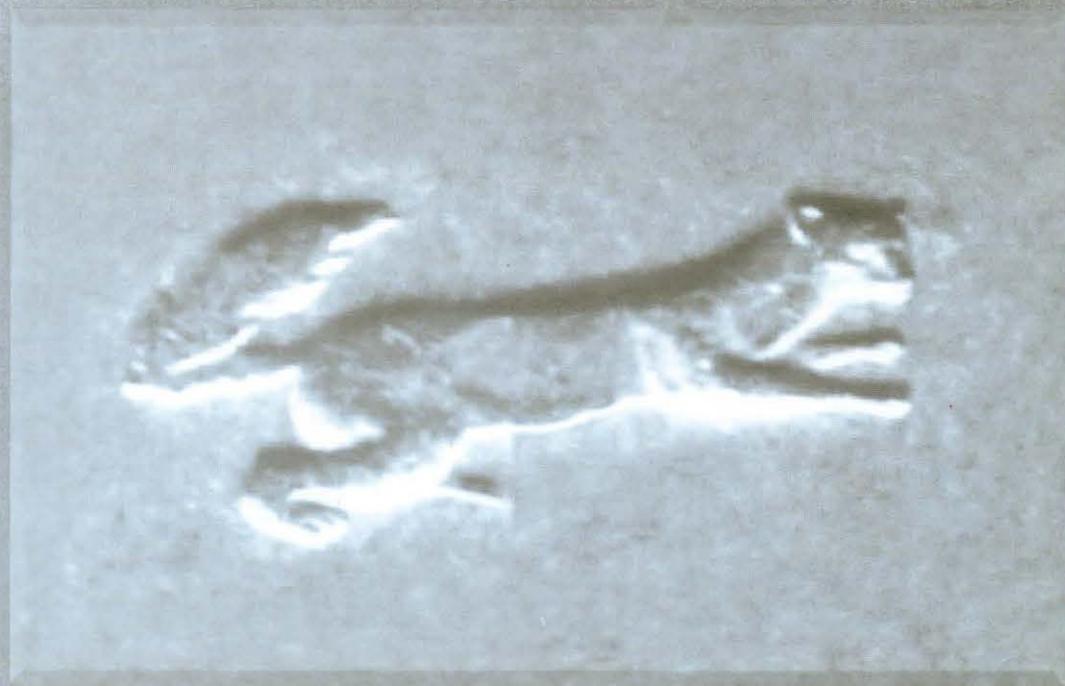


**NATIONAL BANK
OF CROATIA**

*Annual
Report*

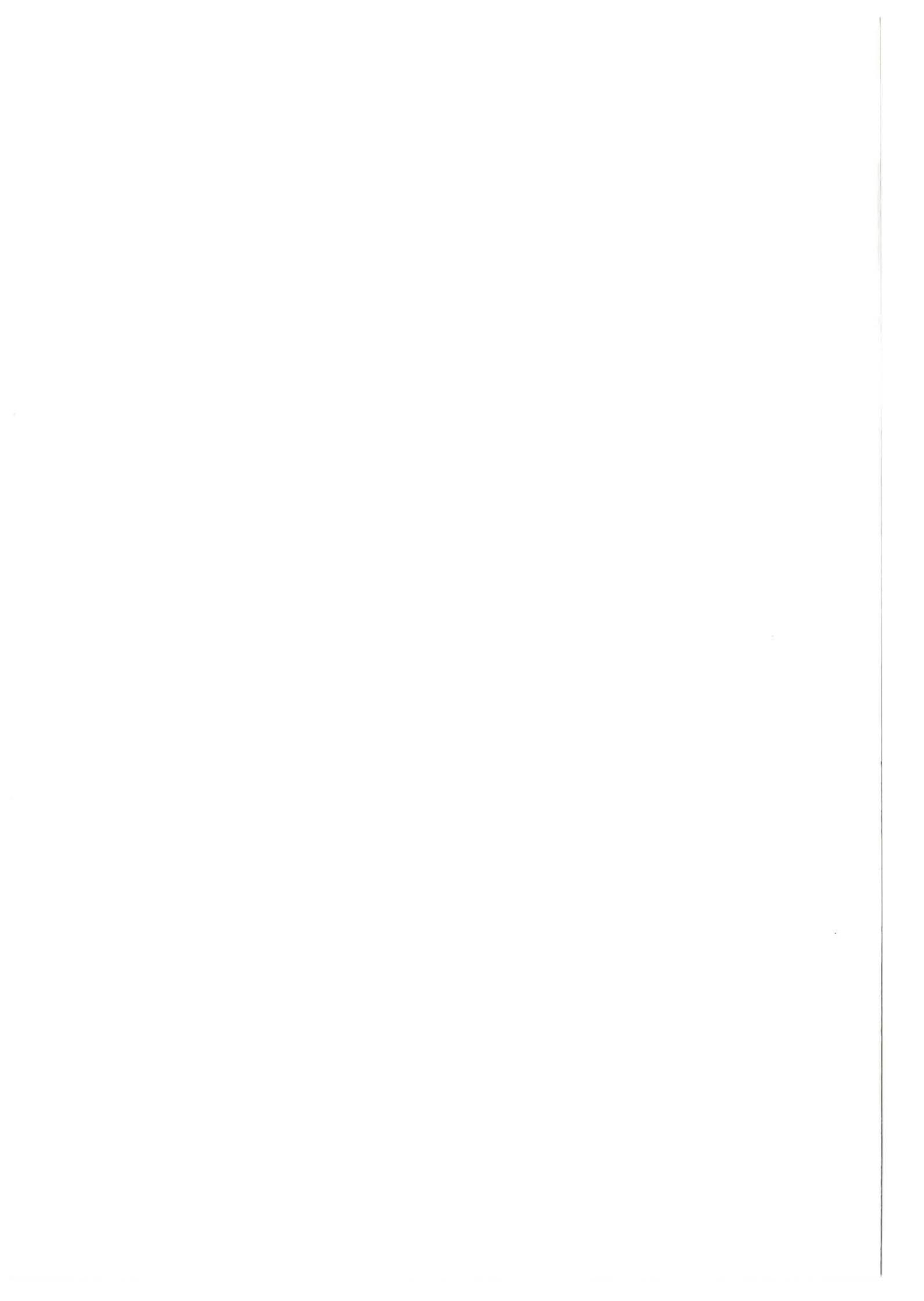


1996

NATIONAL BANK OF CROATIA

ANNUAL REPORT

1996

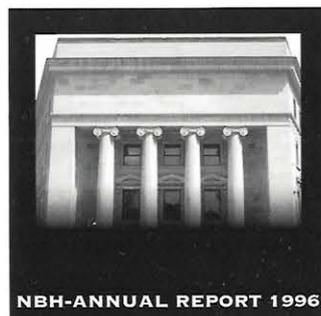


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FOREWORD



NBH-ANNUAL REPORT 1996



As Governor of the National Bank of Croatia, it is my great honor and personal satisfaction to present for approval to the Croatian Sabor the Annual Report of the National Bank of Croatia. With this act, the central bank of Croatia fulfills its legal obligation (article 8 of the Law on the National Bank of Croatia) to inform the Sabor about its activities. In this foreword, I will first touch on the basic features of the previous year which are developed in the Annual Report, and then I will turn to the future.

1996 will be remembered for several important events in economic history. It was a year in which a significant rate of economic growth was achieved in Croatia for the first time in fully two decades. It is estimated that real gross domestic product (GDP) grew about 6-7 percent. In addition to this, Croatia was able to maintain the flattering title of transition country with the lowest inflation. In 1996, it was even a little bit lower than in the very successful 1995; the rate of growth of retail prices was 3.4 percent, and the rate of growth of producers' prices was 2 percent. We remember that the Stabilization program was introduced in October 1993, so that four full years of price stability will soon be reached. The completely balanced budget of the consolidated central government in 1996, with a deficit of 0.19 percent of GDP, without a doubt significantly contributed to the overall stability of the Croatian economy.

Second, stability was maintained not only internally, but also externally. This is of exceptional importance for a small, open country. The exchange rate of the domestic currency, the kuna, versus the German mark, the currency which de facto represents the command point of the European monetary system, remained stable. Variations of the exchange rate of the kuna to the mark of +/- 3 percent certainly are an expression of the stability of the whole economy. In addition to this, the rapid growth of foreign exchange reserves continued. Reserves grew 419 million US \$ (or 22 percent in the year), reaching the level of 2.3 billion US \$ at the end of 1996. The deficit on current account of 1.4 billion US \$ was substantial (about 7 percent of GDP), but smaller than the deficit in 1995.

Last year certainly will be remembered as the year in which we definitively finished clarifying the question of the division of the external debt of the former Yugoslavia. We remember that in March 1995, an important agreement was reached with creditor countries of the Paris club. An agreement with the London club (commercial bank creditors) was reached at the end of July 1996. As a result of this, the foreign debt of Croatia amounted to 4.8 billion US \$, or one-quarter of our GDP. Other indicators of the degree of indebtedness of the country, such as the expected debt-service ratio (about 10%), are within the boundaries pertaining to very lowly-indebted countries. Ergo, there is no fear of excessive foreign indebtedness. However, it is necessary to be cautious about future increase in foreign debt.

1996 will be remembered for the receipt of the so-called country credit rating from respected international rating agencies. It is very significant for the country that in its first approach to credit agencies, it received a very favorable risk grade that encourages investment in Croatia.

Third, 1996 of course was marked by rehabilitation process of four large banks and the consequent significant fall in interest rates. Up to now, rehabilitation and restructuring procedures have begun in: Slavonska Banka, Osijek (whose rehabilitation began in October 1995), then Riječka Banka, Rijeka and Splitska Banka, Split, whose rehabilitation began in April 1996, and finally Croatia's largest bank,

Privredna Banka Zagreb, whose rehabilitation began in December 1996. During 1996, real interest rates were very high. The causes of such interest rates were first of all of a structural nature. As a result of rehabilitation of the above-mentioned banks, interest rates fell rapidly. Interest rates on the money market fell by two thirds (from more than 30 to about 10 percent), lending rates of commercial banks were halved, and all the interest rates of the central bank fell to single digits. Yet the assessment that real interest rates are extremely high in comparison to advanced countries remains true. We must be conscious of the fact that interest rates will fall in the future at the speed at which the restructuring process (that is, cost reduction) takes place in banks and enterprises. Monetary policy can do relatively little in the further decrease of interest rates.

The fourth characteristic of 1996 relates to the fundamental activities of the central bank. In terms of monetary trends in 1996, very rapid remonetization continued, more precisely reverse substitution of foreign money by domestic money. This trend began with the Stabilization program. Reserve money grew by 30 percent in 1996, the money supply by 38 percent, and total liquid assets by as much as 50 percent. The fact that the money supply at the end of 1996 was 3.5 times greater than at the end of 1993, and reserve money increased fourfold, speaks volumes about the speed of reverse substitution in conditions of stability. The fundamental means by which the growth of reserve money was achieved was central bank intervention on the foreign exchange market. At the end of 1996, foreign claims of the central bank accounted for 98% of the total assets of Croatia's central bank.

In one sentence, 1996 was a year of the continuation of macroeconomic stability, accelerated structural reforms (especially in banking), and strengthening of the international economic recognition of Croatia, along with maintenance of the previously established fundamental characteristics of monetary policy.

What can be discerned from a look at the future? My intention is only to touch on two groups of factors that we certainly will have to take greater account of in the future: the ever-increasing integration of Croatia into world financial flows and increasing the stability of the financial system.

The first fact that we must have in mind is that Croatia is ever-more integrated into world financial flows. It is necessary to frequently repeat the fact that already about two-thirds of our merchandise imports and exports are traded with countries of the European Union. Because of this, we must more decisively accept European standards, especially in financial affairs. Our priorities should be: WTO, CEFTA, EU and European monetary union.

Integration in world flows brings many positive things for the country; however, it also contains certain dangers. That is, in an open economy, not all the variables affecting stability are endogenous. For example, we should be aware of the fact that Croatia is becoming increasingly interesting to foreign investors. Within this probably are those who exclusively seek quick earnings, or those who at the slightest unfavorable indication will pull out of the country (examples: Mexico and the Czech Republic). I am focusing attention precisely on the fact that in our thinking we cannot eliminate the possibility of increased inflows of short-term capital, nor the possibility of speculative attacks on the domestic currency. Furthermore, we must be aware of trends and events on the world financial scene that have taken four basic forms in the last fifteen years:

- strong growth of the volume of financial transactions both in terms of the number of transactions as well as terms of their individual value (the volume of payment transactions has regularly grown several times faster than the growth of GDP,
- globalization of world financial flows (which we measure by the fact that international transactions have grown 10 to 20 times faster than domestic ones)
- numerous innovations, which take two basic forms: first, the appearance of new financial instruments (so-called derivatives) and second, new technology which allows other forms (more efficient) of carrying out financial transactions (high-powered computers, telecommunications etc. and
- liberalization or deregulation of financial flows. A strong reorientation to market mechanisms has been felt throughout the whole world.

We cannot change the world environment; we must adapt to it.

A second unavoidable fact that we must take into account in the future is that monetary authorities (because of macroeconomic stability) play an important role in supervising and maintaining the stability of the financial system. In the business world of the developed market economies, there is always risk. Unfortunately, socialism did not value risk, so its cost was socialized. At the micro-level, the art of doing business means managing risk, and at the macro-level, it is necessary to prevent micro shocks from endangering the whole system (the so-called domino effect). This is especially relevant for banks. It cannot be forgotten that banks are specific institutions within the market economy, because they work with other people's money – the deposits of the population and enterprises. Because of this, banks are specially supervised in all economies. On the other hand, supervision over banks is not and cannot be a replacement for market discipline. Exaggerated supervision and regulation brakes healthy entrepreneurial initiative. Every regulation has its own, high cost. Government is expensive not only when it charges high taxes, but also when it issues a large number of regulations.

Deregulation has led to another interesting phenomenon, the disappearance of differences between various financial institutions. In this way, the market has blurred the distinction between deposit institutions (banking services of gathering savings and granting credits), capital markets (investment banks and stock exchanges) and the market for long-term, contractual savings services (pension funds and insurance companies) and it has become more and more difficult to find clear differences between these institutions. Today, the term "financial supermarket" is used more and more. This combination of function makes effective supervision of the financial system significantly more difficult. Due to this, in the future it will be necessary to make special efforts to prevent the appearance of systemic risk in the financial system in Croatia, and to minimize the costs of possible banking crises.

In the last 15 years, 130 of 180 member countries of the IMF have experienced serious banking crises. Not one of the transition countries has escaped without such a crisis. Croatia already had its big banking crisis. First, with the break-up of Yugoslavia in 1991, the foreign exchange accounts of citizens were blocked (turned into public debt). Second, the government issued so-called big bonds (additional public debt) and finally, four large banks needed to be rehabilitated. The cumulative expense to date for taxpayers of the rehabilitation of the banking system from 1991 can be estimated at thirty percent of GDP. Unfortunately, this does not mean that the government is now immune from future banking problems. Bank supervision

can decrease the likelihood of crisis, but it can never eliminate it. In Croatia at the end of 1996, there were one hundred deposit institutions. Because of this, it is necessary to define the rules for exit from the banking market as clearly as possible.

In relation to this, the reform of the payments system requires greater attention. The growth in the quantity of financial transactions has had an influence on the fact that turnover in payments systems worldwide exceeds the value of GDP by several times. In the case of our neighbor Italy, annual total payments are 30 times greater than the annual value of GDP, and in the case of Japan this number reaches 100 times the value. This puts totally different demands on the payments system than in the past. This implies that we must change our payments system rapidly. It is easy to confirm that payments are an exceptionally important part of the whole financial infrastructure and that the risks in payment systems are not negligible. The functioning of the payment system affect financial intermediate and monetary policy, and thereby affects the efficiency of the whole economic system.

It should be emphasized that in the last few years the foundations of the functioning and institutional form of the payments system in Croatia has been laid. Payments are carried out by deposit institutions: the central bank and commercial banks (including savings banks). That is, deposit institutions keep the accounts of business subjects, while interbank clearing is performed via the National Clearing System and the Large Payments System (located in the central bank). By implementing these principles in practice, we will make our payments system compatible with those in developed market economies, and we will increase the efficiency of our payments system, further modernizing monetary policy and increasing the efficiency of the whole economic system.

At the end, we repeat that the foundation of a successful economy, and the guarantor of national honor, is stable money. There is no healthy economy without a healthy currency. It was this way even in the distant past. In Florence, 750 years ago (1252), the first gold money of the Middle Ages was coined – fiorino d'oro. This was a turning point in the Western world's transition to the gold standard. Today's history books say that, because of the high quality of that money, it was accepted on all markets without hesitation, that it became a general measure of value, and that it gave an extra impulse to the development of trade. It would be very nice if some future history books wrote something similar about our Croatian currency – the kuna.

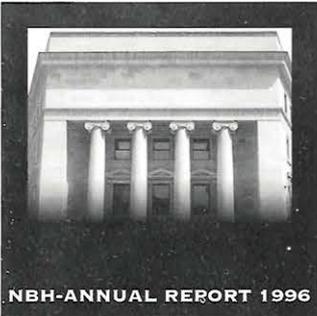


Marko Škreb

Governor and President of the Council of the National Bank of Croatia

May 26, 1997

I. MACROECONOMIC DEVELOPMENTS IN 1996





I.I

The International Economic Environment in 1996

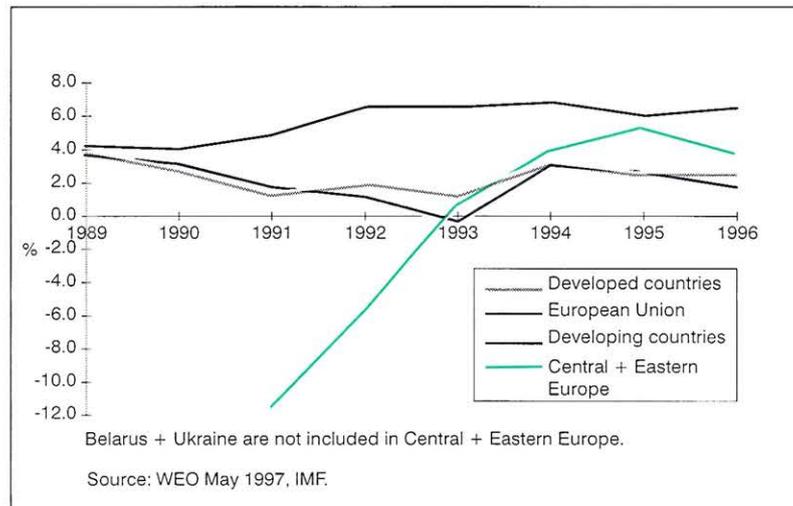
I.I.1

Unfavorable GDP Trends

Economic growth slowed down in Croatia's most important partners in 1996. More than half of Croatia's foreign trade is with EU countries, and one-third is with transition countries. Both major trading partners of Croatia experienced significant decreases in rates of growth of economic activity.

Figure I.1.

REAL GROSS
DOMESTIC PRODUCT
annual change



The annual growth rate of GDP in the EU fell from 2.5 percent in 1995 to only 1.6 percent in 1996. This represents the continuation and deepening of the recessionary period in the area we trade with the most. Growth rates fell in transition countries as well. For the first time since the beginning of the nineties, the process of continual increase in growth rates (or lower rates of decrease) was interrupted. High growth rates achieved in developing countries, newly-industrialized Asian countries and Japan were unable to compensate for the unfavorable effects of the recession in the EU and transition countries on our economy because of the small weight of these countries in Croatia's trade.

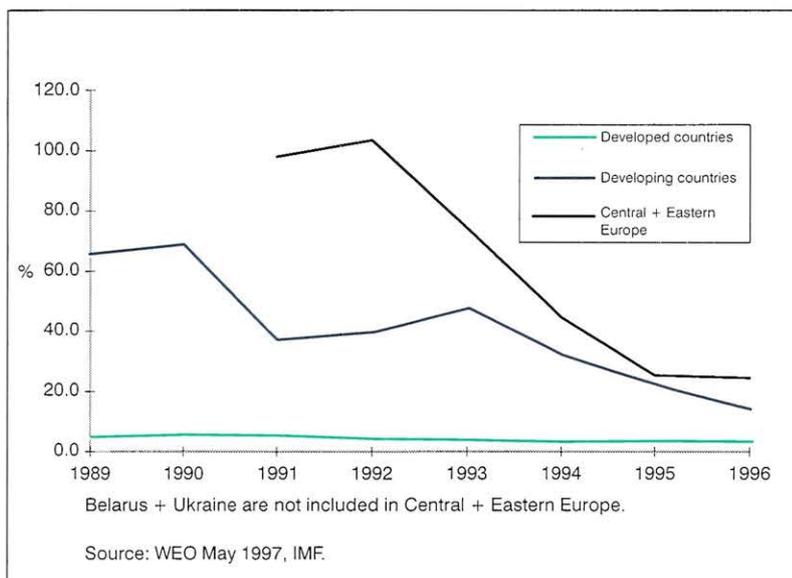
I.I.2

A Favorable Trend of Price Stability

A trend toward the continued decrease of inflation is present throughout the world. Although it certainly is not the time to proclaim the definite end of inflation, as some have characterized the preceding period, at this moment price stability in the world is at an enviable level. Two factors have been crucial in shaping this situation: first, that finally not only among economists but also among politicians it has been generally accepted that inflation is not good for growth, and second, the process of accelerated globalization of the world economy, which increases competitive pressures and makes price increases on the local market difficult. Such a situation, of course, affects the maintenance of price stability in Croatia.

Figure 1.2.

AVERAGE ANNUAL INFLATION RATES FOR SELECTED GROUPS OF COUNTRIES



Inflation in the developed countries decreased further from the already low level of 2.3 percent in 1995 to only 2 percent in 1996. Central bankers often consider this zero inflation, since they believe that price statistics in developed countries are biased by just about 2 percent (upward). This would mean that in the developed countries there was practically no inflation.

In developing countries, the trend to decrease price increases continued. Inflation fell from 21.3 percent in 1995 to 13.1 percent in 1996, and in 1997 it is expected that developing countries will lower their annual rates of inflation to the single-digit range. In transition countries, however, the rapid decrease of inflation rates slowed down. This was caused on the one hand by the familiar problem of advanced transition countries in effecting significant decreases in inflation once relatively low annual inflation rates in the range of some 8 to 20 percent have been reached, and, on the other hand by the first significant failures of transition in Bulgaria and Albania.

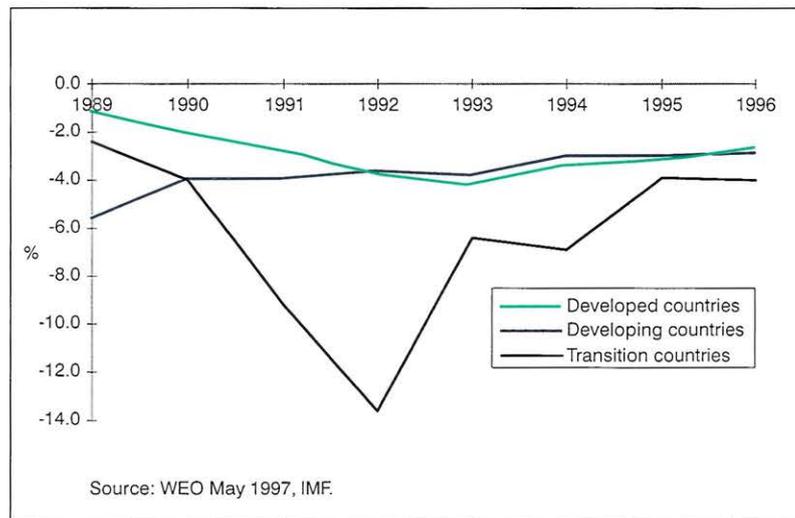
1.1.3

Fiscal Deficits

In both developed countries and developing countries, fiscal deficits in 1996 were lower than the Maastricht limit of 3% on average. Paradoxically (or not), precisely those countries to whom this limit applies as a qualification threshold for entry into the EMU have the largest deficits. In Germany, the deficit is 3.8, in France 4.1, in Italy 6.8, and in Great Britain 4.4 percent of GDP. This is an expression of the unfortunate circumstance that the countries of the EU have found themselves at the bottom of the business cycle precisely at the moment when they need to achieve the degree of macroeconomic stability necessary for the successful start of the monetary union. However, a trend to decrease fiscal deficits has been seen in recent years, which corresponds to the general belief, discussed above, that full macroeconomic stability, including low inflation and low budget deficits, is a precondition for successful long term growth.

Figure I.3.

GENERAL GOVERNMENT DEFICIT (% of GDP)



In transition countries, there was an interruption in the trend toward decreasing government budget deficits, just as there was an interruption in the trend toward decreasing inflation. Average fiscal deficits grew from 3.9 to 4 percent of GDP. Advanced transition countries, however, including Croatia, generally kept budgets close to balance last year. The IMF's prognosis is that fiscal consolidation in transition countries will continue, and that in two years the average fiscal deficit in this group of countries will be within the Maastricht criteria of 3% of GDP.

I.1.4

External Position of Transition Countries

The external position of transition countries significantly worsened in 1996. The deficit on current account in transition countries amounted to more than 10 percent of exports of goods and services of these countries, up from only 3.2 percent in 1995, and the foreign debt grew by virtually the quantity of total annual exports of goods and services of these countries.

Figure I.4.

CURRENT ACCOUNT (% of export of goods and services)

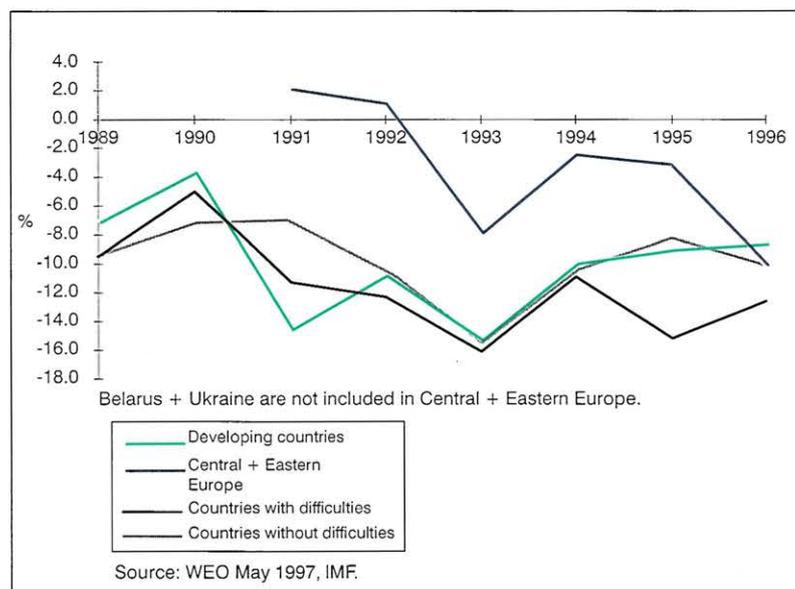
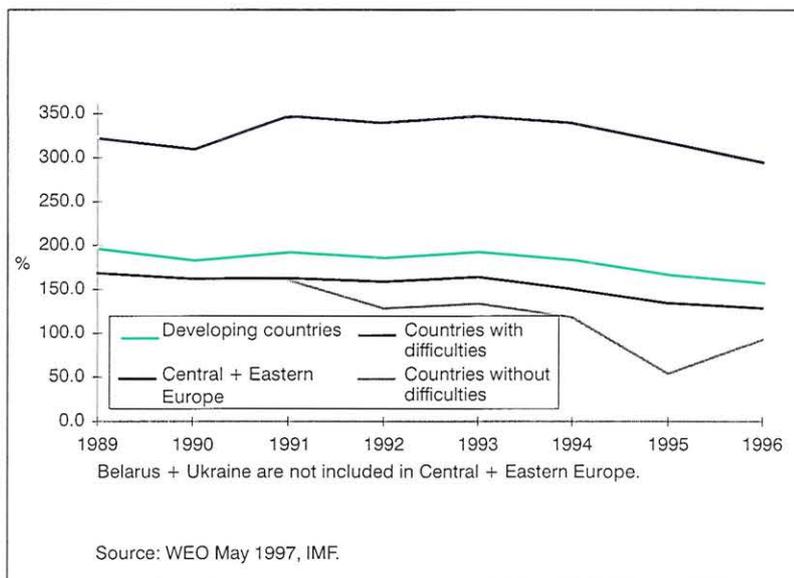


Figure I.5.

FOREIGN DEBT
(% of exports of
goods and services)



The financing of such a growth in deficits was easy to accomplish on international capital markets, since the credibility of transition countries has been constantly increasing. All the advanced transition countries have received investment-grade credit ratings (with the exception of Estonia, which has not sought a credit rating).

The increase in current account deficits and foreign debt in transition countries is not yet worrisome, given that the ratio of deficit and debt to exports of goods and services in transition countries is still lower than the average of these measures in countries experiencing financial difficulties in recent years. To the extent, however, that such a trend toward increase or even maintenance of such deficits at the current level continued in the medium-term, a number of transition countries could have difficulties maintaining their external positions. To the extent that some transition countries fell into such problems, this might have a "contagion" effect on similar countries in the region (including Croatia) because of the regional perception of the international capital market. Such developments are not expected, however, in the projections of most international financial institutions.

I.1.5

Currency Markets

The fundamental characteristic of currency markets in the last year was the strong rise in the value of the American dollar.

From the Croatian perspective, the most important bilateral exchange rates are with the two dominant world currencies—the American dollar and the German mark. The trend towards a stronger dollar relative to the German mark began in the middle of 1995, when the dollar reached a historic low relative to the mark. It was obvious that there was no justification for such a low value of the dollar in mid-1995, since the economic fundamentals pointed to a much better state of the American economy than of the other two G-3 countries. In the past year, the dollar strengthened against the mark by about 10 percent. Such changes in currency values find their expression in statistics of Croatian foreign trade and in statistics on changes in Croatian foreign

exchange reserves expressed in dollars. The third important currency from a domestic perspective, the Italian lira, also strengthened significantly in the last year. Such movements on the foreign exchange markets certainly helped Croatian exporters, who settle some 40% of their exports in dollars and lira.

Figure I.6.

AVERAGE MONTHLY
EXCHANGE RATE OF
DEM TO USD



I.1.6

Financial Flows in Transition Countries

In the last year, the share of private financial flows in total medium and long-term financial flows in transition countries grew further. Private flows are now responsible for exactly two-thirds of net capital inflows. This is an expression of further increases in the confidence of international capital markets in transition countries. Official bilateral and multilateral lending initially played a major role at the beginning of transition, when financing was sorely needed, but transition countries had not achieved credibility on the private capital markets. In 1991, private sources of capital accounted for a mere 15 percent of net capital inflows to transition countries. Today, the role of official sources has fallen relatively, as was foreseen at the beginning of the transition process. In the early stages, the IMF and World Bank first of all, and then the EU and OECD 24 (Balance of Payments support) were engaged in insuring initial, necessary, financial aid.

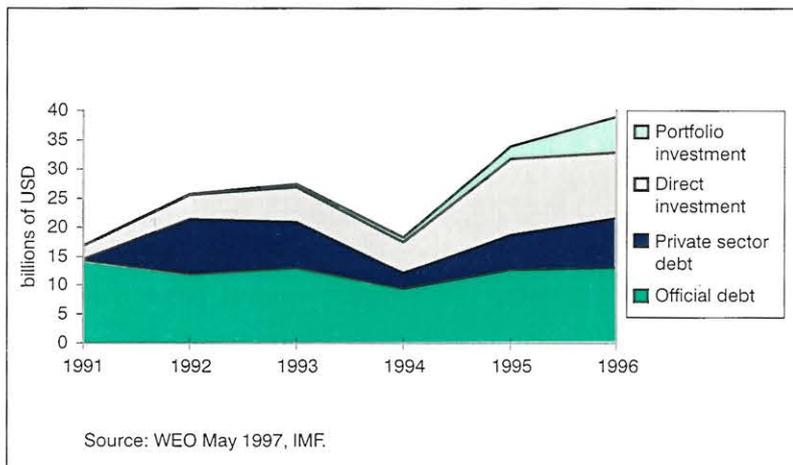
Although the relative significance of official sources of financial aid continues to decrease, their absolute amount has remained fairly constant. This is on the one hand an expression of the movement of official funds from advanced transition countries to those who are in a lower phase of transition and for whom such funds are still more than necessary. On the other hand, this is an expression of the relatively sizable inflow of private capital into the advanced transition countries, especially in the last two years. As early as 1995, private flows of capital accounted for as much as 92 percent of capital flows in the countries of Central and Eastern Europe including the Baltic countries.

Particularly important in the inflow of private capital has been the growing role of foreign direct investment. This is the highest quality capital, since it brings technology and knowledge necessary for the transition countries to close the technological and management gap with industrialized countries as

soon as possible. The share of foreign direct investment has grown significantly in the last two years; it has become the dominant component of private capital flows. In 1995 they were more than, and in 1996 slightly less than half of total private capital inflows to transition countries. In the advanced transition countries, they were more than 50 percent of total capital flows as early as 1994. Despite the significant growth of foreign direct investment in the last two years, however, the transition countries still receive substantially less foreign direct investment than, for example, East Asian developing countries.

Figure I.7.

MEDIUM-TERM AND LONG-TERM FINANCIAL FLOWS IN TRANSITION COUNTRIES



Last year, for the first time portfolio investment in the transition countries also grew vigorously. This is first of all the result of investments in the advanced transition countries, in which significant advances have been made in creating well-regulated capital markets and in increasing the security of investment. These, along with high returns, have attracted large numbers of foreign investors, especially specialized investment funds. The continuation of such trends can be expected in the coming years. This will further stimulate decreases in interest rates and increase liquidity and efficiency of the domestic capital markets. On the one hand, this will allow local enterprises to gain access to better quality sources of funds. On the other hand, this will allow domestic financial institutions to approach world standards. It is worthwhile, however, to note that to a great extent regional perceptions of transition countries will be present among foreign international investors, so that a significant crisis in the advanced transition countries could have "contagion" effects on other countries in the region and change current trends.

General Characteristics of the Croatian Economy in 1996

The year 1996 marked a turning-point for the Croatian economy. For the first time since the beginning of the transition process and the beginning of the war in the region, significant economic growth was achieved. Although rapid growth was expected in 1995, following the successful macroeconomic stabilization of 1994, growth was delayed until 1996 by military-political limitations. This year, a recovery of economic activity was seen. After the successful military liberation of the majority of the occupied territories, and after the signing of the Dayton agreement in 1995, the preconditions were created for a transition from semi-wartime conditions to conditions of peace, for the unhindered flow of transport to all parts of the country, for the beginning of the return of tourism to pre-war levels, and for the beginning of a major investment cycle, above all for foreign investors, who until 1996 had generally waited to see the outcome of the military-political crisis.

The National Bank of Croatia, like other independent research organizations (Planecon), estimates that GDP grew 6.6% in 1996. This growth was achieved in conditions of continued economic stability, with inflation at 3.5%, and the budget deficit, financed by borrowing abroad, amounting to 0.5% of GDP. The exchange rate with the German mark continued to fluctuate within an interval of +/- 3%, remaining within the corridor that it has been in since the beginning of 1994. Such sustained stability of the exchange rate and prices allowed the continuation of the growth of kuna and foreign exchange deposits in the banking system. Although a significant increase in kuna time deposits has been recorded, the majority of the population's savings remain in foreign exchange deposits. The continuing growth of these foreign exchange deposits suggests that the repatriation of savings held in foreign banks is still continuing, a result of high interest rates in the domestic banking system and a substantial decrease in political and war risk.

The current account deficit decreased by approximately 2.5 percentage points of GDP in relation to 1995, and amounted to about 7% of GDP. The trade deficit increased, but the current account deficit as a whole decreased because of a substantial increase in service income (and transfers). We expect that this trend will continue in the coming period. That is, we expect that the trade deficit will remain fairly stable while surpluses on the services account will increase. A foreign trade deficit is necessary in the current phase of economic development, and is not a cause for concern so long as the sources of its financing are stable and the structure of imports is favorable. The data suggest that this is the case in Croatia. In 1996, imports of investment goods grew the fastest, registering a 15% increase, while final consumption goods accounted for a little bit more than one-quarter of total imports. Regarding the financing of the goods deficit, we can with great reliability expect continuing improvement in the medium term as a consequence of the recovery of tourism and transport flows, flows of foreign direct investment and the continuation of the growth of transfers from Croatians working abroad.

Croatia's foreign debt continues to remain at a satisfactory level, with the share of debt in GDP at approximately 25%. This allows financing of the transition period of adjustment without danger of major external liquidity

problems. In the last year, an agreement with the London Club was successfully concluded, and at the end of the year, Croatia entered into the process of obtaining a credit rating. This process ended successfully with Croatia receiving an investment-grade rating from all three of the main international rating agencies. This allows Croatia to be fully included in world financial markets in 1997, under relatively favorable conditions, and facilitates maintaining a low risk external position in the transition period. In 1996, an EFF program with the International Monetary Fund was drafted, which, together with the other elements already mentioned, rounds out the picture of Croatia's fundamentally improved international credibility and its full access to international capital markets in the coming period. Furthermore, and of special importance, Croatia will now be a significantly more attractive destination for foreign direct investors. Already in 1996, the inflow of foreign capital has increased, and this trend should strengthen in the coming period.

The internal debt (2.8 billion USD) is at the level of about 15 percent of estimated GDP, so that together with the foreign debt, it amounts to about 40% of GDP. This is a level that ensures stability and in the medium-term allows Croatia to comply with the Maastricht criteria for public debt.

The most significant event on domestic financial markets in 1997 was the rehabilitation of three state-owned regional banks: Slavenska Banka, Osijek (rehabilitation began in 1995), Riječka Banka, Rijeka and Splitska Banka, Split. After Zagrebačka Banka, Zagreb (privately owned) and Privredna Banka Zagreb., these are the three biggest banks in Croatia. Their rehabilitation was the main cause for the fall of money market interest rates from nearly 30 percent in the spring of 1996 to under 10 percent in the middle of the year. This fall was accompanied by a milder decrease in interest rates on kuna credits offered by commercial banks. The rehabilitation of these banks, along with the rehabilitation of Privredna Banka, which began at the very end of 1996, is a basic precondition for the healthy functioning of the whole financial market in the country. The next step will be the privatization of the rehabilitated banks, along with further restructuring, so as to decrease the risk of their requiring another round of rehabilitation. Also, restructuring will prepare these banks for further decreases in the difference between lending and deposit interest rates and increased competition on the domestic market, especially the gradual entry of foreign banks into Croatia.

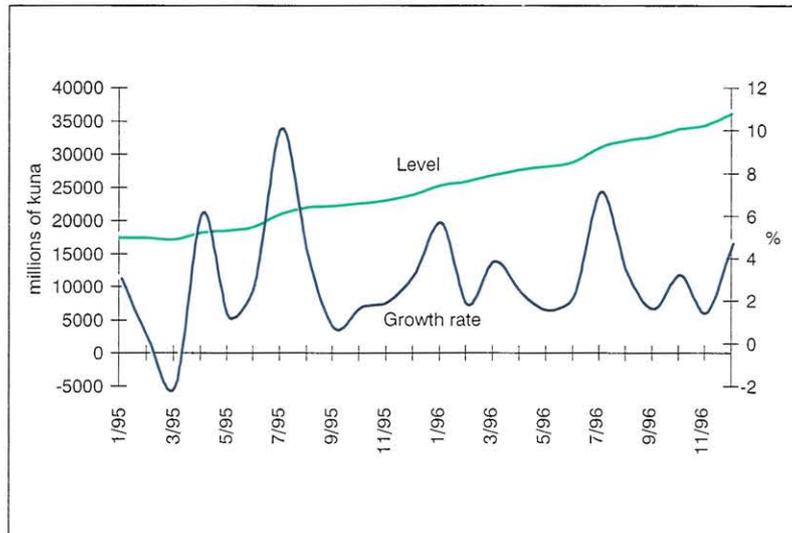
1.2.1

Money Supply and Foreign Exchange Reserves

Monetary growth in 1996, like aggregate economic growth, was rapid, showing that the economy remains in a period of remonetization. The growth of total liquid assets (M4) was 49 percent, 20 percent points faster than in 1995. It was characterized by a strong increase in the growth rate of the kuna component and a slower growth of the foreign exchange component of this aggregate, which is the broadest monetary aggregate. The yearly growth rate of foreign exchange deposits, measured at the December level, decreased 10 percent: from 61% in 1995 to 55% in 1996. This occurred because the average growth rate of these deposits decreased from 4.0 percent per month in 1995 to 3.7 percent in 1996. Kuna deposits doubled their yearly growth rate in this period: from 20% in 1995 to 42% in 1996, with an increase in the average monthly growth rate from 1.5 percent in 1995 to 3.0 percent in 1996.

Figure I.8

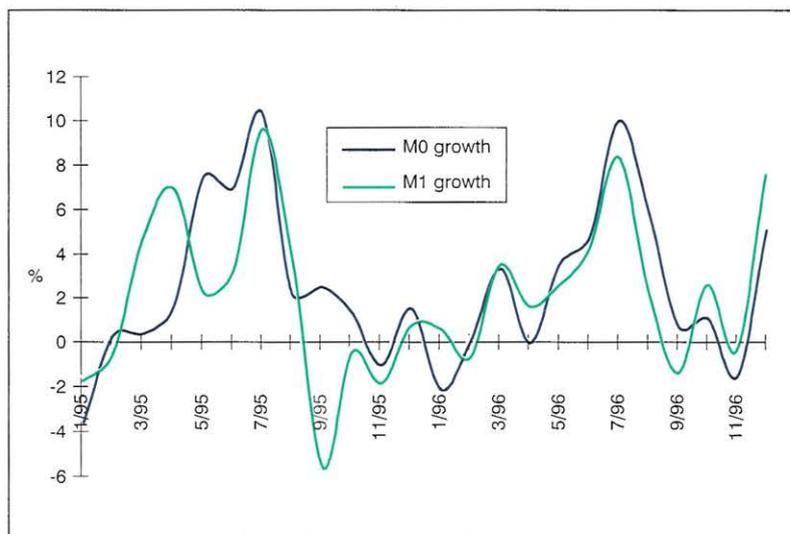
M4
-level and monthly
growth rates



Money supply M1 grew more rapidly and more evenly in 1996 than in the previous year. While in 1995, M1 rose 25 percent, which implied a 1.9% monthly growth rate of this aggregate, in 1996, the money supply rose by 2.7% per month on average, achieving a total annual growth of 38 percent on a December-to-December basis. The dynamics of money supply growth in the last two years have been quite different. 1995 was characterized by very rapid growth of M1 in the first half of the year, and slower growth in the second half. This corresponded with the dynamics of the growth of reserve money and foreign exchange reserves, since intervention on the foreign exchange market was the main money creation flow in that year. The money supply actually contracted in 5 months of 1995, and in 3 months, the contraction was more than 1.5 percent. By contrast, in 1996, the money supply decreased in only three months, and these decreases were between 1.2 percent and a little less than 0.5 percent. The process of healing and transforming the banking system gave domestic depositors greater confidence in the banking system, which contributed to a more even money supply this year. The process was aided by the stabilization of banks' liquidity positions, the decrease in the price of capital on the domestic money market, control of credit risk, the development of financial markets and increased competition among banks.

Figure I.9

MONTHLY
GROWTH RATES
OF M0 AND M1



In 1996, reserve money M0 grew slower than in 1995. Its average monthly growth rate was 3.0 percent in 1995 (42.1% or 1.8 billion kuna annual growth on a December-to-December basis), but dropped to 2.2% in 1996. Total growth of M0 in 1996 amounted to 30.1% or 2 billion Kuna. The main money supply creation flow was National Bank of Croatia intervention on the foreign exchange market to buy foreign exchange from banks and to buy foreign exchange directly from the government. This flow was of a similar intensity in 1996 as in 1995. In 1995 and in 1996, the National Bank of Croatia's foreign claims, or, to put it differently, the foreign exchange reserves of the National Bank expressed in kunas, increased by 2 percent monthly on average, or 27 percent annually on a December-to-December basis. The growth of the NBC's foreign exchange reserves looks different if measured in dollars, because this measure includes both the effects of realized transactions and the effects of changes in the exchange rate of the kuna to the US dollar. At the end of 1996, the dollar appreciated substantially in relation to all other currencies. Because of this, the average monthly growth rate of the NBC's foreign exchange reserves in dollars decreased from 2.5% in 1995 to 1.7% in 1996, or from 35% to 22% annually on a December-to-December basis.

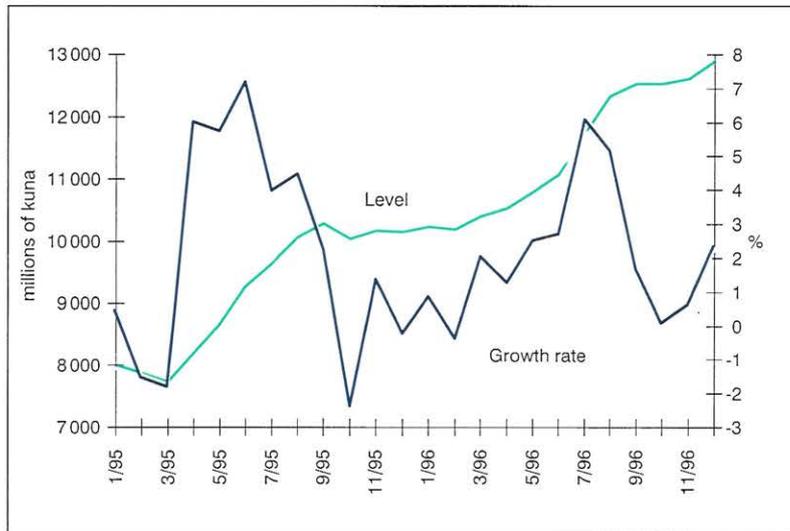
The instruments of sterilization had an influence on the slower growth of reserve money in 1996. These instruments were employed more forcefully this year. The most important instrument was National Bank of Croatia voluntary and obligatory bills (obligatory bills were abolished in November). Monthly data reveal that commercial banks held 636 million kuna of these bills on average, while funds on the gyro-accounts of banks held at the National Bank of Croatia amounted to 340 million kuna. Banks thus placed a significant portion of their disposable funds in the safe short-term paper of the NBC, which did not give attractive yields. On the one hand, this forced banks to refrain from giving credits to unprofitable clients and highly risky investment programs. On the other hand, the requirement to hold obligatory NBC bills forced banks to improve their liquidity reserves. In this way, a part of reserve money created by the foreign exchange and kuna transactions of the National Bank left the gyro-accounts of banks for NBC bills. This decreased the supply of reserve money, the monetary aggregate which the central bank directly controls and whose supply it manages.

The movements in the money supply M1 and reserve money M0 resulted in changes in the monetary multiplier $m1$, reaffirming a second flow of money supply creation: transformation of quasi-money deposits into monetary deposits. The average value of the multiplier $m1$ decreased from 1.38 in 1995 to 1.31 in 1996, because the monetary impulse of reserve money on the money supply at a given level credit activity of the banking system decreased. The money supply M1 achieved equilibrium in 1996 because of the flow of quasi-monetary deposits into M1, the narrowest money aggregate. We repeat, total liquid assets M4 increased in 1996 via the money multiplier process and autonomous flows. Among these, foreign exchange deposits decreased their growth, and were transformed into quasi-monetary kuna deposits by depositors encouraged by increased confidence in the banking system and attractive interest rates. Foreign exchange deposits were also transformed into monetary kuna deposits: cash, deposit money and sight deposits, even though interest on sight deposits was removed in the middle of the year. (This corresponds with practice in most developed countries.) Along with the clear beginnings of strengthening of the kuna and "weakening" of the

foreign exchange role in M4, it is significant that only one-third of the growth in the money supply in 1996 was achieved through increases in the supply of cash, while the majority of the increase was accounted for by increases in deposit money: money in giro and current accounts of domestic sectors.

Figure I.10

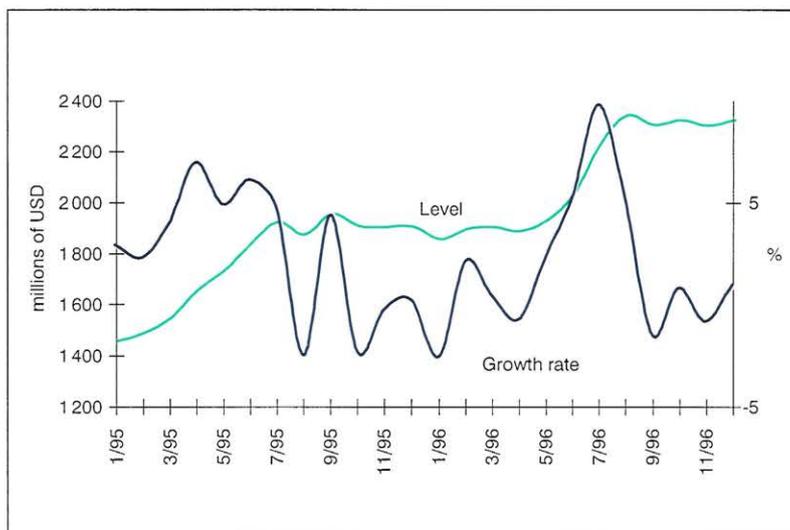
INTERNATIONAL RESERVES OF THE NBC
-level and monthly growth rates



The rapid growth of monetary aggregates is a strong argument for the thesis that in 1996, an adequate supply of kunas was available, and that problems of illiquidity faced by large numbers of economic actors in 1996 were not caused by monetary restriction. The lack of liquid funds on the giro-accounts of such economic actors would not be resolved by faster monetary growth, but only by structural, ownership and management changes in the economy, leading to a reallocation of available resources.

Figure I.11

INTERNATIONAL RESERVES OF THE NBC
-level and monthly growth rates



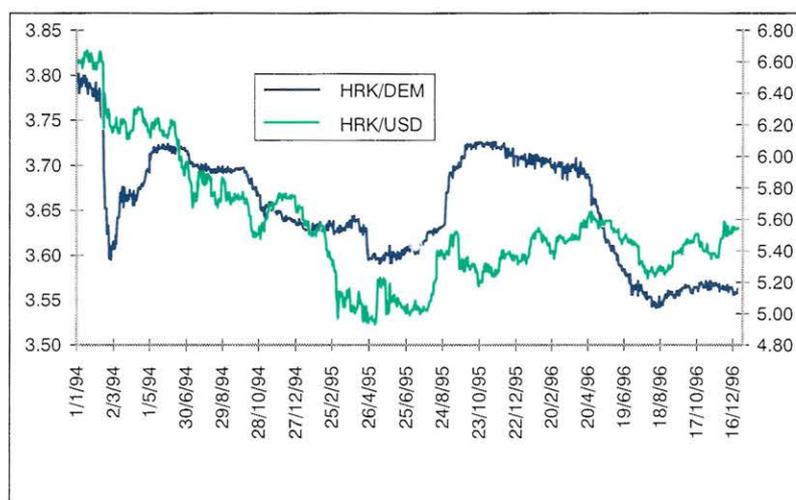
I.2.2

The Exchange Rate and the Aggregate Price Level

For the fourth consecutive year, the exchange rate and prices in Croatia are the most stable in all the countries in transition of Central Europe. The rate of inflation, measured by retail price changes, was 3.4% on a December-to-December basis last year, or 3.5% measured on the basis of yearly average prices. The cost of living index recorded a growth of 3.7% on a December-to-December basis, or 4.3% measured on the basis of yearly averages, and producer prices recorded a growth of 1.5%, or 1.4%

Figure I.12

NOMINAL DAILY
EXCHANGE RATE OF
THE KUNA WITH THE
DEM AND USD



In the last three years, the exchange rate of the kuna with respect to the German mark has been stable. The average exchange rate during these three years has been 3.65 HRK/DM, with an average variation of 6 lipa or 1.6%. In the same period, the average exchange rate of the dollar has been 5.55 HRK/USD, with an average variation of 39 lipa or 7%. This larger oscillation of the kuna with respect to the dollar is a result of greater oscillations of the value of the dollar in relation to other currencies, above all the German mark, in the last three years.

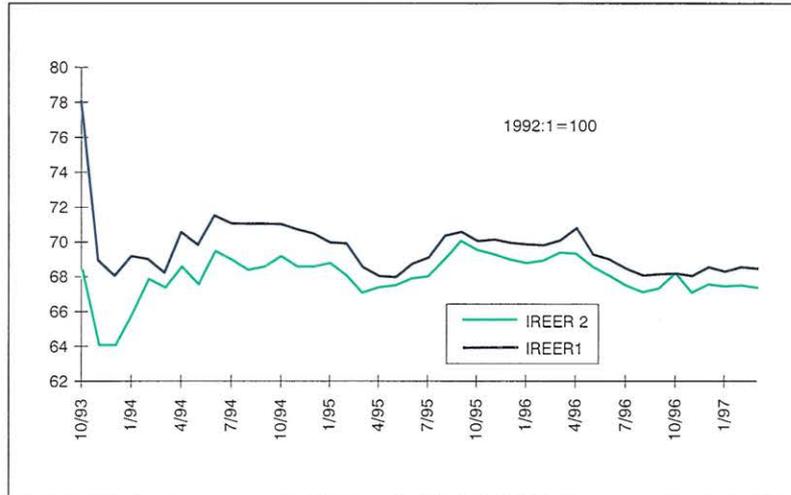
In 1996, the inflow of foreign exchange strengthened, resulting in a combination of the purchase of foreign exchange, which raises reserve money and increases the foreign exchange reserves of the NBC, and a certain degree of currency appreciation. This limited appreciation of the currency was tolerated by the NBC. The process of tolerated appreciation can be seen in figure I.12.

In the picture, a period of rapid appreciation, starting in the second half of April and ending at the end of August, can be seen. In addition to a more successful tourist season, the success of Croatian enterprises in raising funds on international capital markets contributed to the rapid appreciation.

The index of the real effective exchange rate is by far the most reliable indicator of changes in the real value of a currency. According to this index, the kuna depreciated in the first three months of 1996 at a rate of 0.3% per month (figure I.13.) In April, this trend was reversed; between April and August, the kuna appreciated by about 0.8% per month. From October to the end of the year, a negligible real depreciation occurred. Looking at the year as a whole, the kuna appreciated 2.1% in real terms in 1996.

Figure I.13

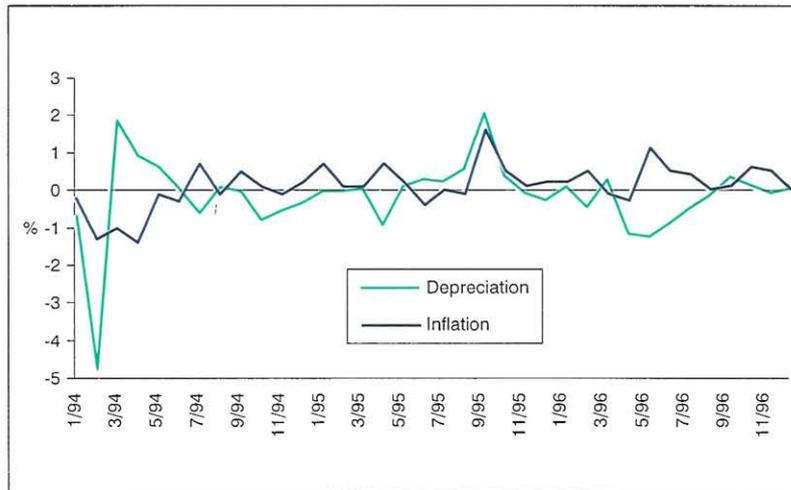
INDEX OF THE REAL EFFECTIVE EXCHANGE RATE OF THE KUNA BASED ON RETAIL PRICES (IREER1) AND PRODUCER PRICES (IREER2)



In figure I.14, we see the correlation between the exchange rate and prices, which is typical for small open economies. There was a substantial disparity between movements in retail prices and the exchange rate with the German mark during the summer months, however. The main cause of increasing prices during the summer, counterbalancing the effect of appreciation relative to the mark, was the growth in the prices of services. In the period between May and August, the prices of services grew by some 5.3%. Such a high rate of growth of the prices of services during the summer was mainly caused by very rapid growth in the prices of the Post, Telephone and Telegraph Company during this period.

Figure I.14

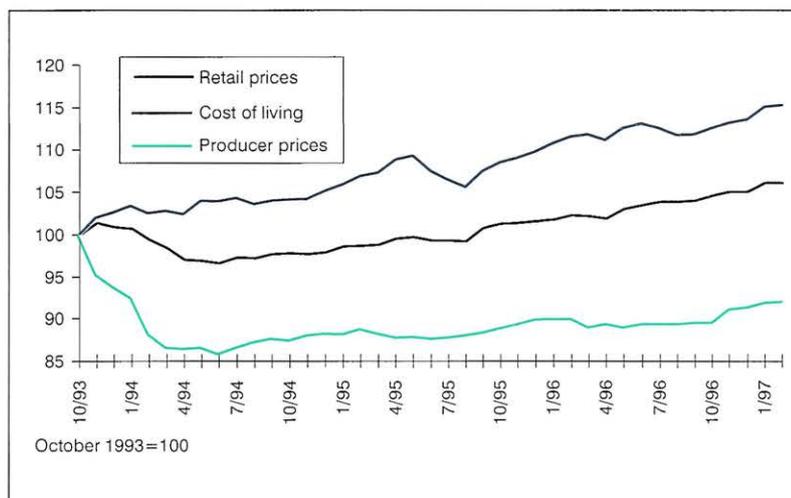
MONTHLY INFLATION RATES (RETAIL PRICES) AND DEPRECIATION OF THE DEM EXCHANGE RATE



Price changes have stabilized in the last two years. According to all of the three indexes we follow, price increases were moderate, without large oscillations. Figure I.15 shows a greater degree of stability in the indexes of retail prices and producer prices, whose dominant components are goods prices. By contrast, the cost of living index, which is more heavily influenced by the prices of services, is less stable.

Figure I.15

INDEXES OF RETAIL PRICES (RP), COST OF LIVING (CL) AND PRODUCER PRICES (PP)



I.2.3

Interest Rates

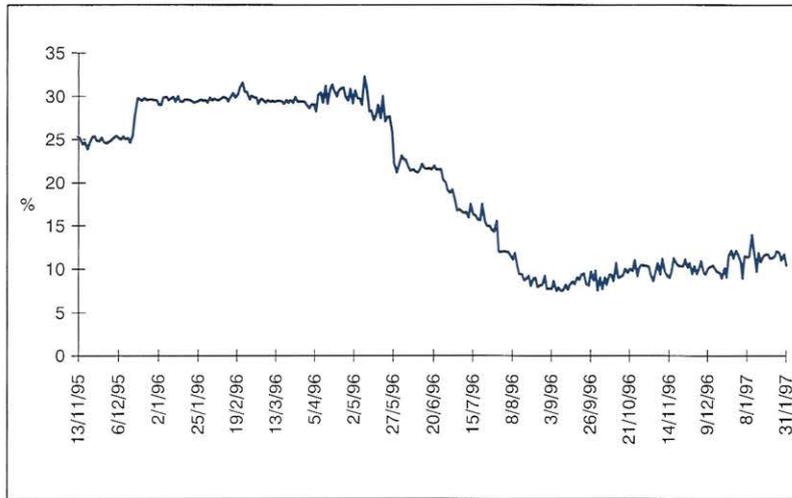
1996 was a year of great changes in interest rates. This fact does not only apply to interest rates on the Money Market and between commercial banks and their clients, but also to the interest rates of the National Bank of Croatia, as well as to the level of interest rates on short-term securities issued by both the NBC and the Ministry of Finance.

We entered 1996 with high interest rates and large differences between lending and deposit interest rates ("spread"). This was the result of several factors. First, the banking system was burdened with a high percentage of so-called "immobilized" assets (including such assets as government bonds exchanged for enterprise loans and uncollectible claims) which brought no income. These assets were an inheritance from the past and from inadequate risk assessment of bank investments in previous years. In this regard, it is important to remember that there was political pressure exerted on banks to make certain placements. A second essential reason was inadequate legal protection of creditors and the lack of credible payment instruments. This caused high risk premia and substantially raised interest rates. Third, the financial market is undeveloped. It is thin and narrow. The spectrum of financial instruments on the market is modest, and the number of participants on the market is small. Fourth, funding sources are very expensive. In order to attract depositors, banks offered high deposit interest rates, as well as high interest rates on the money market. This was especially noticeable among "sick" banks, who for a long time were a big problem. Fifth, connected to the fourth factor, foreign exchange deposits were the dominant source of foreign exchange. This makes banks sensitive to exchange rate movements, and creates a high degree of exchange rate risk. One way for banks to protect themselves was to transfer some of the currency risk onto depositors by raising interest rates and interest "spreads", if this were possible. Sixth, our banking system is characterized by limited competition and high concentration. The great majority of the new private banks are small, not burdened by old, questionable claims. Neither they, nor the few foreign banks operating in Croatia in 1996, could overtake the leaders. Instead, they simply took advantage of the situation on the market and made big profits on the basis of high levels of interest rates and "spreads". Also, because of the high level of country risk, capital inflows from abroad did not succeed in decreasing the price of capital in the country.

Finally, we can add the high administrative costs and irrational organization of banks. Better organization and efforts to reduce administrative costs could significantly reduce interest rates, according to some estimates.

Figure I.16

INTEREST RATES ON THE ZAGREB MONEY MARKET



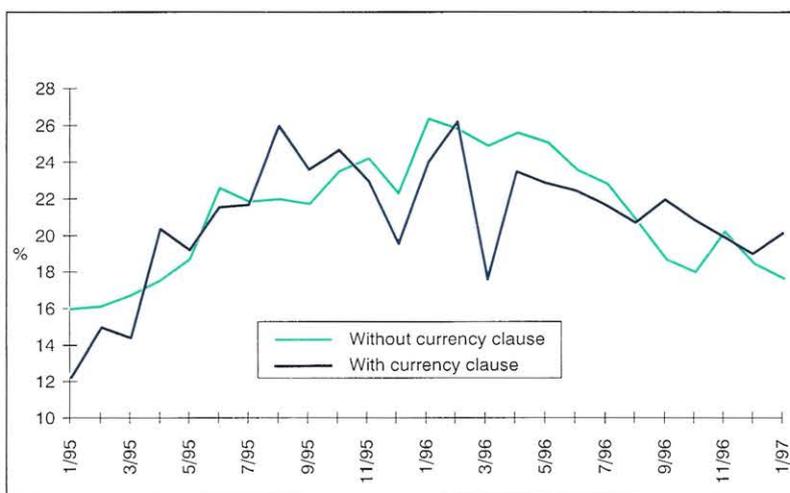
What happened last year? Let us begin with the money market. At the beginning of 1996, interest rates on daily funds were between 25 and 26 percent. Then interest rates rose, and the average daily interest rate reached a level of 32 percent annually. However, bad banks were willing to pay even this high rate to maintain their liquidity. In the beginning of May, everything suddenly changed. The rehabilitation of Riječka and Splitska Banka began. The process of rehabilitation of these banks resolved the problem of inelastic demand on the money market. What economic theory predicts actually happened. In four months, the average daily interest rate fell to one-fourth its maximum level, reaching 8 percent. However, by the end of the year, the average daily interest rate had once again slowly grown to 10 percent. However, this increase was the result of two factors. One was a change in the term structure of loans on the money market from shorter-term loans of 1 to 5 day maturity to somewhat longer term loans of 5 to 15 days (on the money market, terms are measured in days.) These longer loans were somewhat more expensive. The banking system had no further substantial liquidity problems, so loans for short-term use were not urgent. Also, changes in the nature of demand caused a situation of mismatch between the term structure of supply and demand.

More important to us, however, are movements in interest rates and interest "spreads" realized by commercial banks in their business with clients. Banks entered 1996 with a level of interest rates of about 26 percent, or 23 percent in real terms. However, as we noted before, this was a year of change. In addition to the rehabilitation of Splitska and Riječka Banka, at the end of the year the largest of the "sick" banks, Privredna Banka Zagreb, entered rehabilitation procedures. Rehabilitation has led to the fall of interest rates on the money market, and, since there is no country in the world in which the asset-interest rates of commercial banks do not react to such a change, we expected a reaction in Croatia, too. The only question was the speed of the transmission of the interest rate impulse, which depends on the degree of development of the financial system. The more developed the financial system, the more rapid the transmission. Since the Croatian financial system is still inadequately developed, we have to be patient in our expectations of the transmission of effects from the money

market to the banking system. In some developed countries, research has shown that it can take six months for effects to be transmitted from the money market to the banking system. We cannot expect a miracle overnight. In 1996, banks began to take more energetic steps to rationalize their functioning and raise their efficiency, beginning with decreasing and ultimately removing interest paid on deposits that can be used as means of payment. It is also important that banks have begun to pay attention to risk management; situations in which banks have excess funds and will not invest them, because the potential investments available to them are too risky, are now being seen. By the end of 1996, nominal and real lending interest rates of the banking system had fallen by about 8 percentage points from their levels at the beginning of the year, which is a very positive development. Real lending interest rates in Croatia were approximately 15 percent at the end of 1996. However, it is realistic to expect that by the end of 1997 nominal lending interest rates in Croatia will fall to approximately 12 or 13 percent.

Figure I.17

INTEREST RATES OF
COMMERCIAL BANKS
ON KUNA CREDITS
Weighted average, annual
rates



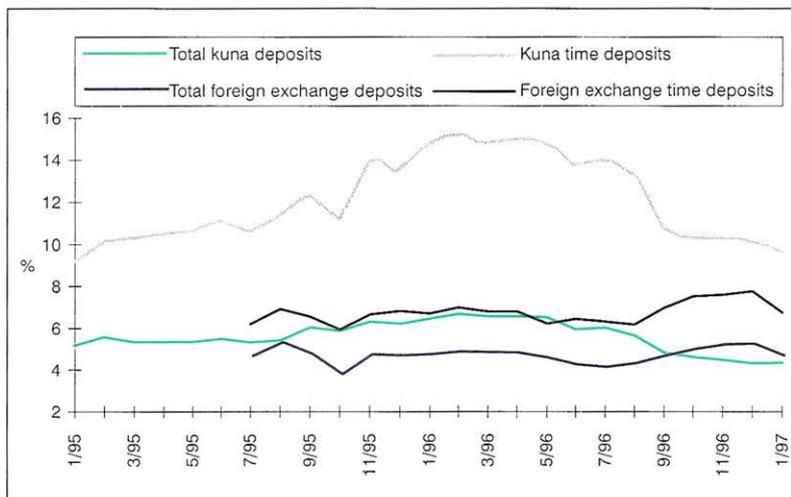
When we speak about interest rates on deposits, we must emphasize the term and currency structure of deposits. According to the final data for January 1997, which are representative, since the structure of new deposits was extremely stable, about 63.5 percent of new deposits were foreign exchange deposits, and of that, 70 percent were sight deposits, 18 percent time deposits up to three months, and the remaining 12 percent were longer-term deposits. From this we can infer the essential characteristics of savings. Savers prefer short-term deposits and foreign exchange deposits, which is a consequence of the high inflation of the recent past, tradition and a lack of confidence in the banking system. This cannot be reversed in the short-term. The rate of average deposit interest rates is a result of these factors. But there is a paradox: interest rates on kuna deposits are lower than interest rates on foreign exchange deposits. Interest rates on kuna deposits are lower, however, because kuna deposits are concentrated in low-yield sight deposits, even though interest rates on kuna time deposits are very attractive and reach a level of 10 percent. Interest rates on foreign exchange time deposits, by comparison, range up to 7 percent. Nonetheless, savers are behaving rationally. As they see the rehabilitation of the banking system,

the beginning of international competition, and credible macroeconomic stabilization, savers are slowly but surely returning to kuna deposits and to long-term deposits.

Figure I.18

DEPOSIT INTEREST RATES OF COMMERCIAL BANKS

Weighted average, annual rates



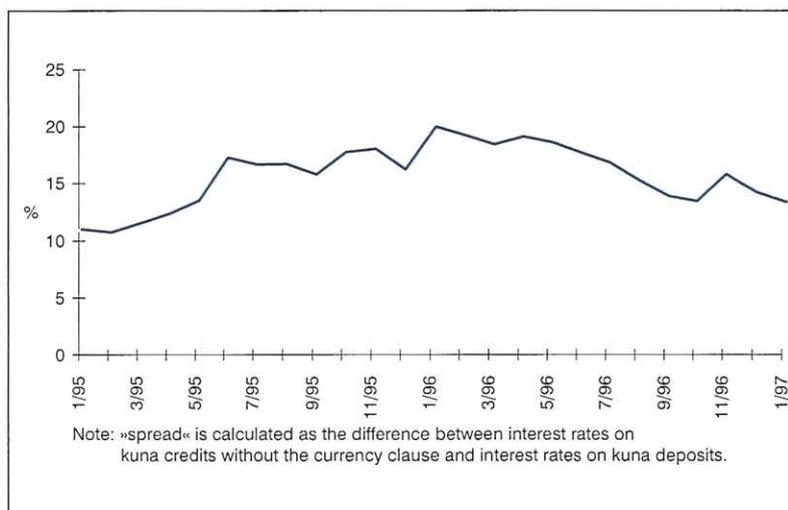
The biggest problem in the area of interest rates is the magnitude of interest rate "spreads". At the beginning of 1996, they exceeded 20 percentage points, but as interest rates fell, spreads fell also. At the end of 1996, the spread was 14 percent and falling. In this regard, it is essential to mention that at the same time as lending rates of commercial banks fell, deposit rates also fell. We do not expect that the interest "spread" will quickly fall to the 5 to 6 percent level of developed countries, but by the end of 1997 we expect it to fall to the region of 10 percentage points. Decreasing the spread is crucial because of worldwide trends in the banking industry, which are giving less and less importance to interest income in the total income of banks. The importance of fees for undertaking an ever-widening range of services is growing (the growth of so-called "full service banking").

Because of this, the trend for interest rates to fall should continue in 1997. In 1996, important steps were taken to support this trend. Rehabilitation of the "sickest" banks was begun, and new regulation on the problem of protecting creditors and on bankruptcy procedures was issued. It is also essential to mention that in 1996 the Ministry of Finance introduced Ministry of Finance Treasury Bills as a short-term financial instrument which will contribute to a widening of the financial markets and will decrease the difficulties of our financial system in introducing new financial instruments. Steps were taken to decrease the price of funding sources by decreasing deposit interest rates, decreasing money market interest rates, and decreasing interest rates on foreign sources through the obtaining of a credit rating. Foreign banks have entered the Croatian market, which will lead to greater competition. Commercial banks are more and more oriented towards increasing rationality and efficiency so as to reduce costs. And, at the end, we should add that the National Bank of Croatia itself has decreased its interest rates, decreased the rate of required reserves and increased the real money supply while maintaining stable prices and a stable exchange

real money supply while maintaining stable prices and a stable exchange rate. Because of this, it is realistic to expect further decreases in interest rates.

Figure I.19

THE INTEREST RATE "SPREAD" OF COMMERCIAL BANKS



I.2.4

Balance of Payments

After achieving an effectively balanced current account in 1993 and 1994, the Republic of Croatia experienced a current account deficit of \$1.712 billion, or nearly 9.5% of GDP, in 1995. Although the sharp drop in tourist revenues in 1995 was an important element in the deficit, Croatia's external position was typical for a developing country undergoing rapid economic growth. In such situations, the growth of aggregate demand is not met by adequate domestic supply, since domestic producers are in the phase of raising the productivity of capital and labor to world standards, and are striving to find markets for their exports. Because of this imports react, the export sector is not yet adequately competitive on world markets, and the deficit in merchandise trade becomes the main generator of the current account deficit.

The same structural features were seen in 1996, even though the current account deficit was significantly decreased, from 9.5% to about 7% of GDP. The decrease in the deficit amounted to 260 million dollars in absolute terms, or 15.2%. The decrease of the deficit in both relative and absolute terms was primarily the result of the foreign exchange earnings of the service sector, especially tourism, and transfers. The growth of these items was strong enough to neutralize the effect of an increase in the merchandise trade deficit.

According to preliminary data, the deficit in merchandise trade increased by 13.9% compared to 1995, growing from 2.8 to 3.3 billion USD. The share of the merchandise trade deficit in GDP also rose from 15.6% to 16.9%. Although the dollar figures indicate a fall of exports of 2.6% and an increase of imports of 3.7% in relation to 1995, these figures are the result of the strengthening of the dollar. In kuna terms, exports rose 0.7%, and imports rose 7.4%. On the export side, exports of productive inputs recorded the largest fall, while on the import side investment goods registered the largest

growth. However, since the surplus on trade in services grew by 78%, thanks to a relatively successful tourist season, when goods and services are combined, the total trade deficit (goods and services) fell by 3.5%.

Income flows also registered improvement, because the deficit was decreased by 51.3% in relation to 1995. The increased foreign exchange reserves of the central bank and the commercial banks made the major contribution to this; on the basis of these reserves, greater interest income was received from abroad. Interest income rose 30.6%, and interest expenses only 2%.

Table I.1

BALANCE OF PAYMENTS OF THE REPUBLIC OF CROATIA
in millions of USD, preliminary data

	1995	1996	1996/1995 (index)
Current account	-1712.0	-1452.2	84.8
Goods and services	-2264.5	-2185.5	96.5
- goods	-2877.2	-3276.0	113.9
- services	612.7	1090.5	178.0
of which – tourism	813.3	1153.0	141.8
Income	-93.3	-45.4	48.7
Current transfers	645.8	778.7	120.6
- government	279.8	154.5	62.6
- other sectors	366.0	624.2	170.6
Financial transactions without reserves	901.7	1048.7	116.3
Direct investment	80.5	348.9	433.3
Other investment	821.2	699.9	85.2
of which – bank assets	-467.1	-622.6	133.3
- assets of other sectors	516.9	764.6	147.9
- government liabilities	93.5	309.9	331.4
Foreign exchange reserves of the NBC	-490.2	-418.8	85.4
(- = increase)			
Net errors + omissions	1300.5	822.2	63.2

Net current transfers registered a significant increase of 20.6%. Within this, net current transfers of the government sector registered a decrease of 44.8%, as was anticipated. The fact that this was the first year of peace is relevant here. At the same time, and also according to expectations, net current transfers of other sectors, in which remittances of workers abroad dominates, registered an expected increase of 70.6%. This too should be seen in the light of the first year of peace. On the one hand, peace has brought a renewal of confidence in the financial system, so that flows that previously occurred unofficially and in cash are now occurring through official channels. On the other hand, transfers have the character of foreign exchange inflow and are used for two purposes. The first purpose is directly related to the

renewal of investment activity in the country. The beginning of reconstruction and the return of people displaced in the last few years will certainly be partly financed by transfers, but this money also played an important role in investment, especially small "household" investments in the areas of the country that were previously free. The second use of this inflow is indirectly connected to investment, and directly connected to the return of confidence in the financial system and relatively high deposit interest rates on time deposits in Croatian banks relative to rates in neighboring countries.

The most important changes on the capital account exclusive of foreign exchange reserves occurred in foreign direct investment. This item grew more than four-fold in 1996. The biggest contributors to this growth were foreign investment in Pliva and Zagrebačka Banka. These financial flows can also be explained by post-war recovery. Of special interest is the fact that foreign direct investment is now above 1.5% of GDP, putting Croatia third on the list of transition countries according to this criterion, just behind Hungary and the Czech Republic.

The account of other investments is still dominated by currency repatriation or remonetization, which in 1996 substantially increased. The net inflow of foreign currency and deposits in foreign currency of the non-banking sector was 47.9% greater than in 1995. However, this effect was to a great extent neutralized by the outflow of capital via the banking sector, which increased its placement of funds abroad by 33.3% in comparison to 1995. This behavior can only partly be explained by the requirement of redepositing funds abroad, based on the rapid growth of the so-called "new" foreign exchange savings. A large part of this is based on the natural interest of banks in investing abroad in conditions where the number of low-risk, profitable projects at home is still relatively small.

The net inflow of credit from abroad fell by 6.1% in comparison to 1995. Since the base is very small, however, the absolute net change is not great, and amounts to only 25 million USD. However, the aggregate change is the result of several very different changes in particular institutional sectors. The government sector recorded the fastest growth. Having announced that it was seeking a credit rating, the government sold its first emission of Eurobonds in the amount of 300 million USD. The most important change related to the use of long-term foreign credit. In 1995, the long-term debt of the government was decreased by 9.5 million USD, while in 1996, the government took out a significant 310 million USD in long-term credit in net terms.

The results of these flows in international economic relations were expressed in a significant increase in foreign exchange reserves. These grew somewhat less in absolute magnitude than in 1995, but by the end of 1996 reached a level of 2.3 billion USD, which corresponds to the average value of three months of total imports, and brings with it a significant level of stability.

Net errors and omissions decreased in 1996 by a significant 36.8%. However, at a value of 822 million USD, they are still a significant item in the balance of payments. This item is correlated with the current account deficit, indicating that some important sources of financing the deficit are

not being registered. The overestimation of the deficit results from incomplete capture of re-exports, especially in light of the “soft” border with Bosnia-Herzegovina, as well as incomplete registration of factor income. Underestimation of the sources of financing for the most part is the result of the fact that Croatia neither registers nor estimates trade credit or delayed payments of less than 90 days.

If, at the end of this discussion, we were to briefly evaluate the external position of the Republic of Croatia, we would conclude that we still remain in a development phase in which the limitations of our economic inheritance still bind us. These limitations are expressed in low productivity of labor and capital in relation to world standards, especially in the industrial sector. Investments are needed to overcome this situation, and the volume of investment required exceeds available domestic savings. 1996 was a turning point however; it saw a more rapid growth of foreign direct investment, greater use of long-term loans from foreign governments and easier access to world financial markets for all sectors of the national economy. The low level of international indebtedness of the Republic of Croatia (see section 1.3), the rapid fall on the price of capital for Croatia following the country’s receipt of an investment-grade credit rating and the rapid growth of capital goods imports gives us hope about the next few years. Economic actors can be expected to raise the productivity and capital and labor to world levels, and the economy as a whole can gradually decrease the current account deficit.

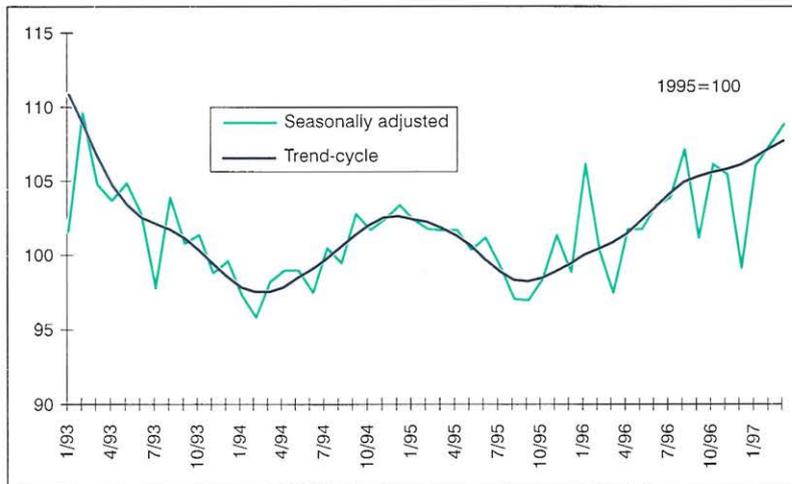
1.2.5

Industrial Production and Investment

Following many years of decreased industrial production, industrial output grew 3.1% in 1996, recording the second consecutive year of positive growth. Industrial production in 1996 grew at a rate which would be satisfactory in a stable economy, but in our post-stabilization and post-war circumstances was below what we would have hoped for. Production is currently 42.2% lower than in 1990. This means that in the last two years of growth, we have not been able to make up for the exceptional crash in industrial activity in 1991 and 1992. Having all this in mind, industry still has taken a step forward, and contributed to overall economic advance.

Figure 1.20

MANUFACTURING
PRODUCTION INDEX
Seasonally adjusted and
trend-cycle



The sectors with the greatest influence on the increase in industrial production were electric power (25.4%), shipbuilding (28.3%), production of building materials (28.9%), processing of non-metal minerals (19.1%), processing of chemical products (2.6%) and the food processing industry (1.6%). Three of these branches, the food processing industry, chemical processing and electric power, account for one-third of industrial production, and achieved significant growth rates. Branches producing mainly investment goods, the so-called metalworking complex (metalworking, machine-building, transportation goods and electric machines) had unsatisfactory results. The loss of markets, an indirect consequence of the war, and the custom of producing to order, for a known purchaser, rather than for the market in general, limited their growth. In the production of value-added in industry, metalworking branches are losing ground to the branches of the food industry. The textile industry could not have expected better results, given to the high level of protection of the domestic market and the high level of competition on foreign markets. Inventories of finished products continued their three-year downward trend. This year they decreased by 1.4%, and they are now 36.3% below their 1990 levels. Labor productivity in industry rose 11.3%. This is more the result of decreases in employment than increases in output. A deficit was registered in foreign trade, with exports growing 0.9% and imports 7.8%, expressed in domestic currency.

In the distribution of domestic production, purchase of investment goods is regularly "neglected". This situation continued following the growth of government consumption, consumption of households and/or foreigners. Since the State Statistical Bureau has not yet collected data according to the SNA method of national accounts, in recent years, individual aggregates were estimated on the basis of data provided by the Payments Agency. The State Statistical Bureau now has final data on investment in long-term property of legal person for 1995, not including investments of a military nature. Their share in gross domestic product was 11.1% in 1995. As a result of these data problems, we look at 1996 with the help of other, alternative indicators, and any conclusion drawn is not as reliable as that which could be drawn on the basis of macroeconomic identities.

1.5 billion USD was spent on the import of investment equipment. This accounted for 19.4% of total imports in that year, or 8% of estimated gross domestic product. Equipment imports were 14.9% higher than in the previous year. A second important financing source was foreign direct investment, which in 1996 was more than four times greater than in 1995 and amounted to 349 million USD. In 1996, the government spent 63.7% more in nominal terms on capital projects than it had the year before. From this we can conclude that all indirect indicators suggest that investment activity was significantly greater in 1996 than in 1995.

1.2.6

Wages and Employment

Registered unemployment in 1996 was 8.5% greater than in the previous year. This was the first increase in unemployment after three years of decreases. Unemployment fell during the middle of the year, but the trend did not continue to the end of the year. The average monthly rate of growth of the number of unemployed amounted to 0.7%. According to the State Bureau of Statistics,

the rate of unemployment was 15.9% at the end of December, and the number employed was 269,263. Unemployed persons are registered with the Croatian Employment Agency according to regulations prescribed in the Law on Employment. Some employment opportunities were available, as can be seen from the fact that 124,086 available jobs were advertised during the year. Some 93,200 people found employment through the help of the Agency.

Analyzing the monthly dynamics of unemployment, it becomes clear that the seasonal patterns familiar from prewar days are returning, and a regular yearly flow is being established. Thus, in the summer months, unemployment is absorbed by hotels and catering, tourism, agriculture and construction. An exogenous growth factor in unemployment was the flow of demobilized Croatian soldiers who, on the basis of the Law on Croatian Defenders, have the right to monetary payments and other entitlements. As a consequence, for the first time since the founding of the Agency, there were more unemployed men (50.4%) than women (49.6%). Furthermore, the motive for registration with the agency, both in the case of soldiers and in other cases, is not necessarily a search for employment but possible desire for the benefits available under existing law. Regarding the age structure of the unemployed, it can be stated that the population of unemployed is getting older (inflow of workers from enterprises in bankruptcy or liquidation, release of workers due to downsizing, etc.) and the waiting time for employment is continuing to grow.

Figure I.21

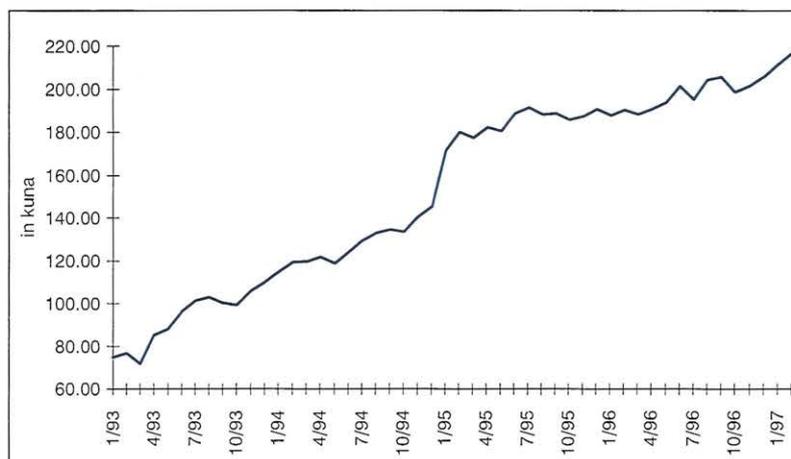
NUMBER OF REGISTERED UNEMPLOYED PERSONS



The total number employed in the country amounted to 1,429,623, and the active population was 1,698,886. The category of total employment was calculated for the first time by adding the old category of total employment in the social sector to employees in the Ministry of Defense and the Ministry of Internal Affairs, employees in small enterprises, employees in crafts and free professions and individual farmers. Since comparable figures for 1995 are not available, it is not possible to say anything about yearly changes in total employment. However, it is known that the number of employees in economic agents (registered companies, government agencies, bodies and funds, cooperatives, organizations and their branches) decreased by 4.6%. This decrease is explained by continued changes in ownership structure and the adaptation of economic agents to market conditions.

Figures I.22

REAL AVERAGE
NET WAGE
In January 1993 prices



Average real wage in 1996 was 6.8 percent greater than in the previous year. In the so-called "non-economy" sector, which includes culture, education, health care, social welfare, and government, pay rose by 2.7%, while in the "economy" sector, which includes all other activities, pay rose 8.3%. The question arises whether such increases in pay are grounded in corresponding increases in labor productivity. Productivity data at the economy-wide level are not available, but, if we use data from industry as an approximation, we find that labor productivity rose by 11.3% and the registered rate of pay increase is not inflationary. The disposable income of the population, which includes actual wage payments, other work-related remuneration and social transfers, was 11.0% higher in 1996 than in the previous year in real terms. These data imply a corresponding increase in the purchasing power of the population. When measured by consumption of goods and services, purchasing power grew by 10.8% in real terms.

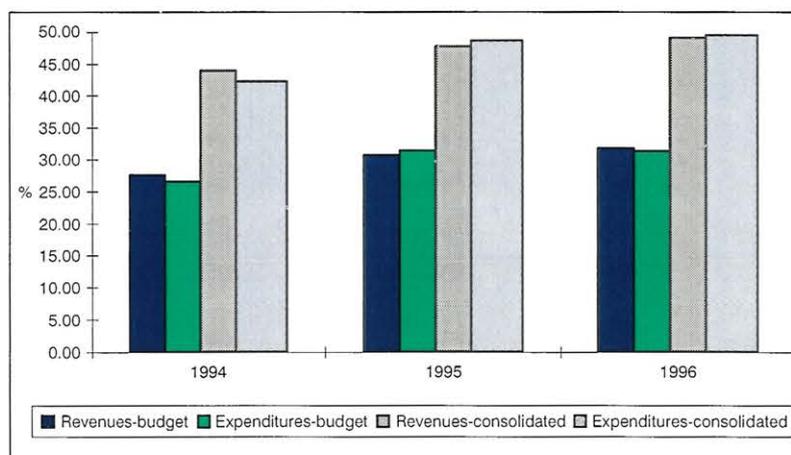
I.2.7

Government Budget

The healthy fiscal policy stance initiated in 1993 was continued in 1996. The total consolidated central government budget deficit amounted to about one-half of one percent of estimated GDP. Fiscal policy continued to rely on increasing financial discipline and widening the tax base while maintaining a current account government surplus. The share of total budgetary revenues in GDP increased from 30.8% in 1995 to 31.7% in 1996, while the share of expenditures fell from 28.8% of GDP in 1995 to 27.9% in 1996.

Figure I.23

SHARE OF REVENUES
AND EXPENDITURES
OF THE GOVERNMENT
BUDGET AND CON-
SOLIDATED CENTRAL
GOVERNMENT IN GDP



The revenues of the consolidated government budget, however, grew from 47.6% in 1995 to 49% in 1996, and expenditures grew from 48.6% to 49.5% of GDP.

The share of tax revenues in total revenues in 1996 decreased; in March 1996, the standard rates on sales tax were decreased. Also, capital revenues increased substantially, above all because of privatization. Such capital income is not a sustainable source of financing for the government budget, but it can be said with a great deal of assurance that the next two years will see significant capital revenues under this heading, especially when the privatization of large public enterprises such as INA (the Croatian oil company), JANAF (the oil pipeline) and the telecommunications company come up. It would be good to time the receipt of revenues from these privatizations, however, with the coming need to finance the reform of the pension system, since in both cases one-time revenues and expenses are involved. It is expected that the share of tax revenue in total budgetary income will continue to fall for the next two years. This contributed to the decision in 1996 to defer the introduction of value-added tax until 1998, most probably with a lower rate than the current standard rate for sales tax.

On the expenditure side, capital expenditures and transfers rose most rapidly, while the share of pay and outlays for other goods and services, the two largest categories on the expenditure side of the budget, decreased relative to other elements of the budget and to GDP. This trend is expected to continue in 1997. Such changes in the expenditure side of the budget are mainly the result of postwar reconstruction, very significant increases in the allocative role of government and the process of bank rehabilitation.

From the introduction of the stabilization program onward, a sharp turn-about was made in the financing of the budget deficit. Monetization of the deficit was eliminated. Today, the deficit is financed on the world capital market, which reduces short-term inflationary pressures, but increases pressure towards currency appreciation. In the future, financing of the deficit will be possible under better conditions, thanks to Croatia's having received an investment-grade credit rating. Increased capital inflows to finance the government budget deficit mean further pressure towards the appreciation of the exchange rate, especially if they are followed by significantly greater inflows of foreign investment. These are problems that are increasingly occupying the monetary authorities. Pressure on monetary policy to accommodate or neutralize capital inflows will be somewhat decreased by the increase in interest obligations, which is due to significant increases in the volume of foreign credit anticipated in 1997, and for which a significant amount of foreign credit will be used.

There is no question that neither the government budget deficit nor the manner of its financing nor the level of public debt is cause for concern. What is worrisome, however, is the extremely high share of government in GDP, which cannot provide the basis for sustainable, long-term growth and an efficient economic system. In fact, not only the level, but the continued trend for the share of government in GDP to increase is worrisome. This is not a desirable characteristic for a country in transition at a development level at which GDP per capita has not yet reached 5000 dollars per person.

In order to understand the reasons for the increasing trend in the share of government in GDP, it is necessary to analyze the government budget. In addition, one must analyze the extra-budgetary funds, including the pension fund and health insurance, funds for employment and social welfare and Croatia Waterworks, whose deficit and share in GDP have been growing from year to year.

Figure I.24

REVENUES AND EXPENDITURES OF THE GOVERNMENT BUDGET

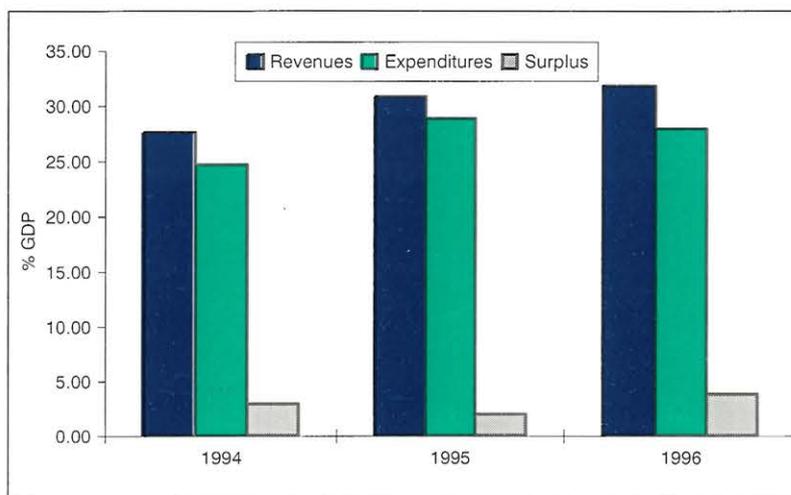
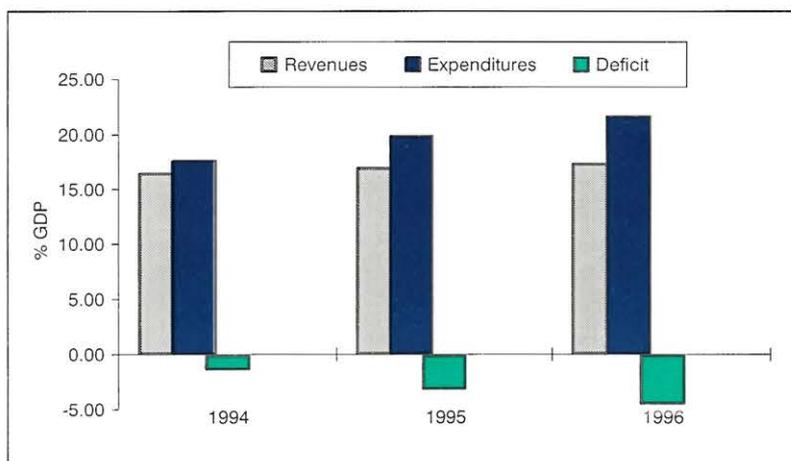


Figure I.25

REVENUES AND EXPENDITURES OF EXTRA-BUDGETARY FUNDS



The deficit of extra-budgetary funds grew from 1.2% of GDP in 1994 to 4.3% of GDP in 1996. In the same time period, the share of extra-budgetary funds in expenditures rose 4%. The decrease in the share of expenditures of the government budget (in practically the first postwar year) was not large enough to compensate for the rapid expansion of the costs of the extra-budgetary funds. Because of this, the government faces the complicated task of decreasing the share of government in GDP. This includes decreasing the share of the extra-budgetary funds. This in turn will first of all depend on reform of the pension system, as well as the continued decrease of the share of the government budget in GDP. The latter effort will require discipline over expenditures. This decrease in the share of government in GDP is closely related to the rate of growth of GDP; it will be easier to accomplish in the medium-term the faster GDP grows. But at the same time, it is a fundamental precondition for achieving sustainable high rates of GDP growth in the long-term.

In last year's annual report, we discussed three themes under this heading: the "overvaluation" of the kuna, the causes of the illiquidity of the enterprise sector and the connections between monetary policy, inflation and economic growth. In this year's report we will continue with a short discussion of two themes: the achievements of bank rehabilitation and the international indebtedness of the Republic of Croatia.

Every year has its special theme. In 1995, "global" macroeconomic themes, closely related to the model of the Croatian stabilization program, its lasting success and gradual adjustment to a stable kuna were at the center of attention. In 1996, microeconomic, or structural issues, came to the fore. Among the public, politicians and experts, an awareness ruled that the real results of artificial macroeconomic manipulations via fiscal and monetary policy were questionable. Instead, both the problems and the answers were seen to lie in rigid and uncompetitive economic structures. The problems of an uncompetitive banking system burdened by past debts rose to the surface, and the manner of resolving this problem showed the true power of structural economic policies.

In addition, the first postwar year also brought Croatia an agreement with the London club, a credit rating and easier access to international financial markets. A tendency to increase foreign indebtedness by all sectors of the economy was noticed during the year. Naturally, this raised dilemmas about the optimal level of foreign indebtedness.

1.3.1

On the Achievements of Bank Rehabilitation

Although the rehabilitation of Slavenska Banka, the smallest of the four banks that have come under the rehabilitation program, began in 1995, the process came into full swing last year when the rehabilitation of Riječka and Splitska Banka, third and fourth by size in Croatia, began in the spring, and when, in December, rehabilitation of what had been our biggest bank, Privredna Banka Zagreb, began.

However, the first results of the program, which were seen in a rapid fall in interest rates on the money market, were evident as early as May. Until then, a discussion had gone on among a portion of the public, political leaders and experts about whether "restrictive" monetary policy was responsible for high interest rates in Croatia. The doubts resulted from the fact that we had a stable exchange rate and equally stable prices, and high interest rates which at the beginning of the year were running at nearly 27% on the money market and on average a few percent points less on the market for short-term credit.

At that time, we in the National Bank argued that high interest rates were a structural phenomenon that could only be permanently healed by a structural remedy—credible bank rehabilitation. We insisted on this position also because we already had the legal framework required to undertake such rehabilitation. This legal framework included: unburdening the banks of bad, uncollectible debts at the expense of bank capital, recapitalization of the bank from

reorganization and rationalization of the bank, as well as forming new business strategies with the aim of profitability and possible privatization. Another reason that we insisted on our position came from our analysis that it was precisely the larger, basically insolvent and/or illiquid banks that had the potential to increase the supply of credit and to bring down interest rates. But these banks could not take these important steps because of the burden of the past on their balance sheets. It was shown that the small banks, a certain number of which had been founded in the 1990's, did not have such potential. In fact, these small banks quite naturally took advantage of the structural problems of the larger banks and earned money on the big gaps between lending and deposit interest rates created when the big banks slowed down their credit activity.

Although the rehabilitation process only seriously began in 1996, the first results were more than obvious. After the readjustment of the liquidity of Riječka and Splitska Banka in the spring, demand on the money market fell sharply and, logically, a rapid fall of interest rates on this market began. The fall of interest rates on lending markets came afterwards, and occurred at a slower rate. The results were not spectacular, but indicate the direction of movement of interest rates in the near future.

However, an even more important fact is the obvious increase in competition on the lending market, especially where lending to the household sector is concerned. Households' repayment rates are extremely high, which means that the risk of such placements is low. Since demand for loans from this sector is extremely high, because of the lack of supply of loans in recent years, banks are turning towards this market in greater numbers and in greater measure. The first effects of stronger competition are not only seen in the growth of the relative importance of credits to households in banks' balance sheets, but also in banks' first steps in the direction of improvement of credit conditions. The largest banks have taken the lead in this. However, in this respect as well, we expect significant changes in the course of 1997.

Table I.2

ASSET STRUCTURE OF COMMERCIAL BANKS 1993-1996
In %, end of year

	1993	1994	1995	1996
Reserves	1.8	3.8	5.3	6.5
Foreign assets	13.1	13.1	14.9	18.7
Claims on government	42.2	32.9	27.6	24.9
Claims on enterprises	38.8	43.7	44.5	40.0
Claims on households	4.0	6.2	7.3	8.9
Other claims	0.1	0.3	0.4	1.0

Source: NBC Bulletin, table D1

When it comes to the supply of loans to enterprises, the problem of loan repayment is much more serious. Although liquid and solvent clients with a good credit history can get credit with interest rates between 12 and 14% at

¹ A smaller portion comes from liquidity injections from the current budget, while the majority comes from injections in the form of government bonds which will be repaid by future budgets, that is, future taxpayers.

the big banks, the problem is sharper for the large numbers of smaller enterprises without a strong reputation, where payment risk is large. Despite this, we think that we are now at the beginning of an era in which a new economic structure, ready for economic growth and development, is emerging, and that younger and smaller economic actors that perform well will be able to achieve good reputation quickly. Banks are becoming more credit-worthy month by month, both from the standpoint of the quality and the term of funding sources, and from the standpoint of subjective ability to assess which are the most creditworthy borrowers.

Bank rehabilitation should in the final instance result precisely in increased creditworthiness of banks themselves in view of finding better quality and long term funding sources and strengthening credit risk assessment. To this should be added internal reorganization and decreasing costs with the aim that the bank play its intermediation role with smaller differences between lending and deposit interest rates. The most important environmental preconditions for this have already been created. Above all, this requires healthy fiscal policy which does not burden banks with the need to finance the government budget deficit but, on the contrary, allows decreasing the government's net debt to the banks. This also requires a stable currency, which is a precondition for achieving credibility, which in turn is necessary for people to save for the long-term and thus assure the sources for long-term lending.

Generally speaking, the beginning of the process of bank rehabilitation represents the beginning of the end of a process which has already lasted several years. In this process, the links of interest groups and informal ties between bank owners, the banks biggest borrowers, the management of the banks and the government will finally be separated. These were the links that the failed self-management system rested upon. Privatization of a larger number of a larger share of the capital of banks in rehabilitation will signify the final end of this process.

1.3.2

What is the Extent of Croatia's Foreign Indebtedness?

The right question would be: what is the optimal limit of foreign indebtedness for the Republic of Croatia in the coming years? It is not possible to give an unambiguous answer to this question. At first glance, there are countries with low foreign debts that are experiencing economic instability and that have not achieved the most rapid rate of economic growth possible, and there are relatively highly indebted countries which are stable and grow.

When we discuss our own situation, we must be aware of the conclusion we reached at the end of the section on the balance of payments: we remain in a development phase in which the economic inheritance of the past still limits us. This inheritance is expressed in low productivity of labor and capital relative to world standards, especially in the industrial sector. The volume of investment needed to overcome this situation exceeds the level of domestic savings available. In this respect, 1996 represents a turning-point. The turning point can be seen in the accelerated growth of foreign direct investment, in increased use of long-term loans from foreign governments and in easier access to world financial markets for all sectors of the national economy. The low level of indebtedness of the Republic of Croatia, the rapid fall of the price of capital for Croatian economic actors after the receipt of an investment grade

credit rating and the rapid rate of growth of capital goods imports all give us hope for the future. In the next few years, we expect that economic actors will be able to raise the level of productivity of labor and capital to world levels, and that the economy as a whole will gradually decrease the current account deficit.

Because of this, the question of the optimal limit of foreign indebtedness is a hypothetical question which depends on:

- a) the extent to which foreign investors will be willing to undertake direct investment into our economy,
- b) how effective investment financed by foreign sources will be, and to what extent foreign funding will finance current consumption versus investment
- c) the price of capital we will have to pay for foreign sources and
- d) at what speed the reintegration of the Croatian economy into the European economic system will proceed.

In principle, it can be said that foreign direct investment has precedence over borrowing, because in the first case, there is by definition a guarantee that the funds will be spent to increase potential GDP. However, borrowing cannot be rejected in conditions in which credit relations continue to dominate international capital flows and the country is at a low level of indebtedness by all indicators.

The table allows us to compare indicators for the Republic of Croatia with average indicators for two groups of developing countries: with those who have problems with international liquidity (overindebtedness) and those who do not have such problems. The values of all the indicators shows clearly that our indicators are more favorable than the average of the countries that do not face international liquidity problems.

This conclusion of course does not mean that we can borrow without control. On the contrary. It is necessary to extend the discussion about the optimal level of indebtedness as far as possible, including the public, politicians and experts. The intergenerational redistribution undertaken by the former Yugoslavia at the expense of the current generation, and for the benefit of the taxpayers of the time, was too obvious for us, now that we have our own state, to forget to be careful. Only such an approach can reinforce the pressure to constantly follow and evaluate trends.

The problem of foreign indebtedness is connected to narrowly-defined monetary policy to the extent that foreign exchange inflows create pressure to strengthen the kuna on the domestic foreign exchange market. In such a situation, the central bank finds itself facing an unpleasant choice: either it can allow the currency to strengthen, with uncertain implications for net exports, or it must purchase the surplus of foreign exchange, increasing the quantity of domestic money in circulation, with uncertain implications for inflation. However, the National Bank of Croatia is faced with this choice for the fourth year in a row, and has developed instruments of monetary management that allow it to fulfill its main objectives in such an environment. The introduction and development of the market for NBC bills and treasury bills, foreign exchange "swaps", "repo"-operations and definitive interventions on the foreign exchange markets allow fine tuning of the supply of money to temporary and long-term changes in the domestic foreign exchange market.

Table I.3

INDICATORS OF FOREIGN INDEBTEDNESS FOR TWO GROUPS
OF DEVELOPING COUNTRIES AND THE REPUBLIC OF CROATIA,
in %

	1988	1989	1990	1991	1992	1993	1994	1995	1996 e
1. Foreign debt/GDP									
- countries with difficulties	55.8	54.8	52.5	51.2	46.9	43.6	40.0	39.2	
- countries without difficulties	25.9	24.1	24.5	26.0	26.1	27.0	29.3	27.7	
- Republic of Croatia***						30.2	27.7	25.1	24.9
2. Foreign exchange reserves/imports									
- countries with difficulties	19.2	21.8	28.9	38.9	43.3	48.5	43.5	43.1	
- countries without difficulties	25.1	25.5	27.6	29.6	26.4	28.3	32.2	30.4	
- Republic of Croatia						10.6	20.7	20.0	23.6
3. Foreign debt/exports*									
- countries with difficulties		306.3				318.4	305.5	276.5	
- countries without difficulties		88.9				82.6	77.3	71.1	
- Republic of Croatia (a)						61.6	65.3	63.0	61.7
- Republic of Croatia (b)						56.1	59.4	56.6	55.3
4. Repayments**/exports*									
- countries with difficulties		30.7				38.8	36.5	41.5	
- countries without difficulties		14.0				11.3	11.0	10.4	
- Republic of Croatia (a)						9.3	7.8	8	9.3
- Republic of Croatia (b)						8.5	7.1	7.8	8.3
5. Synthetic indicator (3-2)									
- countries with difficulties		284.5				269.9	262.0	233.4	
- countries without difficulties		63.4				54.3	45.1	40.7	
- Republic of Croatia (a)						51.0	44.6	43.0	38.1
- Republic of Croatia (b)						45.6	38.6	36.6	31.6

* including goods and services at an annual rate

** refers to all interest payments and repayments of principal on medium-term and long-term debt

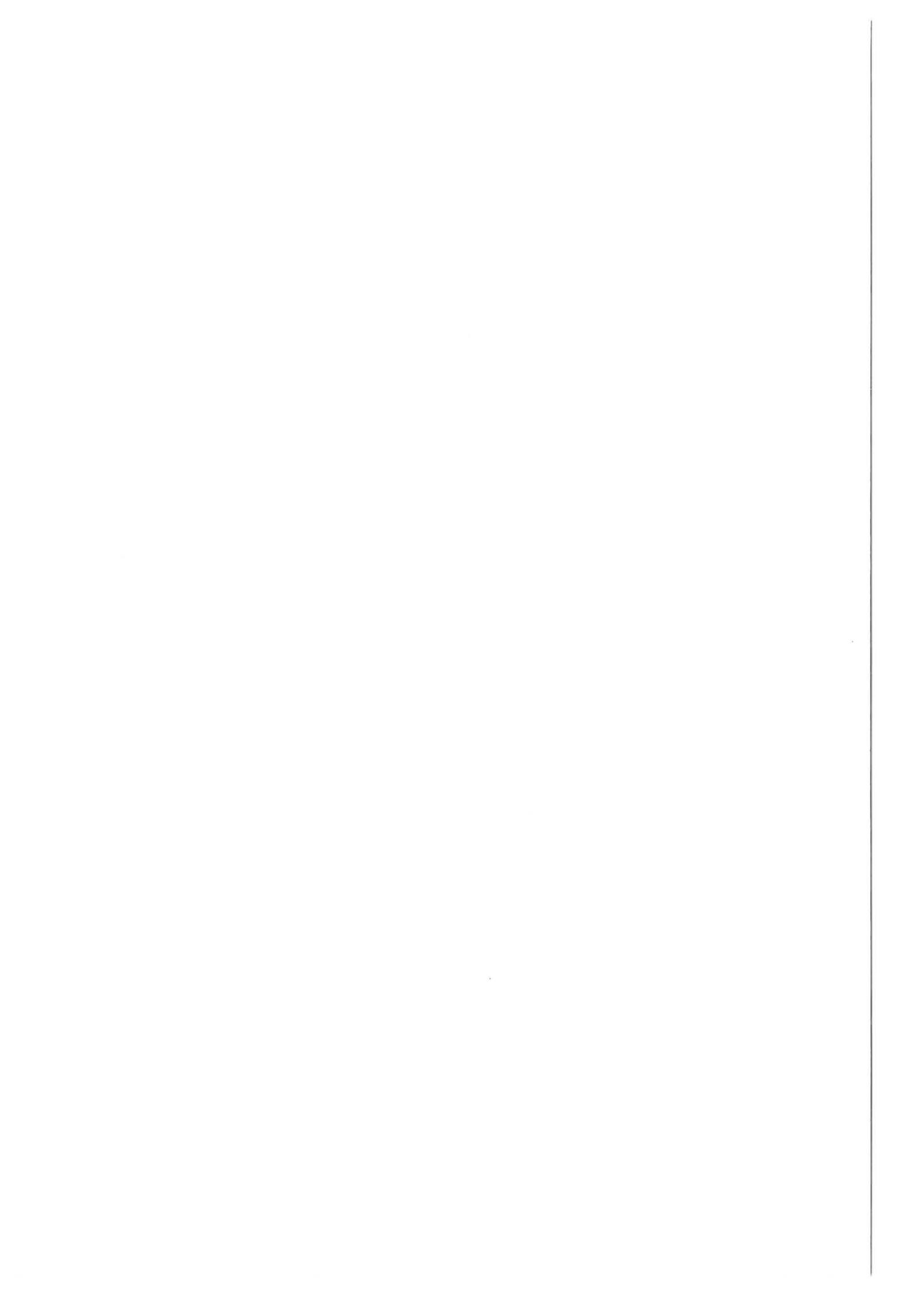
*** official balance of foreign debt at the end of the year plus 877million USD, which is the effect of Paris and London club agreements. This amount was only added into official statistics in 1996, after the agreements were signed.

a - exports of goods and services at an annual level without transfers

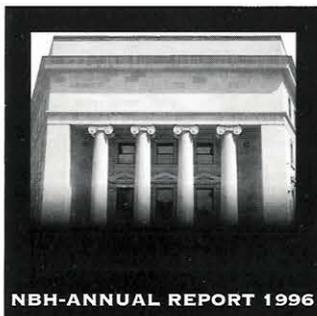
b - exports of goods and services at an annual level plus transfers

e - estimate

Source: World Economic Outlook, May 1996 IMF Washington: various tables.



II. MONETARY POLICY IN 1996



NBH-ANNUAL REPORT 1996

2.1

Monetary and Credit Aggregates

Accelerated growth of the monetary aggregates, accompanied by slower growth of reserve money, stable liquidity of the banking system and a general increase of approximately 20% in bank placements were the basic characteristics of 1996. These monetary movements were an expression of intensive changes in the monetary system's foreign claims and obligations, decreases in the average rate of central bank total reserve requirements, and changes in the level of public debt in the form of bonds to cover frozen foreign exchange accounts (blocked f/c savings deposits), big bonds and bank rehabilitation bonds.

Table II.1

MONETARY AND CREDIT AGGREGATES

	RESERVE MONEY (M0)	TOTAL LIQUID ASSETS (M4)					NET DOMESTIC ASSETS (NDA)	NET FOREIGN ASSETS (NFA)	
		Money supply (M1)		Savings and time deposits	F/C deposits	Total (M4)			
		Currency outside banks	Demand deposits						Total (M1)
Ballance in billions of kuna									
31. XII 94	4.7	2.7	4.0	6.6	2.1	8.8	17.5	16.3	1.1
31. XII 95	6.7	3.4	4.9	8.3	2.2	14.1	24.5	21.5	3.0
31. XII 96	8.8	4.4	7.0	11.4	3.4	21.8	36.6	24.9	11.7
Growth rate, %									
- December to December									
1995	43.1	26.6	23.3	24.6	4.7	60.7	40.4	31.6	166.3
1996	30.0	29.8	43.4	37.9	56.5	54.6	49.1	15.7	287.1
- monthly average									
1995	3.0	2.0	1.8	1.9	0.4	4.0	2.9	2.3	8.5
1996	2.2	2.2	3.1	2.7	3.8	3.7	3.4	1.2	11.9

Total liquid assets M4 in Croatia reached a level of 36.6 billion kuna in December 1996. This represents a 12.1 billion kuna or 49 percent increase from December 1995. Changes in the structure of liquid assets resulted in an increase in the share of quasi-money in total liquid assets by 3 percentage points (from 66% to 69%) and a corresponding decrease in the share of narrow money (from 34% to 31%). This occurred even though the money supply grew 38% on a December-to-December basis, which was 50% faster than in 1995. Kuna quasi-money had a crucial influence on the increase in the quasi-money share in M4, growing eleven times faster than in 1995 on a December-to-December basis. Foreign exchange quasi-money, although growing slower in 1996 than in the previous year, still achieved a growth rate of approximately 55% on a December-to-December basis, equaling the growth rate of kuna quasi-money in the period.

The increase in foreign currency deposits in banks of 7.7 billion kuna in 1996 had a direct influence on the increase in the foreign exchange reserves of banks. The requirement that banks have to redeposit foreign exchange deposits of physical persons came into play, since most of the increase in deposits came from the household sector. The deposits of this sector have an 80% share in total foreign exchange sight deposits, and a 90% share in foreign exchange time deposits. In order to maintain the overall foreign exchange liquidity of the banking system, commercial banks are required to hold 60% of the value of sight deposits and time deposits up to 3 months, as well as 50% of the value of foreign exchange deposits of households in 3 to 12 month time deposits, in foreign banks. This central bank regulation, which primarily aims to guarantee the liquidity of authorized banks in making foreign payments and handling domestic foreign exchange savings, played a decisive role in increasing the foreign assets of banks. These grew in 1996 by 3.2 billion kuna or 35 percent. This substantial growth of banks' foreign claims was achieved simultaneously with a decrease in banks' foreign obligations in 1996. The decrease in foreign obligations of the banking system by 2.7 billion kuna or 18 percent in 1996 was an expression of the low level of foreign indebtedness of banks in this year and of the big impact of the rehabilitation of Privredna Banka Zagreb, as well as the transfer of obligations to creditors who are members of the London Club from banks (and their clients) to the government.

The foreign activities of commercial banks took place in the context of a high level of foreign exchange liquidity of the banking system, a low level of foreign indebtedness and the transfer of a share of the newly-allocated foreign debt to the government. As a result, the Net Foreign Assets (NFA) of the banks in Croatia rose from -5.9 billion kuna at the end of 1995 to 0.1 billion kuna at the end of 1996. Thus, the banking system in Croatia begins 1997 with a positive foreign balance.

The Net Foreign Assets of the National Bank of Croatia increased by 2.7 billion kuna or 31 percent in 1996, reaching 11.6 billion kuna. This increase was exclusively the result of increases in the foreign exchange reserves of the central bank, since the foreign obligations of the National Bank of Croatia (IMF and other international financial organizations) remained unchanged.

The Net Foreign Assets of the monetary system, which include the NFA of commercial banks and the central bank, stood at 11.7 billion kuna at the end of 1996, and grew by 8.7 billion kuna or 2.9 times during 1996. This speaks volumes about movements in foreign exchange reserves and other foreign claims of the banking system, as well as about the foreign indebtedness of the whole banking system.

Table II.2.

NET DOMESTIC ASSETS in millions of kuna and %

	BALANCE			Growth rate	
	Dec. 94	Dec. 95	Dec. 96	Dec. 95	Dec. 96
NET DOMESTIC ASSETS	16,345.0	21,511.6	24,885.7	31.6	15.7
Assets					
1. Claims on central government (net)	16,469.0	16,273.0	15,946.3	-1.2	-2.0
2. Domestic credits	27,313.3	32,478.1	33,488.6	18.9	3.1
3. Other assets (net)	-27,437.3	-27,239.5	-24,549.2	-0.7	-9.9
Liabilities					
1. Total liquid assets (M4)	17,480.7	24,536.9	36,595.6	40.4	49.1
2. Foreign liabilities (net)	-1,135.8	-3,025.3	-11,709.9	166.4	287.1

2.1.1

Dynamics of Total Liquid Assets

The dynamics of monetary aggregates are a mirror-image of real activity in the economy. From the monetary data, we find confirmation of the positive changes seen in the statistics on the real sector of the economy. Three characteristics dominated the past year:

- slower growth of foreign exchange deposits
- the first year of an upswing in kuna savings and
- a two-fold increase in the growth of money demand compared to the previous year

While 1995 was the year of the return of savers' confidence in the Croatian banking system, 1996 was the year of the (beginning of) the return of confidence in the domestic currency. A significant repatriation of foreign exchange savings from abroad began in 1995. Also, foreign exchange outside the banking system began to return to banks. The first unfreezing of one-fifth of the foreign exchange accounts frozen in 1991 contributed to this. In 1996, the growth in foreign exchange deposits of all sectors fell from 61% in 1995 to 55%. However, since the base was larger in 1996, the absolute monthly increase was even more extensive than in 1995. Foreign exchange deposits grew by 5.3 billion kuna in 1995, and 7.7 billion in 1996.

In 1996, the term structure of foreign exchange deposits changed towards longer-term deposits. First of all, it should be remembered that the household sector holds 85% of foreign exchange deposits in commercial banks, which in itself is an indicator of a gradual change from short-range to longer-range horizons. Until 1996, the foreign exchange sight deposits of the population were greater than their foreign exchange time deposits. However, at the beginning of 1996 an interesting turnabout occurred. Not only did foreign exchange time deposits surpass foreign exchange sight deposits in absolute size, but they also grew much faster than sight deposits. Furthermore, in the second half of the year sight deposits decreased (except in those months when either the principal of frozen foreign exchange accounts was unfrozen or interest on these accounts was paid), while time deposits grew at an undiminished pace. In this way, the average monthly growth rate of the population's sight deposits was 1.4% (0.2% in 1995), while the growth rate of time deposits was 6.5% (5.9% in 1995).

Table II.3

TOTAL LIQUID ASSETS M4 in millions of kuna and %

	BALANCE			STRUCTURE		
	Dec. 94	Dec. 95	Dec. 96	Dec. 94	Dec. 95	Dec. 96
TOTAL LIQUID ASSETS (M4)	17,480.7	24,536.9	36,595.5	100.0	100.0	100.0
1. Money supply	6,639.6	8,274.8	11,409.3	38.0	33.7	31.2
1.1. Currency outside banks	2,658.2	3,365.1	4,366.2	15.2	13.7	11.9
1.2. Deposit money of other domestic sectors	3,981.4	4,909.7	7,043.1	22.8	20.0	19.2
2. Non-monetary deposits (quasi-money)	10,841.1	16,262.1	25,186.2	62.0	66.3	68.8
2.1. Savings and time deposits*	2,065.8	2,162.7	3,384.2	11.8	8.8	9.2
2.2. Foreign currency deposits	8,775.3	14,099.4	21,802.0	50.2	57.5	59.6
SECTORAL STRUCTURE OF M4						
Local government	649.5	595.2	791.5	3.7	2.4	2.2
Enterprises	5,471.8	6,191.5	8,456.0	31.3	25.2	23.1
Households	10,846.9	17,175.3	26,339.4	62.1	70.0	72.0
Other banking institutions	24.2	57.7	55.6	0.1	0.2	0.2
Other financial institutions	488.3	517.0	953.0	2.8	2.1	2.6
TOTAL	17,480.7	24,536.8	36,595.6	100.0	100.0	100.0

There are various reasons for this change in time structure. The decrease, and later complete removal of interest on sight deposits by several large banks encouraged savers to switch to time deposits, usually with terms of one to three months, which continued to bear some interest. Further, increases in credit held by the population had an influence, since these credits usually required either that loan recipients hold a certain amount of liquid funds as a guarantee, and/or have the status of "depositors" in the bank.

The third influence was the unfreezing of the principal of the frozen foreign exchange deposits, payment of interest on these deposits, complete repayment of smaller deposits at the expense of the bank's current foreign exchange liquidity or even the complete "transformation" of frozen foreign exchange savings into new savings. Each of these steps can be clearly seen in the aggregate monetary statistics as a source of increase in foreign exchange savings and especially time deposits. However, all of this would not have been an adequate reason for people to entrust banks with their money for the long-term, if people did not have confidence in the long-term stability of the banking system and the overall macroeconomic environment. Such confidence must be nurtured carefully.

All the changes mentioned so far are continuations of positive trends from 1995. The fundamentally new characteristic of 1996 was the affirmation of the domestic currency by domestic savers. While in 1995, total kuna deposits (including time deposits of all sectors except the central government, and not including bonds) grew by less than 0.1 billion kuna (5%), in 1996 they increased by 1.2 billion kuna (57%). Half of this growth came from time deposits of the household sector. In fact, kuna time deposits of the household sector doubled in 1996. They amounted to 0.5 billion kuna at the end of 1995, and 1 billion kuna at the end of 1996. This change also caused a change in the sectoral structure of total savings. Household savings increased its role: by the end of 1996, 55% of total kuna savings belonged to households, while during 1995 households' share was about 45%.

All these positive trends will be even more pronounced in 1997. It is necessary, however, to see this in the context of the still modest size of kuna savings relative to foreign exchange savings and relative to total liquid assets. In December 1995, kuna deposits amounted to 8.8% of total liquid assets, while in December 1996, they were 9.3%. Therefore, kuna savings, despite such rapid growth in 1996, are still subordinate to foreign exchange savings, which made up 60% of total liquid assets. Such a currency and time structure of savings is even more unfavorable as a deposit basis for credit activity, which is needed in this phase of intensive growth and restructuring. And the absolute level of savings deposits is still too low to support an investment take-off.

The money supply is the aggregate most closely linked to real economic activity. It is money, whether in circulation or as deposits, which is needed for the normal functioning of the economy. The total money supply grew by 3.1 billion kuna (38%) in 1996, while a growth of 1.7 billion kuna (25%) was recorded in 1995. Because of the existence of two different components and because of the different behavior of sectoral money demands, it is necessary to go deeper into the structure of this aggregate. Cash, which is mainly held by the household sector, grew by 1 billion kuna (30%), which is only a little more rapid than in 1995, when it grew 0.7 billion kuna (27%). Cash was subject to characteristic seasonal fluctuations, but on a somewhat higher level than in 1995. Deposit money, on the other hand, grew twice as fast in 1996 as in 1995. The growth of deposit money in 1996 amounted to 2.1 billion kuna (43%), and in 1995 was only 0.9 billion kuna (23%). Such dynamic growth of deposit money in relation to cash is understandable in light of the fact that deposit money is mainly in the hands of enterprises, while cash is mainly the money of the population.

Let us turn now to M4, the broadest monetary aggregate followed by our statistics. Having analyzed its individual components, let us look at the whole. M4, like all of its components, grew faster in 1996 than in 1995. The total growth of M4 was 12 billion kuna (49%), compared to 7 billion kuna (40%) in 1995. If we compare this to 1994 as well, we see that for three years in a row, the monetary aggregates have grown several times faster than real activity. The velocity of total liquid assets also has continuously fallen. Money is circulating slower and is approaching values seen in countries with long-lasting macroeconomic stability. The growth of production and GDP requires an even higher quantity of money. And it is significant that this growth in the monetary aggregates has not disturbed price stability.

2.1.2

Reserve Money

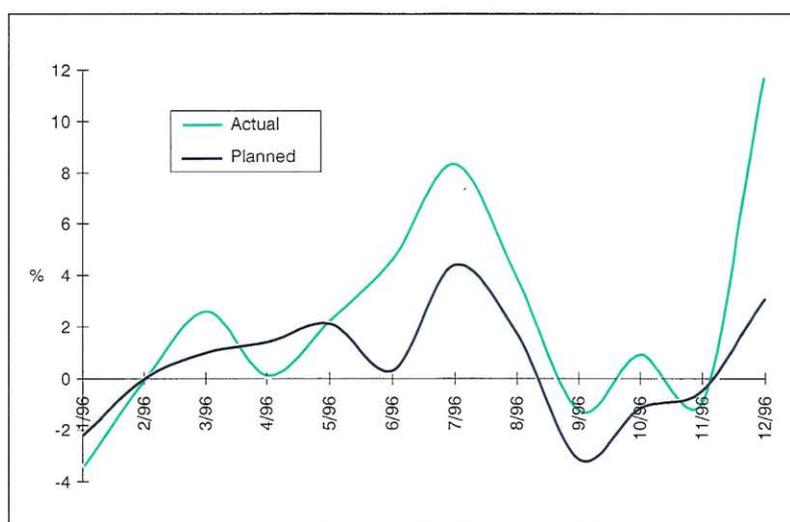
During 1996, as in previous years, reserve money was for the most part created via foreign exchange transactions of the central bank and the domestic credit activity of the National Bank of Croatia remained very limited. In 1995, the largest part (421 million USD) of the total 490 million USD increase in foreign exchange reserves of the NBC was realized in the first half of the year, while in 1996 the foreign exchange transactions of the NBC were more evenly spread throughout the year. Purchase and sale of foreign exchange by banks at NBC auctions accounted for 88% of the total foreign exchange

transactions effected by the central bank. The remainder occurred via direct purchase or sale by the central bank, including transactions with the Croatian Bank for Reconstruction and Development.

The 419 million USD increase in the foreign exchange reserves led to the net creation of 2.4 billion kunas in 1996. The net monetary effect of total domestic credit activity of the central bank in 1996 was 0.1 billion kuna. Credits granted to banks, above all lombard credits, which were mainly used in December, recorded an increase of 0.1 billion kuna, while other claims and other obligations of the central bank were responsible for a net creation of 0.2 billion kuna. This positive monetary effect on the growth of reserve money of 0.2 billion kunas was nullified by a net decrease in National Bank of Croatia claims on central government in the amount of approximately 0.2 billion kuna. The decrease in claims on the central government was based on the maturation of annuities on long-term kuna and foreign exchange credits, which were repaid in the course of the year, and short-term credits for bridging short-term illiquidity of the central government's accounts. This latter amounted to 84 million kunas per month on average, and was regularly repaid by the end of the agreed-upon period. In total, 2.5 billion kunas of reserve money was created by all flows in 1996, while the net increase in reserve money in 1996 amounted to 2 billion kuna or 30 percent at the December level.

Figure II.1

GROWTH RATES OF RESERVE MONEY



In the course of 1996, the National Bank of Croatia issued monthly projections that planned the movements of reserve money and followed the actual achieved growth of the monetary aggregates. The bank used all the instruments of monetary policy to provide a money supply which, along with other factors, would insure the stability of the domestic currency and the liquidity of payments at home and abroad.

The average monthly growth rate of reserve money was 2.2% in 1996. However, due to seasonal factors, especially high growth was noted in June (5.2%), July (8.2%) and December (11.4%), and decreases in reserve money were seen in January, April, September and November. In the other 5 months of 1996, reserve money grew at an average monthly rate of 1.8%. In

some months, the actual growth of reserve money was significantly different from the planned monthly growth rate of this aggregate, because in these months the growth of reserve money differed in intensity or direction from expectations, whether because of unexpected changes in cash, completely autonomous forms of reserve money, unplanned use of specific instruments of monetary policy and unplanned intervention of the NBC on the foreign exchange market. Certain monetary policy measures were changed in an unplanned way when unfavorable oscillations in the liquidity of banks or the liquidity of the central government (whose liquidity affects the liquidity of the banking system) appeared.

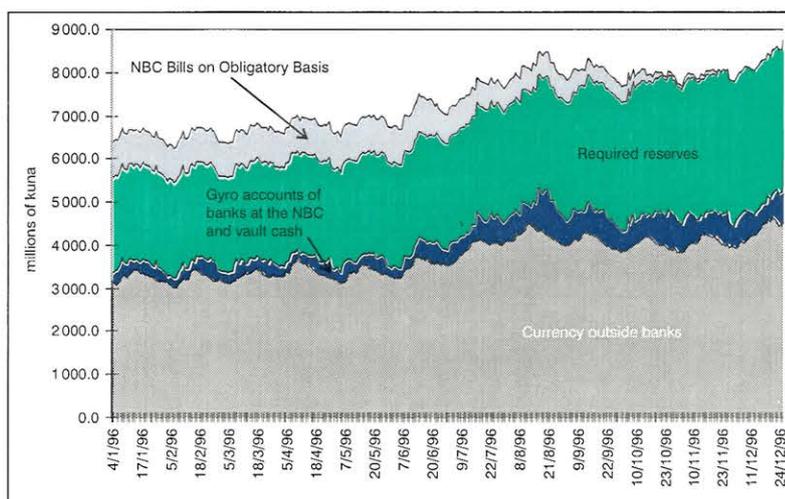
Reserve money as a whole grew by 2 billion kuna in 1996, exactly the same as in 1995. However, because of the larger base, this growth amounted to 30% in 1996, while it had been 43% in 1995. The multiplier m_4 (the relation between total liquid assets and reserve money) in 1996 was on average at a higher level than in 1995, while the multiplier m_1 fell in 1996 relative to 1995.

There were no major changes in the structure of reserve money in 1996 relative to 1995. The relation of cash to bank deposits was 50:50 in both years. When the National Bank removed its requirement that banks hold a certain amount of NBC bills, there was an internal change within reserve money. Due to this measure, the giro accounts of banks accounted for 10% of reserve money at the end of 1996, while they had only been responsible for 3% of reserve money at the end of 1995. The growth of funds in required reserve accounts reflected the fact that the rate of reserve requirements has grown along with the growth in the deposit base on which required reserves are calculated. In December 1996, 1.1 billion more kuna (50%) were allotted to required reserves than in December 1995. However, the increase in the rate of reserve requirements in the last quarter of last year was taken so as to absorb surplus liquidity created by the decrease and ultimately the removal of the requirement of holding NBC bills. The central bank was consistent in its promises and its intentions to significantly decrease the total level of required reserves in 1996. The average rate of total reserves required by the Central bank was decreased by 5.5 percentage points or 13.3 percent, from 41.4% in December 1995 to 35.9% in December 1996. The process of decreasing the average rate of required reserves developed step-by-step in the course of the year. Additional measures were used to keep track of the level of and growth in bank liquidity so as to avoid a "surplus liquidity shock" on the planned monthly supply of reserve money.

NBC bills proved to be an exceptionally successful instrument of sterilization, as well as a useful instrument for banks wishing to dispose of surplus liquidity. At the beginning of the year, voluntary NBC bills remained in the range of 0.3-0.4 billion kuna. Continuous growth followed, and in September, they exceeded 1 billion kunas. They stayed at this level until the end of the year (with the exception of December, when exceptionally high money demand created great pressure on banking system liquidity). The decreases and eventual removal of the requirement that banks hold NBC bills freed up liquidity, which was then voluntarily invested in NBC bills. This ended the one and a half year period in which banks were required to hold NBC bills.

Figures II.2

DAILY MOVEMENTS AND STRUCTURE OF RESERVE MONEY IN 1996



Security of investment, satisfactory interest rates, and acceptable maturities of the bills, as well as satisfactory liquidity in the banking system as a whole, insured that the instrument of voluntary NBC bills would be readily accepted by the banking system. On the other hand, the appearance of Ministry of Finance bills, which were offered to the banking and non-banking public for the first time in July, decreased the interest for NBC bills. However, the total holdings of Treasury bills of 0.2 billion kuna at the end of 1996 remained a much smaller element in banks' balance sheets than the 0.8 billion kunas of NBC bills in banks' hands. In any case, it is important that both of these securities provide a reference rate for the risk-free short-term interest rate, thus helping to define an elementary parameter for the money market in Croatia.

2.2

Relations with the Government

Relations between the National Bank of Croatia and the central government (government budget) developed within the framework of long-term and short-term credit. Within the long-term credit framework, the total indebtedness of the government is based exclusively on credits given in earlier years: a) credits granted in 1991, which amounted to 14 million kuna in the beginning of 1996, and 12.5 million kuna at the end of the year; b) a credit granted at the end of 1995 for the purpose of settling financial obligations due to members of the "Paris Club" of foreign creditors, which amounted to 339 million kuna at the beginning of 1996. Because of changes in the exchange rate, the new tranche that came due at the end of February amounted to 375.6 million kuna, while from March to the end of 1996 the credit decreased to 193.9 million kunas.

The level of indebtedness of the government on the basis of long-term credit at the beginning of 1996 was 353.1 million kunas. At the end of the year, long-term credit of the government from the National Bank amounted to 206.4 million kuna.

Besides this, the National Bank of Croatia, in accordance with article 58 of the Law on NBC during 1996, granted short-term credits for bridging gaps

between the receipt of income and the disbursement of payments in the government budget. 16 short-term credits were granted under this rubric. These credits were gradually returned in the course of the year, and by December 31, all were completely repaid.

2.3

Relations with Commercial Banks

In the course of 1996, credit relations between the central bank and commercial banks mainly took the form of granting daily and lombard credits, with intervention credits occupying a smaller place. Repo auctions of NBC bills were an additional credit instrument.

In 1996, commercial banks were able to use daily credit for the payment of savings deposits and current accounts of the population up to a limit of 10% of the latest bookkeeping balance on these accounts. Daily credits were used by between four and sixteen banks, and the average monthly use of daily credits ranged from 18.7 million kuna to 43.8 million kuna.

The special credits granted on the basis of payments of foreign exchange savings of the population, which were made available by the National Bank of Croatia in the middle of 1995 because of the inability of the Ministry of Finance to service its obligations based on "old" foreign exchange savings, were completely repaid in February 1996. Of the total of 25.7 million kunas in special credits that remained outstanding at the beginning of 1996, 25.5 million kunas were owed by Splitska Banka, while the other 0.2 million kunas were owed by Neretvansko-gospodarska Banka.

When required by the overall liquidity needs of the banking system, the National Bank of Croatia provided intervention credits in 1996. The main recipients of these credits were Riječka Banka and Splitska Banka. Other banks received these credits in much smaller amounts, and quickly overcame the causes of their illiquidity problems. The most significant use of these credits came in the first four months of 1996, when the amount of intervention credits issued varied from 15 to 150 million kunas. However, after the beginning of rehabilitation of Riječka and Splitska Banka in April, the situation substantially improved. Among other indications, this improvement was seen in the fact that intervention credits were no longer needed. In fact, from the middle of April to the end of the year, the National Bank of Croatia only granted one intervention credit. This came in July, and amounted to only 0.3 million kunas.

Banks and savings banks were able to use lombard credits in 1996. Until September 1996, they were allowed to use funds for the 12 primary working days in the calendar month. The maximum amount of the lombard loan was 70% of the nominal value of NBC bills held by the bank. A decision of 11 September 1996 decreased the scope for using lombard credits, limiting the use of funds to 50 percent of the nominal amount of voluntary NBC bills held. However, the same decision of the National Bank of Croatia gave

banks and savings banks the option of using lombard credit on the basis of holdings of Ministry of Finance Treasury bills up to a value of 25 percent of the value of Treasury bills held. The appearance of Ministry of Finance treasury bills enriched the Croatian financial markets by yet another short-term security. However, more important than this was the beginning of the development of a market in government securities, which should stimulate the development of the whole securities market in the Republic of Croatia. In view of this, and in an effort to stimulate the further development of the market for government securities, the National Bank of Croatia extended the basis for lombard credits to include Ministry of Finance Treasury bills

Table II.4 CREDIT GRANTED FROM THE PRIMARY ISSUE FUNDS OF THE NBC
in millions of kuna

	1995	1996			
	Dec.	Mar.	Jun.	Sept.	Dec.
I CREDITS TO BANKS	129.7	135.7	121.1	1.0	212.3
Lombard credits	96.6	134.4	119.8	0.0	211.3
Intervention credits	0.0	0.0	0.0	0.0	0.0
Repo arrangements	0.0	0.0	0.0	0.0	0.0
Special credits for payment of blocked deposits	25.8	0.0	0.0	0.0	0.0
Long-term credits	0.4	0.4	0.4	0.1	0.1
Other credits	6.9	0.9	0.9	0.9	0.9
II CREDITS TO THE MINISTRY OF FINANCE	390.1	585.8	352.1	275.0	218.8
Long-term credits	353.1	348.3	299.6	250.6	206.4
Short-term credits	0.0	200.0	27.8	0.0	0.0
Foreign currency credits	37.0	37.5	24.6	24.4	12.4
TOTAL	519.8	721.5	473.2	276.0	431.1

The average monthly use of lombard credits ranged between 6.5 million kuna and 111.4 million kuna, while the average use of lombard credits during the year amounted to 68.3 million kunas.

The National Bank of Croatia, in parallel with changes in banking system liquidity, used the instrument of Repo auctions of NBC bills. Because of the effects of the rehabilitation of the banking system and the restructuring of the economy, which, among other things, had a favorable effect on total liquidity, the National Bank of Croatia held only one Repo auction of NBC bills in 1996. The auction was held in April, and the contractual time period for repurchase of NBC bills was 4 days. 131 million kuna of bills were purchased at the auction with a weighted interest rate of 28.9%.

At the beginning of 1996, auctions of NBC bills were carried out as they had been in the previous year. They were held on Monday, Thursday and Friday, with bills bearing maturities of 7, 35 and 91 days. With the aim of sterilizing surplus liquidity in the long run, from 12 June 1996, 7 day bills were withdrawn, and 182 day bills were introduced. Also, from the same date, auctions were held only once a week, on Thursday. Auctions were still

undertaken by the method of multiple prices with discounts. When bills were bought, the nominal value of the bill was decreased by the relevant amount of interest. The minimum purchase of bills was 100,000 kunas.

Changes in the external environment had an influence on monetary policy and bank liquidity. This could be seen in the amount and structure of NBC bills purchased. In 1996, a significant increase in the purchase of bills was seen. When we compare the stock of NBC bills on December 31, 1995, with the stock on the December 31, 1996, we see that the stock of bills outstanding had risen from 168.3 million to 641 millions of kuna, or 381%. In the course of 1996, the Croatian Bank for Reconstruction and Development was included in auctions of NBC bills. This bank, which is a part of the central government, accounted for 133 millions of kuna worth of bills at the end of 1996.

Table II.5

REVIEW OF NBC BILLS PURCHASED ACCORDING TO THEIR MATURITY nominal value; in millions of kuna

	Maturity in days				Total stock end-month
	7	35	91	182	
December 95	60.0	108.2	3.0	-	171.2
January 96	80.0	181.2	2.0	-	263.2
February 96	40.0	236.0	7.0	-	283.0
March 96	23.0	295.2	37.0	-	355.2
April 96	-	306.6	55.0	-	361.6
May 96	-	393.9	84.7	-	478.6
June 96	-	444.2	79.9	2.5	526.6
July 96	-	447.6	265.7	9.5	722.8
August 96	-	622.9	309.0	9.5	941.4
September 96	-	792.0	333.0	9.5	1134.5
October 96	-	831.5	311.8	9.5	1152.8
November 96	-	764.5	336.8	9.5	1110.8
December 96	-	561.0	300.3	7.0	868.3

2.4

National Bank of Croatia Interest Rates

In keeping with changes in the banking sphere (above all the beginning of the process of rehabilitation of Riječka Banka and Splitska Banka), which brought about a significant decrease in market interest rates, the National Bank of Croatia corrected some of its interest rates. First of all, in July 1996 the rate of remuneration on required NBC bills was decreased from 16.5% to 12% and the discount rate was decreased from 8.5% to 6.5%. In September, interest rates on lombard credits were set at 11%, in contrast to the previous system of calculation in which the interest rate on lombard credits was set at 1.5 percentage points above the highest of the average interest rates of the securities serving as collateral for lombard credits. In that system, the weighted average interest rate had been above 16.5%. A sharp fall was also seen in interest rates on 35 day NBC bills: from 25.5% in December 1995 to 8% in December 1996.

2.5**Intervention on the Foreign Exchange Market and Management of Foreign Exchange Reserves**

1996 was characterized by the fact that, except for the beginning of the year, there was constant pressure towards currency appreciation. In 1996, the exchange rate of the kuna relative to the German mark reached its "historic" low of 3.54 kuna to 1 mark (15 August 1996). The National Bank of Croatia overcame this strong pressure for appreciation by purchasing foreign exchange on the Croatian foreign exchange market.

In 1996, the National Bank of Croatia organized 39 auctions. Because of significantly increased supply of foreign exchange and strengthening demand for kunas on the Croatian foreign exchange market, and the pressure towards appreciation, the National Bank of Croatia purchased US dollars and German marks worth a total of 449.2 million USD. In addition, through direct purchase from specific institutions and direct sales of kuna and numismatic collections another 103.4 million USD were collected.

Between January and August 1996, the National Bank of Croatia sold authorized banks foreign exchange worth 80.8 million USD. (In the last 4 months of the year, the National Bank of Croatia did not sell any foreign exchange.) 6.2 million USD was sold directly to other institutions, and a positive net effect of 465.6 kunas was achieved.

The total change in foreign exchange reserves of 418.9 million USD can be arrived at by subtracting payments of obligations to international organizations, transactions costs (Swift, Reuters) and net exchange rate differences, which together amount to 129.9 million USD, from the above-mentioned net effect of 465.6 million USD. To this is added income based on interest, foreign management, securities and arbitrage, which amounts to a total of 83.2 million USD.

Within this, the most important elements are interest income on foreign exchange time deposits and investments in "Repo-pool" at the central bank of the United States, the Federal Reserve. This amounts to 70.6 million USD. The average investment on this basis amounted to 1.7 billion USD, and the average interest rate was 4.1385%. Given that about 54.4% of foreign exchange reserves are held in German marks, whose short-term deposit interest rates were below 3.25%, and with another 5% of total foreign exchange reserves held in Austrian shillings, whose interest rates follow those on the German mark, the achievement of a rate of 4.1385% is a good result.

In the course of 1996, three agreements on foreign management of reserves were in force. In two cases, returns were above the contractual minimum (the so-called control point-LIBID, or LIBOR). In the third case, only the contractual minimum was achieved, and this contract was terminated in March 1996.

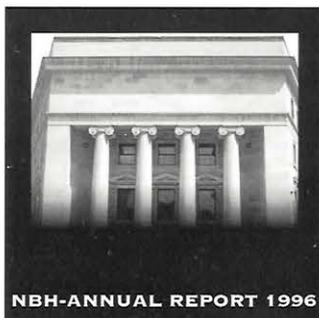
Furthermore, the only foreign securities held by the National Bank of Croatia are government securities of Germany and the United States. The

price of these instruments rose, most of all because of falling interest rates in Germany. The National Bank of Croatia was able to realize a profit of 3.1 million USD or 3.68% on the German and 5.17% on the American instruments through trades.

In 1996, significant positive steps were taken in the quality of the management of foreign exchange reserves. This can be seen in the earnings achieved and in the decrease in risk. Regarding the latter, in the last year, placements with commercial banks were decreased (and placements with central banks correspondingly increased) by 30%. In this respect, it is worth emphasizing the co-operation achieved with the Fed and the Bank for International Settlements (BIS). A system of active management of interest rate risk was introduced, and the specialized "Bloomberg" information system was purchased, satisfying the National Bank of Croatia's needs for financial information.

At the end, it is necessary to mention that the currency structure of international reserves is not managed with the aim of maximizing current profit, but with the aim of achieving security, liquidity and macroeconomic stability. Profit is maximized within these limitations. Because of this, the National Bank of Croatia employs two rules in managing the currency structure of reserves: correspondence with the currency structure of payments for imports of goods and services (data from the previous year) and correspondence with the currency structure of payments on the foreign debt for the next year. As a result of these criteria, the German mark dominates the value structure of foreign exchange reserves with 54.37%, and the American dollar is represented with 29.38%.

III. INTERNATIONAL RELATIONS



NBH-ANNUAL REPORT 1996

3.1

Croatia's Relations with International Financial Institutions and Other International Institutions

3.1.1

International Monetary Institutions

Relations between Croatia and the International Monetary Fund

In the middle of April 1996, the first financial arrangement between the Republic of Croatia and the International Monetary Fund, an 18-month Systematic Transformation Facility/Stand-by Arrangement, expired. This arrangement, which had been granted in October, 1994, had been intended to support the stabilization and reform program, as well as the restructuring of the economic system. The consistent fulfilment of the economic program based on the Memorandum on Economic Policy and the accompanying Letter of Intention provided a basis for negotiations on a new, three-year "Extended Fund Facility" financial arrangement. Several missions of the International Monetary Fund visited Croatia in 1996 to pursue these negotiations. During the last two missions, in September and December 1996, consultations on the basis of Article IV. of the Articles of Agreement of the International Monetary Fund (regular yearly consultations on macroeconomic policy) were discussed, as well as a middle-term economic program for the period between 1997 and 1999, as a basis for the use of IMF funds.

Co-operation with the International Monetary Fund has also continued through "technical assistance." In February 1996, a mission on balance-of-payments came to Croatia, and in September, technical assistance was offered in the areas of national accounts statistics, interbank markets and the markets for government securities, internal audit at Central Banks, improving the payments system, and managing the foreign exchange reserves of the National Bank of Croatia. Also, in June 1996, a basic seminar on macroeconomic and financial policy was held for young economists.

In order to further improve the co-operation between the Republic of Croatia and the Fund, Representative Office of the International Monetary Fund was opened in the premises of the National Bank of Croatia in January 1996.

As part of its role as fiscal agent of the Republic of Croatia and depository of the International Monetary Fund, the National Bank of Croatia managed the deposit account of the International Monetary Fund, met the financial obligations of Croatia that arose from membership in the Fund. That is, it met obligations pertaining to the Stand-by Arrangement used by the former SFRY as well as obligations pertaining to the new Systemic Transformation Facility/Stand-by Arrangement. In the course of 1996, principal of 3.12 million SDR was repaid, along with interest of 6.56 million SDR. As a member of the Special Drawing Rights Department in the International Monetary

Fund, Croatia has promptly met its obligations stemming from its succession to inherited obligations based on the "allocation" of Special Drawing Rights. During 1996, 1.76 million SDR were paid for this purpose.

However, due to the need to diversify the currency structure of its foreign exchange reserves and to decrease currency risk (risk of losses based on exchange rate changes), the National Bank of Croatia holds only a small part of its foreign exchange reserves in Special Drawing Rights in separate accounts at the International Monetary Fund. The purchase of Special Drawing Rights was executed by means of transactions "by agreement" and "buyout" – the exchange of Special Drawing Rights for Croatian domestic currency on the basis of "upper credit tranches" within the Systemic Transformation Facility/Stand-by arrangement.

Table III. I BALANCE ON DECEMBER 31, 1996

GENERAL FUNDS ACCOUNT	millions of SDR	% quota
Quota	261.60	100.0
IMF holdings in kuna	407.01	155.6
SPECIAL DRAWING RIGHTS DEPARTMENT	millions of SDR	% quota
Net cumulative allocation	44.21	100.0
Holdings of Croatia	87.31	197.5
LIABILITIES PAID IN 1996	millions of SDR	–
Repayment of principal (Stand-by - succession)	3.12	–
Interest payments	6.56	–
Cost of net cumulative allocation	1.76	–

Along with regular participation in all the management bodies of the Fund (Constituency, Interim Committee and Board of Governors), Croatia attended the Annual Meeting of the Board of Governors of the International Monetary Fund in Washington, D.C., where many successful contacts were made with representatives of the international financial institutions and foreign commercial banks.

In the fall of 1996, the International Monetary Fund began its Special Data Dissemination Standard project. This project involves showing the metadata of countries meeting this standard, on the world computer network Internet (address: <http://www.imf.org>). Of the 180 members of the IMF, Croatia was among the first 30 to meet this standard. This project of the International Monetary Fund has the aim of increasing the transparency of official statistics as a precondition for better exercise of the "surveillance policy" of the International Monetary Fund over the exchange rates and macroeconomic policies of its members. Such surveillance has been emphasized since the "Mexico crisis." Related to this, the National Bank of Croatia began experimental work on its own Internet page at the end of 1996 (address: <http://www.nbh.hr>).

Croatia's relations with the Bank for International Settlements

The National Bank of Croatia was deeply engaged in the process of the succession of membership in this monetary institution. However, since the question of the succession to the membership of the former Yugoslavia in the Bank for International Settlements has not been settled, and since consensus has not been reached among the successor countries of the former state, the National Bank of Croatia, unfortunately, has not become a member of the "central bank of central banks."

The Bank for International Settlements has not proposed a model of "partial succession" for the members of the former Yugoslavia. Nor has consensus been reached about the use of the "International Monetary Fund key" for the distribution of monetary gold and currency of the former National Bank of Yugoslavia held in BIS books. If this "key" were used, and on the assumption that the model of "partial succession" were employed, the Republic of Croatia's share would be 28,49%. That is, as one of the successor states to the former Yugoslavia, Croatia would have a right to 160 million USD in monetary gold and 2280 shares in the BIS.

However, the Governor of the National Bank of Croatia already participates in the regular monthly meetings of the Governors of central banks in Basel. The National Bank of Croatia also holds a part of its foreign exchange reserves in an account at the BIS.

It is expected that the National Bank of Croatia will become a regular member of the Bank for International Settlements in the course of 1997.

3.1.2

International Credit Institutions

The World Bank Group, the European Bank for Reconstruction and Development, and the Inter-American Development Bank

On the basis of the Law on the Acceptance of Membership of the Republic of Croatia in the International Monetary Fund and Other International Financial Institutions on the Basis of Succession (Official Gazette 89/92), the Law on the Acceptance of Membership of the Republic of Croatia in the European Bank for Reconstruction and Development (OG 25/93) and the Law on the Acceptance of Membership of the Republic of Croatia in the Inter-American Bank for Development (OG 94/93), the National Bank of Croatia executes the function of depository. That is, it keeps all depository accounts in the ownership of international credit institutions in the name of and for the account of these credit institutions. It executes all financial transactions with these organizations as fiscal agent of the government of the Republic of Croatia. During 1996, the National Bank of Croatia promptly made all the payments which the Republic of Croatia had undertaken the obligation to pay, according to the repayment plan specified by specific international credit institutions.

Table III.2

PAYMENTS MADE IN 1996 ON THE BASIS OF THE REPUBLIC OF
CROATIA'S MEMBERSHIP IN INTERNATIONAL FINANCIAL
ORGANIZATIONS

Name	Currency	Amount Paid	Promissory Notes of the Ministry of Finance
1. IBRD		-	HRK 22,147,385.69
2. IFC	USD	285,600.00	-
3. EBRD	ECU	1,783,333.34	ECU 1,063.999.99
4. IDB	a) HRK	601,690.95	USD 1,201,518.00 (Ordinary Capital)
	b) DEM	27,500.00	DEM 2,471,076.00 (Fund for Special Operations -FSO Notes)
	c) USD	32,250.00	USD 64,502.00 (Fund for Special Operations - FSO Notes)

Representatives of the National Bank of Croatia actively participated in the work of the managing bodies of the following international credit institutions: World Bank (IBRD) and its affiliates (IFC, MIGA) – Annual meetings in Washington, DC., European Bank for Reconstruction and Development – Annual meeting in Sofia, and Inter-American Development Bank, as well as in the work of various missions of these institutions in Zagreb.

The International Finance Corporation (IFC) has expressed its interest in making its first investment in the private sector of the Croatian economy since Croatia gained independence. The IFC intends to buy a portion of the share capital of a foreign-owned Croatian bank without a government guarantee. This sends a strong signal to foreign institutional (and private) investors regarding capital investment in Croatia.

During 1996, representatives of the National Bank of Croatia were involved in negotiations on a loan for capital market development (9.5 million USD), and negotiations on a loan for technical assistance (5 million USD). Negotiations were intensified with representatives of the World Bank relating to the Enterprise and Financial Sector Adjustment Loan (EFSAL) and Investment Recovery Project Loan (IRP). And several loans were prepared in the fields of banking, the public sector, agriculture, and the development of infrastructure.

The European Bank for Reconstruction and Development approved 151.5 million ECU to the private and public sector. From the acceptance of the Republic of Croatia into the Bank to the end of 1996, a total of 339.3 million ECU has been approved. The European Bank in 1996 invested in or provided loans to Varaždinska banka (12 million ECU), Alpe Jadran banka (5.2 million ECU), Dalmatinska banka (10.4 million ECU) Hypo banka Croatia (2.7 million ECU), and Bank Austria (3.1 million ECU). Along with this, in 1996 the EBRD approved a project for Panonska Pivovara (17.1 million ECU), as well as projects for the development of small enterprises (20.7 million ECU), and for infrastructure and environmental protection (54.4 million USD) and a credit line for tourism (25.9 million ECU).

An office of the European Bank for Reconstruction and Development was opened in Zagreb in the first half of 1996. Its purpose is to provide full-time representation for the Bank in Zagreb.

The National Bank of Croatia co-operates with the Government of the Republic of Croatia, the Ministry of Finance (which is the coordinator of the majority of activities, especially non-transaction relations with international development banks; transactions relations are exclusively the authority of the central bank of Croatia) and the Croatian Bank for Reconstruction and Development, as well as other government bodies, in the normal course of its work with international credit institutions.

3.1.3. Croatia's Co-operation with Other International Institutions

The National Bank of Croatia participated extensively in negotiations about the accession of the Republic of Croatia into the World Trade Organization. It was particularly involved in those elements of negotiations involving the banking system and foreign exchange system, as well as macroeconomic policy. The emphasis was on the adjustment of existing legal regulations of the Republic of Croatia to the principles of the WTO ("principle of non-discrimination", "principle of most favored nation" and "MFN clause"). In the field of banking, there are no significant discrepancies between Croatian law and WTO principles. The remaining questions, mainly of a technical nature, will be resolved at several working meetings in 1997. It is expected that the Republic of Croatia will receive full membership rights in the WTO by the end of 1997 or the beginning of 1998. This would be a further step in the liberalization of the banking system in Croatia, as part of the liberalization of the whole financial services sector

3.2 Relations with Foreign Banks

1996 will be remembered as the year in which foreign banks and business people became much more interested in co-operation with Croatia. In the context of improving political conditions after the signing of the Dayton Agreement, and before the international credit rating agencies had made their assessment of the Republic of Croatia's credit rating (the investment rating was given in January 1997), foreign banks and business people frequently approached the National Bank of Croatia seeking relevant information with which they could make their own assessment of credit risk.

The National Bank of Croatia received daily inquiries from abroad, the majority of which were from foreign commercial banks and investment banks. The contents of these inquiries were varied, ranging from the general economic situation in the Croatian economy and banking system to concrete questions related to specific laws. All inquiries were answered promptly, if necessary after consultations with appropriate experts in the Bank or outside it.

Numerous contacts were made on the basis of the increased interest of foreign banks in direct entry onto the Croatian banking market. This is evidenced by the fact that in 1996, the largest number yet of representative offices, branches and subsidiaries of foreign banks were registered in the Republic of Croatia.

The increased interest in Croatia is also shown by the fact that meetings were held with representatives of more than 150 foreign banks, embassies, agencies for insuring investment risk, investment funds and similar bodies. In total, representatives of 27 countries (Argentina, Austria, Belgium, Bosnia-Herzegovina, Canada, the Czech Republic, Denmark, Finland, France, Germany, Great Britain, Hungary, Ireland, Israel, Italy, Japan, Korea, Macedonia, Malaysia, Netherlands, Norway, Slovakia, Spain, Sweden, Switzerland, Turkey and the United States of America) participated in such meetings. It should be mentioned that, before each meeting, all available information about the visitor was gathered and processed.

In addition to the National Bank, a significant number of meetings with representatives of foreign banks and related financial institutions were held on the occasion of participation in high intergovernmental commissions at the Ministry of the Economy of the Republic of Croatia, the Ministry of Finance, and the Croatian Chamber of the Economy. Meetings were held abroad when representatives of the National Bank of Croatia participated in meetings of the International Monetary Fund, World Bank, Bank for International Settlements, various bodies of the European Union, etc., and during direct visits to many central banks of other countries, which occurred more and more frequently.

On the basis of data gathered during regular monitoring on banks and banking systems in various countries and regions, undertaken to meet the needs of the above-mentioned commissions, the National Bank of Croatia prepared information and analysis, including accessible data on co-operation between Croatian banks and banks in these countries, the majority of which are transition countries. This work, of course, was intensified in parallel with the strengthening of the Republic of Croatia's activities aiming at entry into the Central European Free Trade Association (CEFTA), and also with efforts to finally solve the succession issues from the former SFRY. In addition to the Ministry of the Economy, similar analysis and information was provided for the use of other government bodies, including the Ministry of Foreign Affairs, the Ministry of Finance and others.

Further stimulus for this work were provided by an unfortunate event at the end of 1996 – the liquidation of the Italian Banco di Credito di Trieste. A certain number of Croatian banks had business relations with this bank. The relevant data were promptly collected and analyzed so as to facilitate finding the most favorable way to resolve the problems of the Croatian banks involved. In addition to the personal engagement of the Governor, the National Bank provided overall expert help to the Consortium of Croatian creditor banks, which was formed as a result of the crisis.

Since a correspondent network of foreign banks had been formed by the central bank in the previous year (more than 70 banks in 21 countries), in 1996 routine activities related to maintaining this network were undertaken. The most interesting of the many offers for co-operation were selected and sent for additional consideration to the Directorate for foreign exchange management. Data gathered via the correspondent network, as well as the above-mentioned information and analysis, including, among other things, data from internationally recognized credit rating agencies (Standard & Poor's, Moody's and IBCA) were used as a basis for making suggestions for improving the management of foreign exchange reserves by increasing protection against credit risk of countries and banks. These suggestions were accepted by the Council of the NBC at the end of 1996.

Along with the activities mentioned, and in order that NBC be able to modify its instructions where necessary, changes in international standards (ISO, UNCITRAL, EDI-EDIFACT) were followed, as well as the work of the International Commercial Court (ICC) in Paris.

3.3

Regulating the Foreign Debt of the Republic of Croatia

Paris Club

On 21 March 1995 in Paris, the Agreed Minutes on the Consolidation of the Debt of the Republic of Croatia to Paris Club creditor countries was signed. In 1996, the National Bank of Croatia, in co-operation with the Ministry of Finance, actively participated in the preparation of documentation and data for the signing of individual bilateral agreements with 15 Paris Club member countries. The Bank also participated in the formulation of the legal regulations related to the signing of the Agreed Minutes on the Consolidation of the Debt of the Republic of Croatia and individual bilateral agreements with creditor countries.

London Club

With the aim of creating financial discipline and ensuring the availability of funds to repay the debts recognized in the signing of the agreement on reprogramming with creditors (London club-member commercial banks), the government of the Republic of Croatia enacted a Decree on the Payment of Arrears to External Creditors (Official Gazette 25/96). The National Bank of Croatia was charged with implementation and monitoring of this Decree. In accordance with the directives of the Decree, 29.7 million USD was deposited in a separate account of the National Bank of Croatia. During 1996, an agreement was reached with the London Club on the assumption and reprogramming of a part of the debt from the New Financial Agreement of 1988. Part of the debt from the New Financial Agreement of 1988 was

exchanged for bonds of the Republic of Croatia on 31 July 1996. After the agreement was reached, the National Bank of Croatia, in co-operation with the Ministry of Finance, actively participated in formulating the required legal regulations, and especially was involved in matters relating to the ending of the validity of the Decree and making payments from deposit accounts.

3.4 Foreign Payments

During 1996, the National Bank carried out foreign transactions for its own use and for the use of the Republic of Croatia (Ministry of Finance). Payments based on confirmed and unconfirmed documentary letters of credit, open for costs of printing money and minting coins, were made regularly.

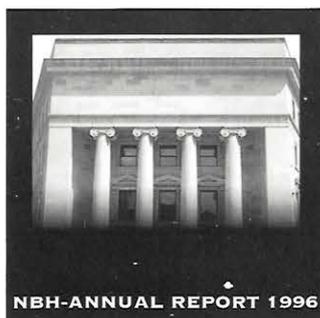
Along with this, transfers to and from foreign countries were made. Some of these were commercial remittances, and others were bank transfers made in the course of the implementation of the Decree on the Payment of Arrears to Foreign Creditors (Official Gazette 25/96).

During 1996, in addition to regular work, and in harmony with changes and improvements in the SWIFT system, the National Bank of Croatia has done a great deal to improve and modernize its system.

In the same way, at the end of 1996, a new operating system, OS / 2v.3.0 was implemented, as well as a new, technically more comprehensive method of communications via SWIFT (X. 25) In addition to this, on the recommendation of SWIFT, changes in standards were implemented. An equally important step was the transition to an automatic "backup", which gives maximum insurance that data will be preserved and protected.

In addition to these activities, in the course of increasing engagement of SWIFT in national payment systems worldwide, and related to the possible use of SWIFT for the transmission of TARGET messages, an analysis is underway of the possibility of using SWIFT in the domestic payment system of the Republic of Croatia. This relates to the project of a real time gross settlement system.

IV. THE BANKING SYSTEM IN THE REPUBLIC OF CROATIA



The NBC's Sector of Supervision and Control supervises banks. To do this, it gathers and analyzes data and undertakes corrective measures based on data on the financial stability and solvency of banks' operations. The sources of these data are the reports banks submit to the NBC, as well as data gathered through on-site examinations.

In 1996, the banking system of the Republic of Croatia consisted of 61 banks. Two banks within this number had their licenses withdrawn, while another bank received a license but had not yet begun to operate by the end of the year.

Thus, 58 banks completed and returned the financial reports required by law. These reports are preliminary and not audited.

Two banks are limited liability companies, while the rest are corporations. 5 new banks began operation this year. The increase in the number of banks in 1996 did not result in a change in the overall structure of the Croatian banking system; we still have a large number of small, universal banks, and four big banks hold nearly one-half of the total balance sheet sum of all banks (43%).

During 1996, 6 new savings banks obtained licenses. 3 of these banks began operations. 62 banks filled out annual reports and filed their required financial statements for 1996 with the National Bank of Croatia.

In this chapter, we will report data on the following:

- the structure of the balance sheets of banks and savings banks
- analysis of capital and capital adequacy of banks and savings banks
- analysis of the asset quality of banks and savings banks, and
- analysis of income statements.

We must emphasize that all indicators and coefficients in this analysis are based on the data provided by the banks in their annual financial statements. Balance sheets and other reports containing final data will be provided to the NBC following the audit and acceptance of banks' annual statements by appropriate bank governing bodies.

4.1

Structure of Banks' Liabilities

At the end of 1996, total liabilities of the 58 banks in Croatia amounted to 73.9 billion kuna, which represented a 6.7% increase compared to 1995. Short-term liabilities accounted for 58.1% of this total. Liabilities for accrued interest, commissions and other liabilities accounted for 3% of total liabilities. The share of long-term liabilities in total liabilities in 1996 amounted to 21.8%, a decrease of 26% compared to 1995 (in 1995 the share of long-term liabilities in total liabilities was 29.1%).

Core capital was 10.3% of total liabilities in 1996, while in 1995 it had been 8.8%.

Supplementary capital accounted for 0.9% of liabilities, and specific reserves for identified potential losses on risk assets accounted for 5.8%. This represents a decrease of 2.1 percentage points of total liabilities, or 1.2 billion kuna, relative to 1995. Legally-required reserves were 2% of total liabilities. Profit amounted to 1.1% of total liabilities. For the banking system as a whole, potential losses on risk assets and off-balance sheet risk asset equivalents were 5 billion kuna. Banks have to make up for this potential loss by provisioning, and the provisioning is considered an expense. However, some banks, and in particular the banks in rehabilitation, changed their accounting methods for showing specific reserves against potential losses, so that part of these reserves were formed in the specific reserves account on the liability side of the balance sheet, while a part were formed under liabilities accounts on the asset side of the balance sheet. The latter approach had the effect of decreasing the size of the total balance sheet. Now that the NBC has taken new decisions on creditworthiness, such inconsistency in showing specific reserves will not be possible. The decrease in the level of potential losses on risk assets on and off-balance sheet in 1996, as well as the decrease in the amount of specific reserves needed for these placements in relation to 1995, is a result of the fact that "bad" assets of banks in rehabilitation were transferred to the State Agency for Deposit Insurance and Bank Rehabilitation.

Short-term liabilities of Croatian banks amounted to 43 billion kuna. The most important source is sight deposits of legal persons and savings deposits of citizens in kuna and foreign exchange. These amount to 19.9 billion kuna at the end of 1996, and represent 43% of total short-term sources of funds. The most significant quantity within short-term deposits is foreign exchange sight accounts of citizens. Short-term time deposits amounted to 13.8 billion kuna, and accounted for 32.1% of total short-term liabilities. Among short-term time deposits, the most important category was short-term foreign exchange deposits, which amounted to 11.3 billion kuna. Short-term credits amounted to 7.1 billion kuna, and represented 16.5% of total short-term liabilities, while the share of short-term securities issued in total short-term liabilities fell from 2.3% in 1995 to a level below 0.1%.

Total long-term liabilities of banks in Croatia, including kuna and foreign exchange time deposits over 1 year and long-term credits taken from both foreign and domestic sources, amounted to 16.1 billion kuna at the end of December 1996. The most significant element in the structure of long-term liabilities was long-term foreign exchange deposits, which amounted to 11.1 billion kuna and accounted for 68.9% of these liabilities. The second most important element in the structure of long-term liabilities, long-term credits, amounted to 5 billion kuna and made up 31.1% of these liabilities. Within long-term credits, the most important component was long-term foreign exchange credit, which amounted to 3.7 billion kuna, while long-term kuna credits amounted to 1.3 billion kuna. The smallest component of long-term liabilities was banks' own long-term securities, which had a 0.01% share.

Core capital of Croatian banks (owners share equity and ownership interests) was 7.6 billion kuna at the end of December 1996. Reserves (which are included in the calculation of core capital according to supervisory standards)

comprise legal reserves, statutory reserves, reserves for own shares and other reserves. At the end of 1996, these reserves amounted to 1.5 billion kuna and made up 2% of total liabilities. Reserves amounted to 16% of core capital (calculated according to supervisory standards).

Supplementary capital of Croatian banks is not a significant category, amounted to 0.7 billion kuna. Specific reserves for unidentified potential losses accounted for more than 70% of supplementary capital. These reserves are formed on the basis of regulations, and amounted to 0.5 billion kuna.

Banks in Croatia formed specific reserves for identified losses of 4.3 billion kuna, which was 1.1 billion kuna less than in the previous year. These reserves are created on the basis of estimates of the quality of bank assets, and are debited to the profit and loss account. These reserves are created to handle situations when bad placements of the bank must be definitely written off as uncollectable.

4.2

Structure of Assets of Croatian Banks

Total assets of the 58 banks in the Republic of Croatia were 73.9 billion kuna at the end of 1996. Money assets and required reserves at the central bank were 9.4% of this total, short-term assets were 36.8%, long-term credits and purchased claims were 21.3%, long-term securities and share holdings were 25.7%, and material and non-material property and accrued interest, fees and other assets accounted for the remaining 6.8%.

Money assets and required reserves at the central bank were 7 billion kuna at the end of 1996. Required reserves at the central bank were 3.48 billion kuna or 50.3% of total amount of money assets and required reserves at the central bank.

Short-term placements, short-term securities, short-term credits and purchased claims, as well as rights to claims stemming from orders of goods and services amounted to 27.2 billion kuna at the end of 1996. The most significant component within short-term assets was short-term credits and current maturities of long-term credits, which amounted to 23.6 billion kuna and were 86.6% of total short-term assets.

Long-term assets of Croatian banks, including long-term securities, long-term investments in shares, ownership interests and interests in enterprises, and long-term credits and other placements were 34.8 billion kuna at the end of 1996. The most significant element in long-term assets was long-term securities and investments in shares and ownership interests, which stood at 19 billion kuna at the end of 1996. The second most significant element was long-term credits and other placements, which amounted to 15.2 billion kuna.

Long-term investment in shares, participation and interests in companies amounted to 3.9 billion kuna at the end of 1996. These investment most often the result of the impossibility of securing payment on the banks' claims on enterprises. Because of this, credits and interest-bearing claims

were turned into shares or participating interests in enterprises in the process of ownership transformation and privatization.

Material and non-material property of Croatian banks amounted to 2.8 billion kuna at the end of 1996. Accrued interest, fees and other assets stood at 2.3 billion kuna. The most important element in this was other assets in kuna and foreign exchange, amounting to 1.2 billion kuna. These assets include tax advance payments, foreign currency revaluation adjustments, funds in clearing, and pre-paid expenses.

4.3

Analysis of Bank Capital

The liable capital of the Croatian banking system was 9.1 billion kuna on December 31, 1995, and 9.4 billion kuna on December 31, 1996. The reason behind this very small increase in liable capital is the rehabilitation of Privredna Banka Zagreb, Riječka Bank and Splitska Banka. During the rehabilitation process, the liable capital of these banks decreased, since losses at the banks were written off against liable capital.

According to the Law on Banks and Savings Banks, total liable capital (core capital plus any portion of supplementary capital up to the level of core capital) may not be less than 8% of the value of the risk-weighted value of on and off-balance risk assets. This indicator (capital adequacy) shows the relationship between total capital and those assets which to any degree bear risk.

The capital adequacy coefficient at the level of the banking system as a whole fell from 18.2% in 1995 to 17% in 1996. Both values are significantly above the required minimum level of 8%. Given that rehabilitation procedures were carried out in three banks in 1996, capital adequacy at the level of the banking system did not undergo a significant change. The reason for this can be found in the increased quality of assets (bad assets were removed from the balance-sheets of banks in rehabilitation) as well as the decreased weight of risky assets in the calculation of capital adequacy.

4.4

Analysis of the Quality of Bank Assets

In making a realistic and objective assessment of the state and results of a bank, the most important element is assessment of asset quality. Elements in banks balance sheets can be divided into good and bad. In addition to distinguishing good from bad, assets can be divided among risky and non-risky. Assessment of asset quality relates exclusively to risky assets. Among risky assets are short and long-term credits, investment funds (short-term and long-term) interest, fees and commissions for banking services. Off-balance sheet items are also included (bank guarantees granted, collateral, open letters of credit, etc.) In the total balance sheet structure of Croatian banks at the end of 1996, good assets amounted to 88.4%, while bad assets amounted to 11.6%, which is a relatively favorable situation. It is the result of the fact that bad assets were removed from the balance sheets of banks in rehabilitation.

The classification of the credit portfolio of banks into the categories A, B, C, D and E is shown in table 4.1. This classification is made on the basis of banks' reports.

Table IV.1

CLASSIFICATION OF BANKS' CREDIT PORTFOLIO
in millions of kuna

ASSETS	A	B	C	D	E	TOTAL
-Total Loans securities and deposits	51,541.0	2,025.8	2,510.7	972.4	699.0	57,748.9
-Total interest	1,161.9	101.1	117.2	68.1	143.7	1,591.9
-Total commissions and fees	73.3	7.8	6.8	2.5	3.8	94.2
-Total other risk assets	5,970.6	467.7	714.6	96.8	45.0	7,294.7
TOTAL	58,746.7	2,602.4	3,349.3	1,139.8	891.6	66,729.7
Off-balance sheet items	13,012.4	724.9	521.6	186.6	346.5	14,792.0
TOTAL	71,759.1	3,327.3	3,870.9	1,326.4	1,238.1	81,521.8

Note: this table has been created on the basis of unaudited, preliminary financial statements of banks

Potential losses on placements and assumed obligations amounted to 5 billion kuna on December 31, 1996, 0.5 billion kuna less than in 1995.

4.5

Limitations Decreasing Credit Risk

The National Bank of Croatia has prescribed certain limitations on banks in order to decrease credit risk. Losses are most commonly a result of the concentration of credit to one debtor or a group of mutually-related enterprises. Such concentration of credit also prevents funds from being allocated to other profitable activities. There are several limitations set by the NBC to prevent the concentration of credit to one debtor and to reduce similar risks affecting the quality of banks' assets.

4.5.1

Large Credits and Maximum Credits

An individual loan, or any other individual claim or liability, to one debtor exceeding 20% of liable capital is considered a large credit. Fourteen banks granted large credits in 1996, and the total amount of such credits amounted to 1.3 billion kuna. Of this, 0.13 billion kuna were potential off-balance sheet obligations.

Nine banks granted the maximum credit to one borrower. The total value of such credits was 4.3 billion kuna. One bank alone accounted for 2.7 billion kunas. The maximum credit to one borrower is a credit amounting to 30% of the value of liable capital.

4.5.2 Credits to Shareholders or Owners of Business Interests Holding 5% or More of Total Shares and Credits to Members of the Board of Directors or Supervisory Board

This Law was tightened in 1996. According to its stipulations, such credits can be granted only on the basis of a unanimous decision of the Board of Directors, and with the previous approval of the Supervisory Board. In place of the previous limit of 10%, the new Law requires such approval for loans to those holding 5% of share capital, and also stipulates that such placements do not exceed 5% of the liable capital of the bank. The total amount of such credits amounts to 1 billion kuna, of which 0.3 billion are potential off-balance sheet obligations. 35 banks have granted such credits.

4.5.3 Total Credit and Other Claims and Liabilities to an Individual Debtor

All loans, claims and liabilities to an individual debtor must not exceed 30% of the bank's liable capital. Total claims and transferred obligations to one borrower exceeding 30% of liable capital were registered at 18 banks, in 31 separate cases. These claims amounted to 7.8 billion kuna. One bank accounted for 4.5 billion kuna in 4 separate cases.

4.5.4 Coefficient of Investment in Land, Buildings, Equipment and Office Space

Investment in land, buildings, equipment and office space may not exceed 30% of the bank's liable capital. The total amount of investment for these purposes amounted to 2.62 billion kuna, which represented 27.9% of the total liable capital of the banking system.

4.5.5 Coefficient of Total Investment in Land, Buildings, Equipment and Office Space and Shares in Banks and Other Companies

Banks' investment in their own assets (land, buildings, equipment and office space) and investment in ownership of shares in banks and other companies may not exceed 70% of the bank's liable capital. This 70% of liable capital limit was exceeded by 8 banks in 1996.

Total investment in these areas amounts to 5.8 billion kuna, which is 61% of the liable capital of the banking system as a whole. In certain banks, these investments are far above this average, since in the last two years banks have not included their investments in companies acquired via debt-equity swaps. Such swaps were undertaken to avoid losses stemming from difficulties in securing repayment of certain claims, and were in accordance with the Law on Banks and Savings Banks.

4.6

Analysis of Banks' Profits

In this analysis, banks' profits, such as the difference between lending and deposit interest, are broken down by:

- income realized on credits granted versus expenditures on credits received classified by the recipient or donor of the credit
- realized differences between income and expenditures by type of asset or liability

Comparing the financial results realized in the last two accounting periods, 1995 and 1996, we see a tendency towards realizing better financial results. In 1996, profit realized after tax payments was 825 million kuna for the whole banking system, while after-tax profits in 1995 were 545 million kuna. In 1996, 10 banks lost money; their total losses were 29.4 million kuna. Since profits in 1994 were 134 million kuna for the whole system, a tendency towards greater profitability can be seen in the Croatian banking system.

Analysis of the structure of total income shows that income was for the most part realized on the basis of interest income: in 1995, interest income accounted for 61.8%, and in 1996 it accounted for 64.1 % of total income. The share of interest income showed a tendency to grow in relation to 1995, as did the share of income from fees and commissions, which accounted for 20.2% of total income in 1996. Net exchange rate differentials were no longer a significant element in total income in 1996, because the exchange rate of the kuna was stable. The income realized by banks on the basis of dividends from their ownership of their own securities such as shares and ownership interests in enterprises amounted to 22.9 million kuna in 1996. This remains a small element in total income, and is small in relation to the total funds invested by banks.

Analysis of the structure of business expenses shows that that biggest component of expenditures is on liabilities. This amounts to 37.5% of total expenditures in 1996, while in 1995 it amounted to 35.8% of total expenditures. The next most significant component of total expenditures was total administrative costs, which was 35% of total expenditures at the end of 1996. The level of these expenditures shows where the "reserves" for more profitable functioning of Croatian banks are hidden.

In 1996, 12.6% of total expenditures related to forming reserves for insuring against potential losses contained in bank placements. This represents a certain decrease in relation to 1995, when the share of these expenses in total expenses amounted to 13.9%

4.7

Savings Banks

Liability Structure of Savings Banks

Total liabilities of the 22 savings banks in the Republic of Croatia were 569 million kuna at the end of 1996. This was 11.1% more than in the beginning of 1995. Short-term liabilities were 38.2% of total liabilities. Obligations based on accrued interest, commissions and other liabilities accounted for 8.8% of this.

Long-term liabilities amounted to 6.7% of total liabilities.

Core capital amounted to 43.8% of total liabilities, supplementary capital 1%, and specific reserves for identified potential losses on risk assets were 5.1%

Short-term liabilities of savings banks in Croatia amounted to 217.4 million kuna. Of this, sight deposits and savings deposits of the population were 138.5 million kuna at the end of 1996. This represented 63.7% of short-term liabilities. This deposits also represented the most significant element in short-term deposits.

Total long-term liabilities of savings banks in Croatia, including time deposits for more than one year and long-term domestic credits, amounted to 37.9 million kuna at the end of December 1995. Within total long-term liabilities, the most important element were long-term deposits, which amounted to 35.7 million kuna.

Core capital of Croatian savings banks stood at 249.3 million kuna at the end of December 1996. Within core capital, reserves amounted to 0.5 million kuna. Supplementary capital of Croatian savings banks amounted to 5.7 million kuna. Specific reserves for unidentified losses, which are required by law, amounted to 3.2 million kuna and are the most important element in supplementary capital of savings banks.

Asset Structure of Savings Banks in the Republic of Croatia

Total assets of the 22 savings banks in the Republic of Croatia were 569 million kuna at the end of 1996. Money assets and required reserves with the central bank were 15.3% of this, short-term assets were 35.5%, long-term credits were 33.3%, placements and long-term securities and investments in shares and ownership interests were 3.1%, material and non-material assets and accrued interest, commissions and other assets, accounted for the remaining 12.9%.

Money assets and required reserves at the central bank amounted to 86.9 million kuna at the end of 1996. Required reserves at the central bank amounted to 31.7 million kuna or 36.5% of the total amount of money assets and required reserves at the central bank.

Short-term assets of savings banks, short-term securities and short-term credits, amounted to 201.8 million kuna at the end of 1996. The most important element in short-term assets was short-term credits and current maturities of long-term credits, amounting to 162.9 million kuna, and accounting for 80.7% of total short-term assets.

Long-term assets of Croatian savings banks, including long-term securities, long-term investments in shares, ownership interests and ownership interests and long-term credits and other placements was 207.3 million kuna, and accounted for 36.4% of total assets at the end of 1996. The most significant element in long-term assets was long-term credits, which amounted to 189.6 million kuna at the end of 1996.

Long-term investment in shares, ownership interests and ownership interests amounted to 16.9 million kunas at the end of 1996.

Material and non-material property of Croatian savings banks was 19.9 million kuna, and accrued interest, commissions and other assets amounted to 53.43 million kuna.

Analysis of the Capital of Savings Banks

Liability capital of savings banks, according to special reports of these banks, was 259.6 million kuna on December 31, 1996. Core capital accounted for 96% of this total.

The capital-adequacy ratio of the savings bank system was 55.6% on December 31, 1996, which is significantly above the required minimum level of 8%. Two savings banks did not satisfy the minimum level of capital adequacy.

According to financial reports for 1996, one savings bank did not satisfy the minimum value for liability capital of 3.6 million kuna.

One savings bank was required to decrease its founding capital after supervisors found evidence of irregularities. However, this savings bank did not accept the National Bank of Croatia's decision, and filed a lawsuit, which is now in progress.

Analysis of the Asset Quality of Savings Banks

Assessment of the quality of assets is based on so-called risk assets of savings banks. Risk assets include short-term and long-term credit, investments (short-term and long-term), interest, commissions and fees, and off-balance obligations of savings banks. The classification of the credit portfolio of savings banks in the Republic of Croatia for 1996 is shown in table IV.2.

Non-risk assets include giro-accounts, vault cash, a part of other money assets, gold, gold objects, gold pieces, required reserves at the central bank, central bank securities and foreign cash money.

Risk assets are evaluated based on an evaluation of the credit risk of savings banks on the basis of the stipulated methodology of the National Bank of Croatia. In addition to the division of assets into risky and non-risky, risk assets are also divided into good and bad.

Good assets accounted for 86.7% of total assets in the balance sheet of savings banks in the Republic of Croatia on December 31, 1996, while bad assets amounted to 13.3%

Table IV.2 CLASSIFICATION OF SAVINGS BANKS CREDIT PORTFOLIO
in millions of kuna

ASSETS	A	B	C	D	E	TOTAL
- Total loans, securites and deposits	334.6	33.8	18.9	0.8	2.8	390.8
- Total interest	13.7	2.1	3.6	0.0	0.6	20.1
- Total commissions and fees	0.9	0.0	0.5	0.0	0.0	1.5
- Total other risk assets	44.8	0.0	0.0	0.0	0.0	44.8
TOTAL	394.0	35.9	23.0	0.8	3.4	457.1
Off-balance sheet items	17.3	0.0	0.0	0.0	0.2	17.5
TOTAL	411.3	35.9	23.0	0.8	3.6	474.6

Note: this table is calculated on the basis of unaudited, preliminary reports of savings banks

Analysis of the Profits of Savings Banks

Although four savings banks lost money in 1996, savings banks as a group made 15.7 million kuna worth of profits after paying taxes. However, comparing these financial results with those achieved in the previous accounting periods, we see that profits fell by 7.5 million kuna.

The majority of savings banks' income was achieved on the basis of interest income, which amounted to 72.9 million kuna or 70.1% of total income in 1996. Other income and extraordinary income accounted for 20.5% of total income, income from commissions was 9.3%, and the share of income from securities was negligible.

Analysis of the structure of expenditures shows that the main expense of Croatian savings banks was interest expenditure, which accounted for 36.8% of total expenditures. General administrative costs was a large element, accounting for 34.3%. The share of specific reserves for insuring against potential losses was 14.9% of total expenditures or 28.8 million kuna.

Limitations that Decrease Credit Risk

In the Law on Banks and Savings Banks, the National Bank of Croatia specified numerous limitations, and these apply equally to banks and savings banks. Limitations on large credits and the maximum credit, as well as on credits granted to shareholders or owners of ownership interests with more than 5% of shares or business ownership interests giving the right to vote at the Shareholders' meeting, credits to members of the Board of Directors and Supervisory Board and members of their immediate families, as well as limits on the amount of all credits and other claims to one debtor. The National Bank of Croatia has placed these limitations on savings banks in order to decrease credit risk faced by savings banks.

Six savings banks granted large credits in 1996. The total amount of these credits was 22.7 million kuna.

The maximum credit to one borrower, which amounts to 30% of liable capital, was granted by five savings banks. The total amount of these credits was 24.2 million kuna.

Credits to members of the Board of Directors, Supervisory Board, confidential clerks and members of their immediate family, individuals who have mutual capital relations, shareholders or owners of business interests possessing more than 5% of voting shares, were granted by six savings banks. The total amount of these credits was 10 million kuna. The total sum of credits, other claims and transferred liabilities of savings banks to single borrowers in the amount of 30% of liable capital was 17 million kuna or 6.5% of the total liable capital of savings banks in 1996. Six savings banks granted such credits.

Savings banks invested 16.2 million kuna in land, buildings, equipment and office space. This was 6.2% of liable capital in 1996. Investments in banks, corporations and other subjects were 12.3 million kuna or 4.7% of liable capital. Investment in material and non-material assets, founding investment in banks, corporations and other subjects exceeded 70% of liable capital in two savings banks.

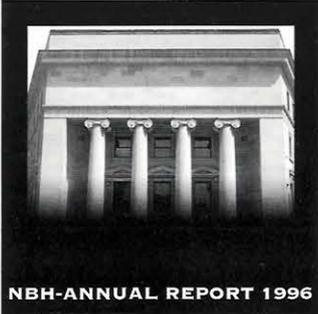
4.8

Supervision and Control

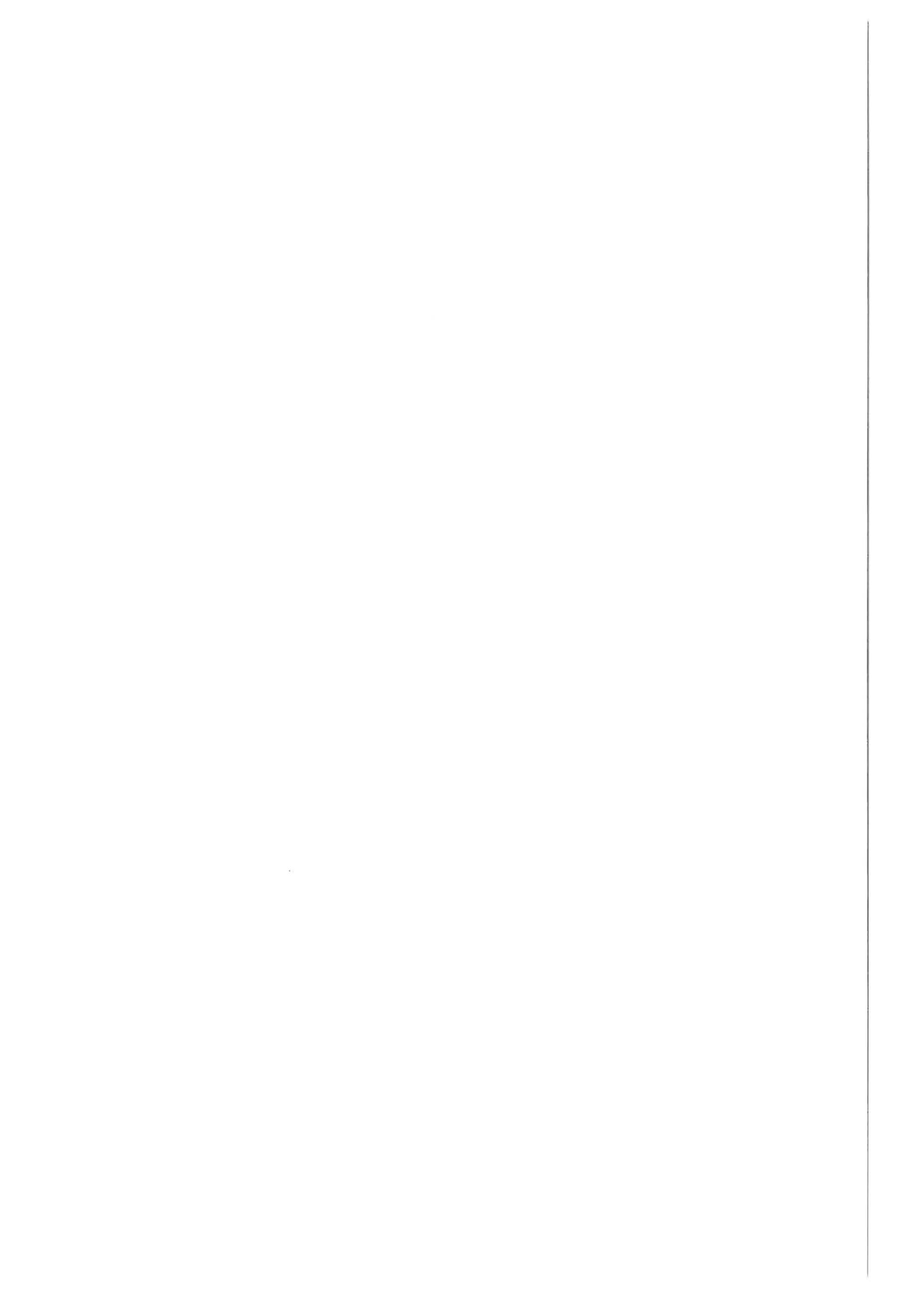
Monetary and foreign exchange inspections were carried out in 29 banks and 8 savings banks during 1996. Some banks and savings banks were inspected multiple times, so the total number of inspections amounts to 62. Of this number, 37 inspections were made on the basis of reports sent to the National Bank of Croatia, and 25 inspections were carried out in the banks and savings banks. In a total of 7 cases, the National Bank ordered remedial measures (a total of 9 measures).

Inspection of financial soundness was undertaken in 17 banks and savings banks. Remedial measures were taken in 9 cases.

V. TREASURY



NBH-ANNUAL REPORT 1996



Within the framework of the overall tasks of the National Bank of Croatia, the Treasury Directorate was responsible for the following tasks in 1996: transfer of money from the producers, supply of cash to offices of the Payments Institute, issuance of commemorative coins and the removal from circulation, processing and destruction of bills.

5.1 Trends in Cash

On December 31, 1996, 58.5 million bank notes, with a total value of 4.6 billion kuna, were outside of the treasury of the National Bank of Croatia, banks, the Croatian Post and Telephone Company and the Payments Institute. Compared to the end of 1995, the number of bank notes outside of the treasury of the National Bank of Croatia, banks, the Croatian Post and Telephone Company and the Payments Institute increased by 11.8%, and their value increased by 26.5%

The number of kuna and lipa coins (outside of the treasury of the National Bank of Croatia, banks, the Croatian Post and Telephone Company and the Payments Institute) on December 31, 1996 was 370.1 million, with a value of 141.6 million kuna. Compared to the end of 1995, the number of coins outside the treasury of the National Bank of Croatia and the Payments Institute increased by 30.7%, and the value of coins in circulation increased by 33.4%.

Regarding the amount of bills and coins outside the treasury, it can be stated that on average there were 12 bills and 77 coins per capita.

5.2 Commemorative Money

In 1996, the National Bank of Croatia issued three commemorative coins:

- "European Football Championship – England 1996" coins of 50 lipa;
- "50th anniversary of the United Nations" coins of 10 lipa
- "Olympic Games – Atlanta 1996" coins of 1 kuna, and 5 and 2 lipa.

In the program of gold and silver coins, the following were issued in 1996:

- "XXVI Olympic games in Atlanta", silver coins of 200, 150 and 100 kuna
- "Six Centuries of University Education in Zadar" gold coin of 500 kuna, silver of 200 kuna
- "800. Anniversary of the Mention of the Name of the Town of Osijek", gold coin of 500 kuna, silver of 200 and 150 kuna.

In 1996, the Treasury Directorate took 11 million bills with a value of 275.9 million kuna from the Payments Institute, processed them, and turned them over the Commission for the Destruction of Used Money. The money was destroyed by burning. The Treasury sector received eighty requests for verification of questionable bank notes in 1996. In this process, 90 counterfeit bills were found. In 1996, the value of counterfeit money was 12,470.00 kuna. Analysis showed that the counterfeit bills were created by color

TREASURY

photocopying. The number of counterfeit bills grew by 172% compared to 1995, and the value of counterfeit bills grew by 21%. Although the rate of growth of the number of bills is significant, when considered in light of the total value of kuna notes in circulation, it is fair to say that counterfeiting is not a major problem.

VI. ORGANIZATION, MANAGEMENT AND HUMAN RESOURCES



The Law on the National Bank of Croatia ("Official Gazette" number 35/95-corrected text), states in article 65 that the governing bodies of the National Bank of Croatia are the Council of the National Bank of Croatia and the Governor of the National Bank of Croatia. The Council of the National Bank of Croatia consists of the Governor of the National Bank of Croatia, the Deputy Governor, the Vice Governor by their positions, and at most eight independent experts. The number of independent experts on the Council must be larger than the number of members of the Council who obtain membership by virtue of their position. Independent expert members of the Council are named and removed by the Sabor of the Republic of Croatia, for a term of six years. Independent expert members of the Council of the National Bank of Croatia may not be under contract with or employed by institutions which the National Bank of Croatia supervises, nor can they be members of the management bodies of institutions supervised by the National Bank of Croatia. This insures the independence of the Council in carrying out its duties. The Council of the National Bank of Croatia and all its members are responsible to the Sabor of the Republic of Croatia for carrying out the functions and tasks of the National Bank of Croatia, which are set forth in article 67 of the Law on the National Bank of Croatia.

In 1996, the leadership of the Council of the National Bank of Croatia changed. In March, then-Governor Pero Jurković, Ph.D. was replaced by the current Governor, Marko Škreb, Ph.D.

During 1996, the Council held 20 meetings, at which it took decisions within its authority. In general, meetings of the Council were held on the first working Wednesday of the month. Decisions on current monetary policy were made at each meeting.

At its 77th meeting, held of April 19, 1996, the Council approved the Report on the Work of the Payments Institute, and also approved basic financial documents and work plans for the Payments Institute. According to the Law on Domestic Payments, this institute is within the authority of the National Bank of Croatia. At the next session, held on the 8th of May, 1996, the Financial Report of the National Bank of Croatia based on the annual balance-sheet for 1995 was approved, along with the Report on the Annual Inventory of Assets and Liabilities for 1995. Also accepted were the Decision on the Annual Balance-Sheet for 1995, the Decision on the Results of the Census and the Decision on the Financial Plan of the National Bank of Croatia for 1996, which is approved by the Sabor on the basis of Article 79 of the Law on the National Bank of Croatia. The Annual Report of the National Bank of Croatia was discussed at the 79th meeting of the Council.

During 1996, it was decided to begin procedures for assessing the practicality of and economic justification for the rehabilitation and restructuring of Privredna Banka Zagreb.

Since giving licenses for banks and savings banks falls within the authority of the Council of the National Bank of Croatia, the Council gave licenses to

five banks. These were "Kaptol banka" Zagreb, Tršćanska štedionica-banka Zagreb, Hypo banka Croatia, Libertas Banka Dubrovnik and Bank Austria (Croatia) Zagreb. Also, a license was given for the following branch: Société Generale Paris-Zagreb branch, and licenses were given to six savings banks. The Council also took decisions which allowed the following banks to undertake business with foreign means of payment, including payments and credit business with foreign countries: The Croatian Bank for Reconstruction and Development, Štedbanka Zagreb, Brodsko-Posavska Banka SlavonSKI Brod and Komercijalna Banka Zagreb. The license of Histria Banka Pula was withdrawn.

At the 83rd meeting of the Council, held on the 9th of October 1996, the Decision on the Criteria for Giving Approval to the Naming of the President and Members of the Managing Board of Banks and Savings Banks was approved. Also, the criteria to be used by the Commission for Licensing of Banks in giving approval to the president and members of the Managing Board of banks and savings banks were established. During 1996, 21 approvals and 5 rejections were given to nominations for president and membership on management board of banks and savings banks.

The Council also made decisions in the field of numismatics. Decisions were taken on the issuing of the gold medals "DRAŽEN PETROVIĆ" and "J.A. SAMARANCH", as well as several other decisions on the creation and sale of complete numismatic collections and the issuance of commemorative coins.

On the 23 December 1996, a commemorative meeting of the Council was held in honor of five years of monetary independence of the National Bank of Croatia.

6.2

Internal Control

Internal control in the National Bank of Croatia was founded to play the role of independent monitor, with the aim of verification and evaluation of business transactions and activities within the Bank. The quantity, extent and complexity of the work of the National Bank of Croatia requires systematic control and auditing by Internal Control. A Director of Internal Control was named in 1996.

During 1996, the focus of Internal Control was directed to the areas of auditing the financial statement of the Bank, establishing an integral system of Internal Control and verification of control mechanisms within the sectors of the Bank. Following these priorities, Internal Control undertook an analysis of the financial results of the National Bank of Croatia on the basis of the yearly balance-sheet from 1995. A large part of the activity of Internal Control was aimed at verifying that the property of the Bank had been used rationally and in accordance with the law. The process of introducing an integral system of control made substantial progress, especially in the areas of bookkeeping, foreign exchange reserve management, procurement of equipment and treasury functions. Special attention was paid to monitoring

activities related to managing foreign exchange reserves, taking into account the significance of identifying and managing risks in this exceptionally important segment of the foreign exchange business of the Bank.

Taking into account the size of the financial flows and the associated risks, a systemic approach was taken to training existing employees of Internal Control. In this respect, the biggest help was provided by the mission of the International Monetary Fund and visits of Internal Control of foreign banks.

6.3

Organization and Use of Computers

Intensive work on the internal organization of the National Bank of Croatia was carried out in 1996 by means of the Guidelines on the Internal Organization of the National Bank of Croatia. These guidelines laid out a new organizational chart, according to which the area is the broadest organizational form at the level of the Bank. Each area includes two or more directorates. Areas are coordinated by Executive Directors. The directorate is an intermediate organizational unit, which is led by a Director, and can be organized in the classical way, divided into sections as narrower organizational units or through teams. An orientation towards team-based work should be a long-term policy, especially in those organizational units characterized by activities demanding high levels of expert knowledge, whose complexity, variety, creativity, dynamics and duration cannot be determined beforehand.

The Office of the Governor and Internal Control are component elements of the internal organization of the bank, as is the Board of Executive Directors as the most competent expert body at the level of the Bank.

However, this formal organization, as expressed in the Guidelines on Internal Organization, is not in and of itself sufficient for the Bank to successfully perform its role as the central monetary authority of the Republic of Croatia. The Bank must function efficiently as a business system. Because of this, a fundamental task is to choose the approach and manner of building the business system of the Bank. In order to fulfill this aim, a report on the Construction of the Business System of the National Bank of Croatia was prepared on the basis of an analytical study of the bank's existing condition. The approach to constructing the business system of the Bank includes:

- normative construction
- creation of a system of documentation based on the standards of ISO 9000,
- creation of an information system
- planning process.

The realization of this project of the construction of the business system of the Bank will continue during 1997. As part of the analysis of the current situation and the needs recognized in the report "Identification of the National Bank of Croatia bills", the problem of classification and coding of securities was emphasized. Activities related to creating a business plan of the Bank

for 1997 were undertaken, and a report "Proposal for the Organization of Work for the Planning of the Activities of the Bank" will be the basis for work on a future Handbook for Planning.

The special needs of all the employees and organizational units of the National Bank of Croatia for quality information and data, as one of the fundamental resources in the realization of the aims of the business system, requires the intensification of work on computerization began in 1996. This work is primarily in the following areas:

- construction of an integral information system for the National Bank,
- maintenance of the current, old, application solutions
- construction of a new system for entering and receipt of data
- current, operative tasks

The construction of an integral information system has been continued with the realization of two IPS's (Organization, computerization, statistics and monetary policy). During 1996, the main projects were finished (creation of a data model and a model of functions) and the construction of initial projects was begun. The application "Auction of treasury bills" was completed and installed. With the adoption of "Instructions for carrying out the decision on the manner of foreign payments and the manner of supplying data on foreign payments", which came into effect of July 1, 1996, an especially great effort was made to complete and install the application "Foreign payments", so as to insure that reports for compilation of the balance of payments would be made on time.

Parallel with work on the manufacture of applications for the complete construction of an integral information system, the following necessary resources were secured:

- new personal computers and printers were procured and installed
- software for Oracle CASE tools for development was licensed
- Oracle data base for development was licensed
- members of the project team completed several training courses
- competitions were held to employ new cadre
- the concept for a local network NBHNet was worked out and implemented
- in accordance with the Government's regulation on the purchase of equipment and services, documentation for tenders was developed, and tenders were held for: building a local network, licensing necessary software, procurement of spare parts, procurement and installation of a central computer system and for training of bank employees in working on personal computers.

Maintaining more than twenty old application solutions demands the engagement of a large number of designers and programmers. In these years of especially great demands from users, many changes were made and programs were created for such purposes as harmonizing debts to members of the Paris and London clubs, and for preparations for the preregistration of refinanced and reprogrammed credits scheduled for 1997.

Due to the increased demands of the Bank to follow specific data in the environment, the number of data entered and received increased by about 25% (from 2,000,000 in 1995 to 2,500,000 characters in 1996), with a continued tendency to grow. Thanks to this, the current methods of entering and receiving data have become inadequate, both in manner and in their technical bases. Thus, a new system of data entry and reception was developed on the local network. For now, this includes data on foreign payments as the most numerous. During 1997, data from other activities will be included.

The majority of employees in the informatics area are engaged in current, operative tasks:

- entry and receipt of data, during 1996 mainly entry, since few banks supplied data on magnetic media or by transfer. Three employees were temporarily engaged for this purpose.
- processing of data, resulting in specific outputs for users, such as reports
- on paper or formatted, customized data bases on PC diskette.
- maintenance of personal computers and printers
- maintenance of the local network
- maintenance of the SWIFT connection system
- help to users regarding software for personal computers

Following worldwide trends in the development of information technology, an Internet server was purchased and installed. It is separately connected with a 64 kb/s line with the HPT (32 lines). With this, the preconditions were created for:

- Bank employees using Internet services. In this regard, it is especially important that Bank employees can come into contact with new information, and that they can make contact with other Internet users outside the bank, and the Bank to present itself to the business world in a contemporary way via its Web page.

6.4

Payments System Activities

In 1996, intensive preparations were made for the reform of the payments system in the country.

The Council of the National Bank of Croatia, in its 58th meeting on the 4th of February 1995, approved a report "A Basis for the Improvement of Domestic Payments." In this document, a new basis was established for the functioning and organization of payments within the country:

- Domestic payments may be carried out by deposit institutions only: the National Bank of Croatia, banks and savings banks.

The National Bank of Croatia keeps accounts of banks and savings banks, as well as accounts of the Government Budget, and makes payments for these accounts. Banks and savings banks have the authority to keep accounts for economic subjects, whatever their ownership structure, as well as citizens, and may make payments for these accounts.

- The national infrastructure for interbank settlement will be the National Clearing System and the Large Payments System. Both systems are, in essence, complicated informatics projects (computer communications and program systems) with corresponding rules of settlement.
- Non-deposit institutions may, on the basis of contractual relations, perform some payments in the name of and for the account of deposit institutions.

In the last period, intensive work was carried out to insure the basic preconditions for establishing a new system of domestic payments:

- new regulations for payments were passed
- the National Clearing System was created
- the Large Payments System was created.

1. The National Bank of Croatia and the Interinstitutional Committee for Domestic Payments have worked out a significant number of regulatory documents. The most important document is the Law on Domestic Payments (working version) which specifies the functional aspects of the payments system, with precise tasks and responsibilities for deposit institutions.

Also, enabling acts were written:

- Design of accounts in deposit institutions
- General principles for opening accounts in deposit institutions
- A register of the accounts of businesses
- Rules for settlements via the National Clearing System
- Instructions for settlements via the National Clearing System
- Organizational, technological and technical conditions for carrying out payments.

All the documents written thus far have the status of "working version" since there is no basis in the current Law on Domestic Payments for them to be enacted.

2. The National Clearing System has been created. It is being tested with six banks: Zagrebacka Banka, Zagreb; Dalmatinska Banka, Zadar; Sisacka Banka, Sisak; Varazdinska Banka, Varazdin; Centar Banka, Zagreb and Agroobrnicka Banka, Zagreb. It is expected that the National Clearing System will be completely ready for settlement of interbank payment transactions in normal business by June 30, 1997.

3. Work on preparations for the introduction of the Large Payments System projects was intensive. A large part of the preparations were undertaken in co-operation with experts of the IMF. Documents on operating rules, customer demands and Tender were completed, and choice of the undertaker of the project is in progress.

Further activities in the reform of payments are closely related to the passing of the new Law on Domestic Payments, since the existing Law makes

the complete realization of the reform itself impossible. Transfer of accounts to deposit institutions, clearing via the NCS, enactment of new legal acts and other tasks are not within the mandate of the Payments Institute according to the current law.

At the same time, work on improving the existing domestic payment system was carried out, as well as monitoring of the execution of payments by authorized institutions via direct inspection, and constant contact and co-operation. Direct inspections were carried out at six offices of the Payments Institute.

6.5

Legal Affairs

With the authorization of the Governor, the employees of the Directorate for Legal Affairs represent the National Bank of Croatia in court and in front of other government bodies in legal-property and other cases.

The Directorate for Legal Affairs has an important role in preparing and elaborating statutes, directions, general acts, contracts and decisions, and especially in relation to elaboration of Laws on the amendment or elaboration of the Law on Banks and Savings Banks, the implementation of decisions and statutes of the Law on the National Bank of Croatia, and Law on Banks and Savings Banks, and Law on Domestic Payments and the Law on the Bases of the Foreign Exchange System, Foreign Exchange Transactions and Trade of Gold.

The Directorate for Legal Affairs is engaged in the elaboration of decisions given by the Council of the National Bank of Croatia, and also in the elaboration of proposed contracts concluded by the National Bank of Croatia.

6.6

Human Resources

In 1996, changes in the characteristics of the employees of the National Bank of Croatia continued. Among the changes seen were increases in the number of employees, intensified education, training and raising of qualifications. As might be expected, there was no further decrease in the age structure of the workforce, nor in the average time of service.

The number of employees increased from 479 at the end of 1995 to 488 at the end of 1996. The number of employees increased by 9 or 1.9%. The increase in the number of employees in 1996 was significantly smaller than in 1995. During the year, 23 employees left the bank for various reasons, and in 33 cases employment was for a specified or non-specified time period.

The increase of the qualification level was influenced by the growth in the number of employees with college degrees from 204 to 212 (an increase of 4%), and an increase of employees with high school education of 3 individuals or 2%. There were no significant changes among other degrees of education; only the number of employees with two years of college decreased by two.

The average age of employees is 41 years, and the average number of years employed is 17 years. The average time of service has grown slightly along with the growth in employment. The average time of service in the Bank is 12 years. 141 employees are under 35 years old.

Given the current age and time of service of employees, there will be only a small and insignificant natural outflow of workers from the Bank.

Table VI.1

QUALIFICATION STRUCTURE OF EMPLOYEES OF THE NBC AT THE END OF 1996

	Ph.D.	M.S.	BA	2 yr.	High	Qualified	Unqualified	Total	Women
Number	4	21	212	47	146	16	42	488	333
Share, %	0.8	4.3	43.4	9.6	29.9	3.3	8.6	100	68.2

The share of employees with college degrees and employees with scientific training amounted to 48.6%. Together with those with 2 years of higher education, they made up 58.2%, which corresponds to the nature of the work and the expectations placed on this institution.

6.6.1

Scholarships

With the aim of insuring quality human resources for specific and new banking activities, the National Bank of Croatia has provided stipends to 10 students of economics in their third and fourth years of college since the fall of 1994. The fact that the majority of these students have graduated, and that the rest will graduate on time and come to work at the bank, shows that the competition was very sharp and that the selected students, as indicated by their work so far and their attributes that promise highly expert work and development, were quality choices.

One scholarship recipient graduated in the summer of 1996 (the required term was March 1997), and, with the approval of the Bank, enrolled in graduate studies in France.

6.6.2

Education and Training of Employees

Carrying out certain tasks that are the function of the central bank is evidence that the Bank has expert cadre. By the number of employees and the all-sided form and content of training and education, the human resources requirements for further development and advance of the National Bank of Croatia's activities have been met.

The cadre basis has been created via the above-mentioned scholarships, the employment of trainees and the finding of experienced, confirmed experts and their intensive further training.

It is important to emphasize the fact that 4 employees of the National Bank of Croatia were attending graduate studies abroad (America, Canada, England and France). The National Bank of Croatia is financing only one graduate student abroad; the other three students have received stipends from other sources.

34 college graduates are attending graduate studies in Croatia:

- o 29 at the Economics Faculty of Zagreb.
- o 3 at the Faculty of Electrical Engineering and Computer Science
- o 1 at the Faculty of Informatics and Organization in Varazdin
- o 1 at the Philosophy Faculty of Zagreb

Education and training in the National Bank of Croatia is organized in many groups and with many different subjects.

For trainees, 25 lectures were held with written materials on each topic from the work of the Area of Research and Statistics, the Area for Central Banking Operations, and the Area for International Relations and the Area for Accounting and Payments. They also participated in 10 lectures, likewise accompanied by written materials, in the form of Economics Workshops. Trainees also passed two courses in Banking English.

There were 290 participants at various kinds of education, specialization, courses on foreign languages, seminars and graduate studies. This represents an increase in relation to the previous year of almost 50%. Of this: 67 participants at 58 seminars and expert meetings abroad, 144 people completing 75 seminars and conferences in Croatia, and 79 people completing various courses and levels of foreign language study.

For the first time, a seminar for the leaders of the National Bank of Croatia was organized on the theme "Managing Human Potential". The seminar was led by colleagues from the Economics Institute of Zagreb. 6 lectures lasting four school hours were held. The seminar was aimed at the management of the Bank, Executive Directors, Directors of Directorates, and Deputy Directors of Directorates.

Abroad, we mainly use the technical assistance of the Austrian Bankers' Club, Weissenbach, Banca d'Italia-Roma, Credit Suisse-Zurich, Joint Vienna Institute-Wien, IMF-Washington, Centre for Central Banking Studies-London, Deutsche Bundesbank and others.

The majority of the costs of training abroad are covered by the organizers of the training.

The Area of Bank Supervision, in co-operation with American experts, has carried out a training program in Bank Supervision for 50 graduates. The training lasted one and one-half years, and is in the form of technical aid from the USA.

6.6.3

Employees' Wage

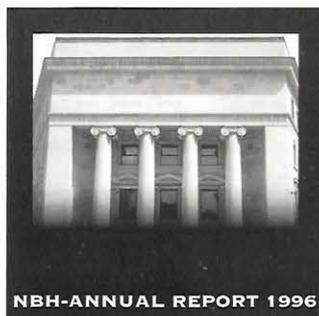
After two years of stagnation, wage was increased in the National Bank in the second half of 1996. However, commercial banks and similar financial institutions attract high-quality, skilled employees from the NBC by offering higher wages.

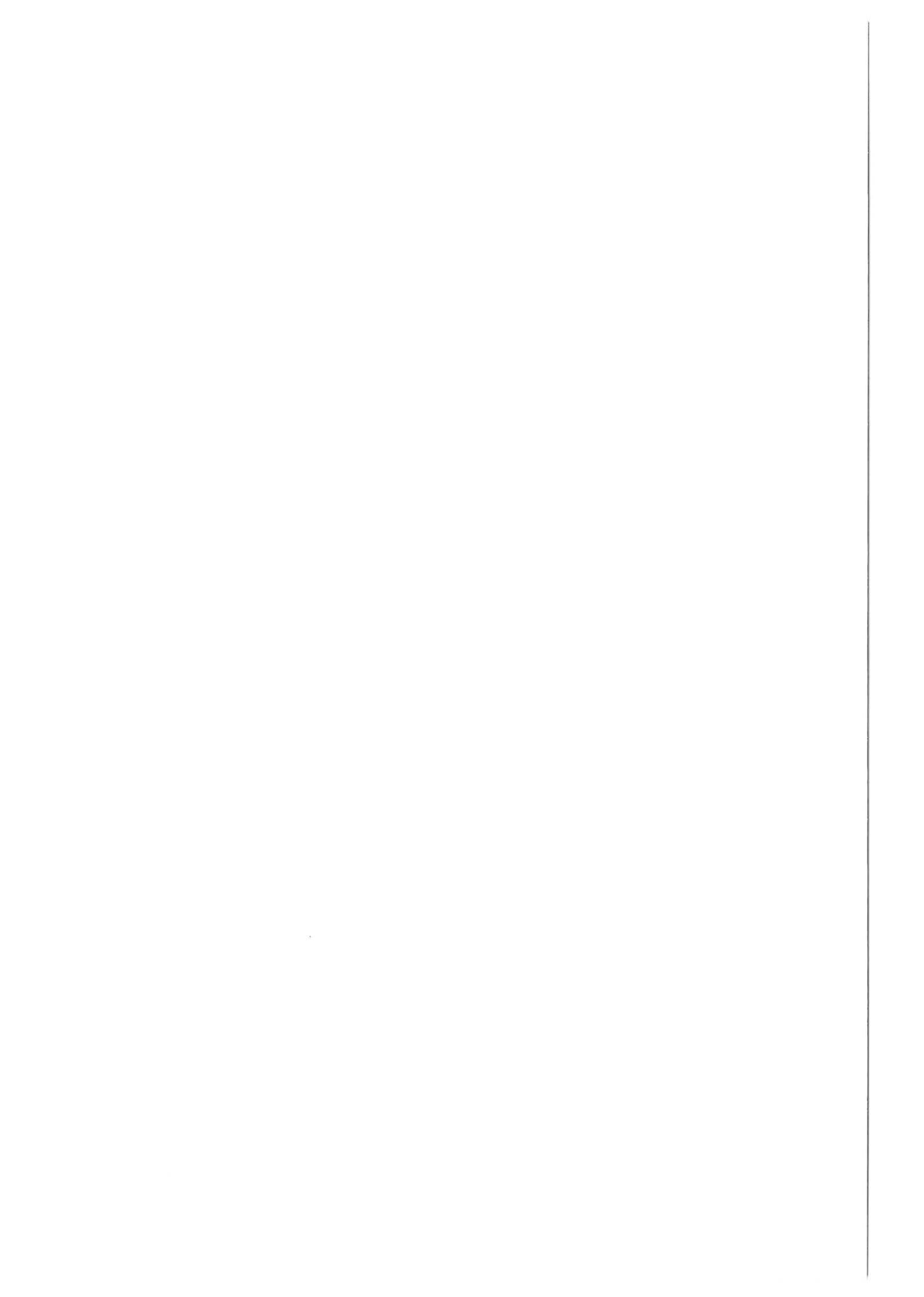
Since 1992, no funds have been allocated for the housing needs of employees. There is no plan to allocate such funds in the future.



VII. FINANCIAL REPORT:

ANNUAL FINANCIAL STATEMENT OF THE NBC FOR 1996





In accordance with the Law on Accounting ("Official Gazette", number 90/92), the National Bank of Croatia compiles basic financial reports: its balance sheet and its income statement. The Law of Government Auditing requires auditing of the work of the National Bank of Croatia on an annual basis.

Table VII.1.

FINANCIAL RESULTS OF THE NATIONAL BANK OF CROATIA
ACCORDING TO THE ANNUAL FINANCIAL
STATEMENT FOR 1996 - Income statement; thousands of kuna

	Plan 1996	Actual 1996	actual./plan %
I. REVENUES			
1. Interest	565,000.00	486,208.06	86.1
2. Other revenues	10,000.00	5,872.27	58.7
TOTAL	575,000.00	492,080.33	85.6
II. EXPENSES			
1. Interest	320,000.00	325,622.95	101.8
2. Costs	97,000.00	78,716.15	81.2
3. Funds allocated	10,000.00	10,000.00	100.0
TOTAL	427,000.00	414,339.10	97.0
III. NET EARNINGS			
(I. minus II.)	148,000.00	77,741.23	52.5

In the course of its activities, the National Bank of Croatia earns income, incurs costs and realizes a surplus of revenues over expenditures. The way in which income is earned and expenses are incurred during the activities of the National Bank of Croatia is specified in articles 76 and 77 of the Law on the National Bank of Croatia. Revenues and expenditures are planned in the financial plan given by the Council of the National Bank of Croatia. The financial plan is approved by the Sabor of the Republic of Croatia.

The surplus of revenues over expenditures achieved by the National Bank of Croatia is revenues for the government budget. If expenditures were to be greater than realized revenues, the deficit would be covered by specific reserve funds. If these were inadequate, the deficit would be covered by the government budget.

According to the financial statement for 1996, the National Bank of Croatia realized the following financial results:

- o realized revenues was 492.1 million kuna (14.4% less than planned)
- o expenditures were 414.3 million kuna (3.0% less than planned)
- o the surplus of revenues over expenditures was 77.8 million kuna (47.5% less than planned)

7.1 Revenues

Table VII.2 REVENUES OF THE NATIONAL BANK OF CROATIA,
in thousands of kuna

	Planned in 1996	Realized in 1996	Structure, %	Realized/ planned
1. INTEREST				
a) Interest on credit and other placements from primary issue	65,000.00	46,854.49	9.5	72.1
b) Interest and other income on funds deposited abroad	500,000.00	439,353.57	89.3	87.9
2. OTHER REVENUES	10,000.00	5,872.27	1.2	58.7
TOTAL	575,000.00	492,080.33	100.0	85.6

The total revenues of the National Bank of Croatia in 1996 were 492.1 million kuna or 14.4% less than planned. The most important component of total revenues are interest revenues on funds deposited abroad, which accounts for 89.3% of total revenues. However, such revenues were 60.7 million kuna less than planned. This was a consequence of the fall of interest rates on world markets.

7.1.1 Interest

The revenues realized by the National Bank of Croatia on the basis of interest on credits and other placements from primary emission was 46.9 million kuna. This was 27.9% less than planned, and accounted for 9.5% of total revenues.

The main reason for the decrease in revenues on credits from primary emission was the decrease in the demand for such credits. This, in turn, was due the resolution of certain structural problems such as the beginning of the rehabilitation of the banking system, which improved total liquidity and directly caused the fall of interest rates on the money market. As a consequence of the general trend to decreased interest rates, revenues on the basis of interest on credits from primary emission decreased due to corrections in the interest rate on such credits.

The foreign exchange reserves managed by the National Bank of Croatia grew by 418.9 million USD in 1996, rising from 1,895.1 million USD on 31 December 1995 to 2,314.0 million USD on 31 December 1996.

The interest realized on foreign exchange deposited abroad is booked as revenues of the National Bank of Croatia in kuna countervalue. In 1996, with an average interest rate of 4.1385% (the planned rate had been 4.6%), 439.3 million kuna of revenues were earned. This was 12.1% less than planned. The failure to realize the plan was the result of decreased interest rates on foreign markets. The average interest rates for German marks in 1996 was

3.2464% (for the US dollar 3.2500%). If we take into account that 54.4% of the foreign exchange reserves are placed in German marks, we see the influence that the lower German mark interest rate had on interest earnings.

The share of interest revenues on foreign exchange deposited abroad (439.3 million kuna) in total revenues of the National Bank of Croatia (492.1 million kuna) was 89.3%. This made it the most significant element in the category of realized revenues.

On the basis of article 76 of the Law on the National Bank of Croatia, exchange rate differences must be calculated. According to article 78 of the Law, these funds are transferred to the specific reserve fund of the National Bank of Croatia, held in a special account. They may be used only to cover uncovered losses arising from exchange rate differentials.

On December 31, 1996, negative exchange rate differentials (bookkeeping and on the basis of purchase and sale) amounted to 807.9 million kuna total, and positive exchange rate differentials were 675.0 million kuna. In accordance with the Law on the National Bank of Croatia, bookkeeping negative exchange rate differentials were partially covered by positive exchange rate differentials. The reserve fund was debited for the uncovered remainder of 132.9 million kuna.

7.1.2

Other Revenues

Other revenues realized in 1996 amounted to 5.9 million kuna. This was significantly less than planned (41.3%), and accounted for 1.2% of total revenues.

7.2

Expenditures

Table VII.3

EXPENDITURES OF THE NATIONAL BANK OF CROATIA,
in thousands of kuna

	Planned in 1996	Realized in 1996	Structure, %	Realized/ planned
1. DEPOSIT INTEREST RATES				
a) interest on banks' statutory reserves	130,000.00	141,227.16	34.1	108.6
b) interest on securities issued	190,000.00	173,915.24	42.0	91.5
c) interest on foreign exchange	-	10,480.55	2.6	-
2. COSTS				
a) costs of money manufacturing	26,000.00	9,665.65	2.3	37.2
b) material and other costs expenses	37,000.00	36,959.74	8.9	99.9
c) depreciation	7,000.00	4,610.56	1.1	65.9
d) gross wages and salaries	27,000.00	27,480.20	6.6	101.8
3. FUNDS ALLOCATED				
a) equity (constant capital)	10,000.00	10,000.00	2.4	100.0
TOTAL	427,000.00	414,339.10	100.0	97.0

According to the financial statement for 1996, expenditures incurred amounted to 414.3 million kuna. This was 3.0% less than planned. The largest part of these expenditures (78.7%) were for interest on liabilities, costs were 18.9%, and funds allocated in accordance with the Law on the National Bank of Croatia were 2.4% of total expenditures. The main reason for the high percentage of interest on liabilities in total expenditures is the remuneration of required reserves and the required purchase of NBC bills as an instrument of monetary sterilization.

7.2.1

Interest on Liabilities

The National Bank of Croatia sets the rate of required reserves in accordance with the aims of monetary policy. According to the Decision on Required Reserves of Banks and Savings Banks ("Official Gazette, number 85/94), which came into effect at the beginning of February 1995, 75% of the required reserves of banks and savings banks must be held in special accounts at the National Bank of Croatia, while at most 25% enters into the average balance of their giro-accounts or vault accounts.

The National Bank of Croatia pays 5.5% interest on required reserves. This rate has remained unchanged since May 1995. The National Bank of Croatia paid 141.2 million kuna of interest on required reserves in 1995 (1.6 million kuna of this were paid to savings banks). This was 8.6 more than planned. The share of total expenditures of the National Bank of Croatia accounted for by payment of interest on required reserves of banks and savings banks was 34.1%.

Interest on NBC securities in 1996 was 173.9 million kuna. This was 8.5% less than the planned sum, and significantly more than the amount paid in 1995 (66.0%). Of this sum, 88.4 million kuna were paid on voluntary NBC bills, and 85.5 million kuna were paid on required holdings of NBC bills (this requirement was dropped in November 1996).

The cause of the gap between planned interest payments and actual payments lies in the decrease in interest rates on both voluntary and required bills. (The rate, which had been 16.5%, was decreased to 12% at the beginning of August.) Interest on securities amounted to 42.0% of total expenditures.

Following the signing of agreements with external creditors (Paris Club, London Club) and the enactment of laws regulating the internal relations between Croatian debtors and the Republic of Croatia in servicing obligations to external creditors, the Government of the Republic of Croatia issued a Decree on the Ending of the Validity of the Decree on Servicing Unpaid Obligations Due to External Creditors ("Official Gazette", number 6/97). Foreign exchange deposited in accounts at the National Bank of Croatia is transferred to the Ministry of Finance as a result of this decree. The National Bank of Croatia is obliged to pay the interest on these deposits to the debtors within 30 days of the date when the decree comes into force.

This interest amounted to 10.5 million kuna, and accounted for 2.6% of the total expenditures of the National Bank of Croatia.

7.2.2

Costs

a) Costs of the production of bills and coins

In 1996, no bills were produced, since the existing stock of bills was adequate for the purposes of circulation. The existing stock would be adequate in any possible disturbance.

In addition to this, the National Bank of Croatia issued 29,600 sets of bills, 10,300 numismatic sets, and commemorative silver and gold money.

The total costs of production of coins in 1996 were 9.7 million kuna (6.4 million kuna of this were for coins in circulation, 2.8 million kuna were for metal sheets, 0.3 million kuna for customs costs and letters of credit, and 0.2 million kuna were spent on tools for commemorative coins). These costs were only 37.2% of the planned value, and their share in the total expenditures of the National Bank of Croatia was 2.3%.

b) Material and other costs

Material and other costs amounted to 36.9 million kuna, which was within the planned range.

Business costs include: commissions for the services of financial institutions, commissions for the services of the Payments Institute, costs of social security contributions based on pay, employee costs, materials costs, services costs, costs of official travel, marketing costs, administrative and other costs. The share of these costs in the total costs of the National Bank of Croatia was 8.9%.

c) Depreciation

Depreciation is calculated according to the linear method, at rates at the level of or slightly lower than the yearly depreciation rates published in the Rulebook on Depreciation ("Official Gazette" number 91/94). The depreciation costs of the National Bank of Croatia in 1996 were 4.6 million kuna, or 65.9% of the planned sum, because some planned equipment purchases were not made. The share of depreciation costs in total expenditures was 1.1%.

d) Gross wages of employees

The Government of the Republic of Croatia issued a Decision on Instructions for Wage Policy in 1996 ("Official Gazette", number 1/96), in which wages and compensation based on work were administratively regulated. In other words, this means that in 1996, the restrictive approach to wage policy was maintained, and wages and compensation of the non-privatized sector were frozen at the December 1995 level.

The total amount paid in gross employee wages by the National Bank of Croatia in 1996 was 27.5 million kuna. This was within the bounds of the planned amount (only 1.8% greater than planned).

The average net wage (although this is not the best indicator because of tax exemptions, variations in the level of tax-exempt amounts of pay and local taxes) per employee in the National Bank of Croatia for 1996 was 2,838.73 kuna (without payments for the use of annual vacation).

7.2.3

Funds Allocated

Funds allocated from realized income on the basis of the 1996 financial statement were used for fixed capital, and amounted to 10,0 million kuna, as foreseen in the financial plan.

7.3

Surplus of Revenues over Expenditures

According to the instructions of article 80 of the Law on the National Bank of Croatia, the surplus of revenues over expenditures, after covering all expenditures and allocating funds for fixed capital, is revenue of the government budget.

The surplus of revenues over expenditures realized by the National Bank of Croatia according to the 1996 financial statement amounted to 77.8 million kuna. This was only 52.5% of the planned sum. The main reason for the shortfall is that interest revenues on funds deposited abroad were significantly below expectations.

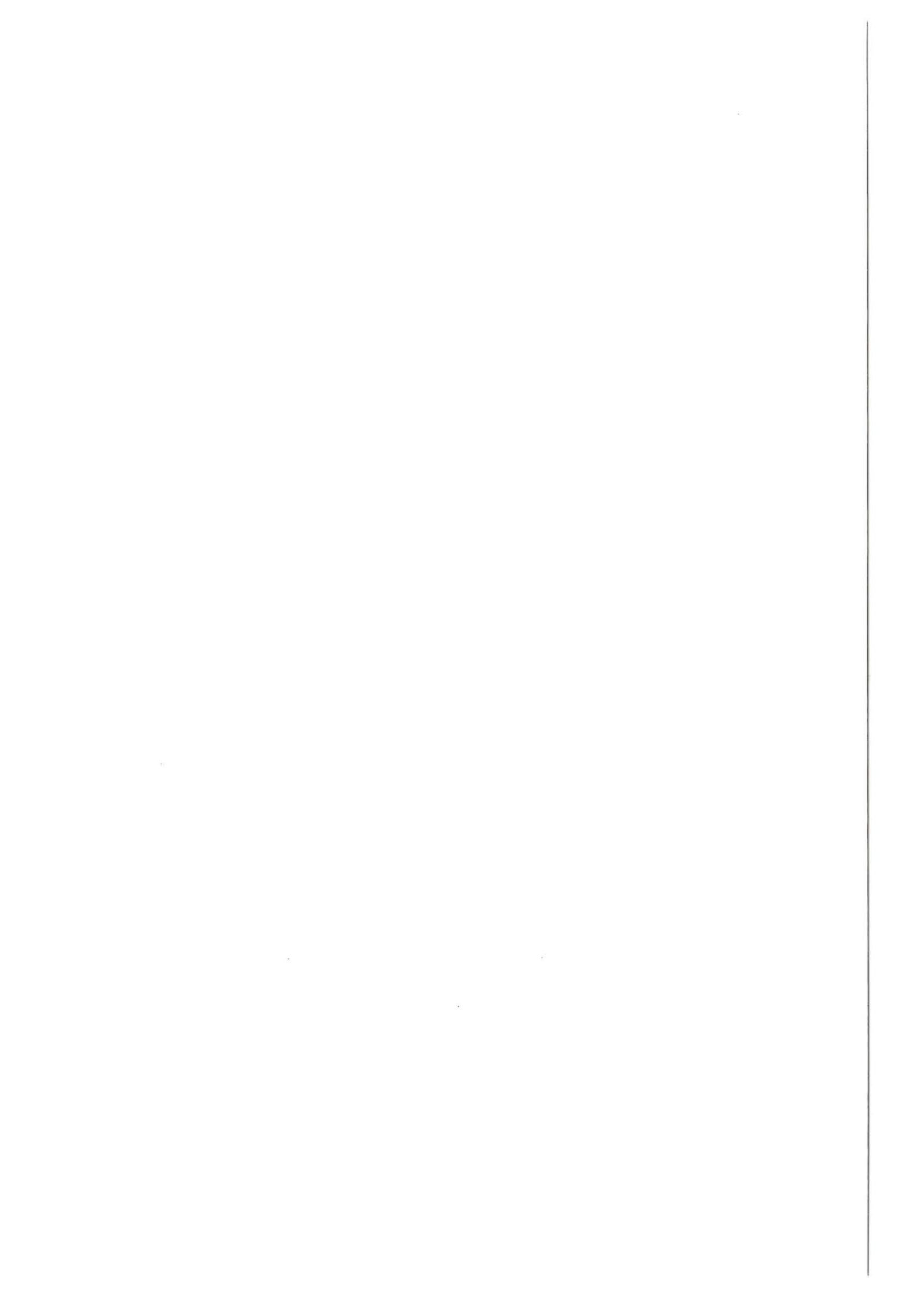
A part of the surplus amounting to 62.0 million kuna was remitted to the government budget in the form of prepayments during the year. 54.0 million were remitted in cash, 3.6 million kuna were used to cover debts and liabilities based on interest due, 0.8 million kuna were used to cover credit payments due, and 3.6 million kuna compensated liabilities of the government emanating from the membership of the Republic of Croatia in the International Monetary Fund and other international financial organizations. In 1997, according to the financial statement, the remainder of the full income surplus, 15.8 million kuna, will be remitted.

The surplus of revenues over expenditures achieved of 77.8 million kuna represents 15.8% of the total revenues of the National Bank of Croatia in 1996.

MANAGEMENT OF THE NBC

(December 31, 1996)





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Dragutin Zaninović, Vice Governor

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Area of central banking operation - **Adolf Matejka, M.S.**

International financial relations area - **Jadranka Granić**

Area of control and supervision - **Ivo Tešija**

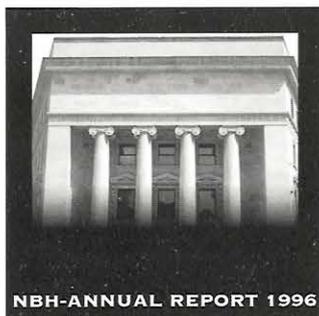
Accounting, treasury and payment operations area - **Đurđa Haramija, M.S.**

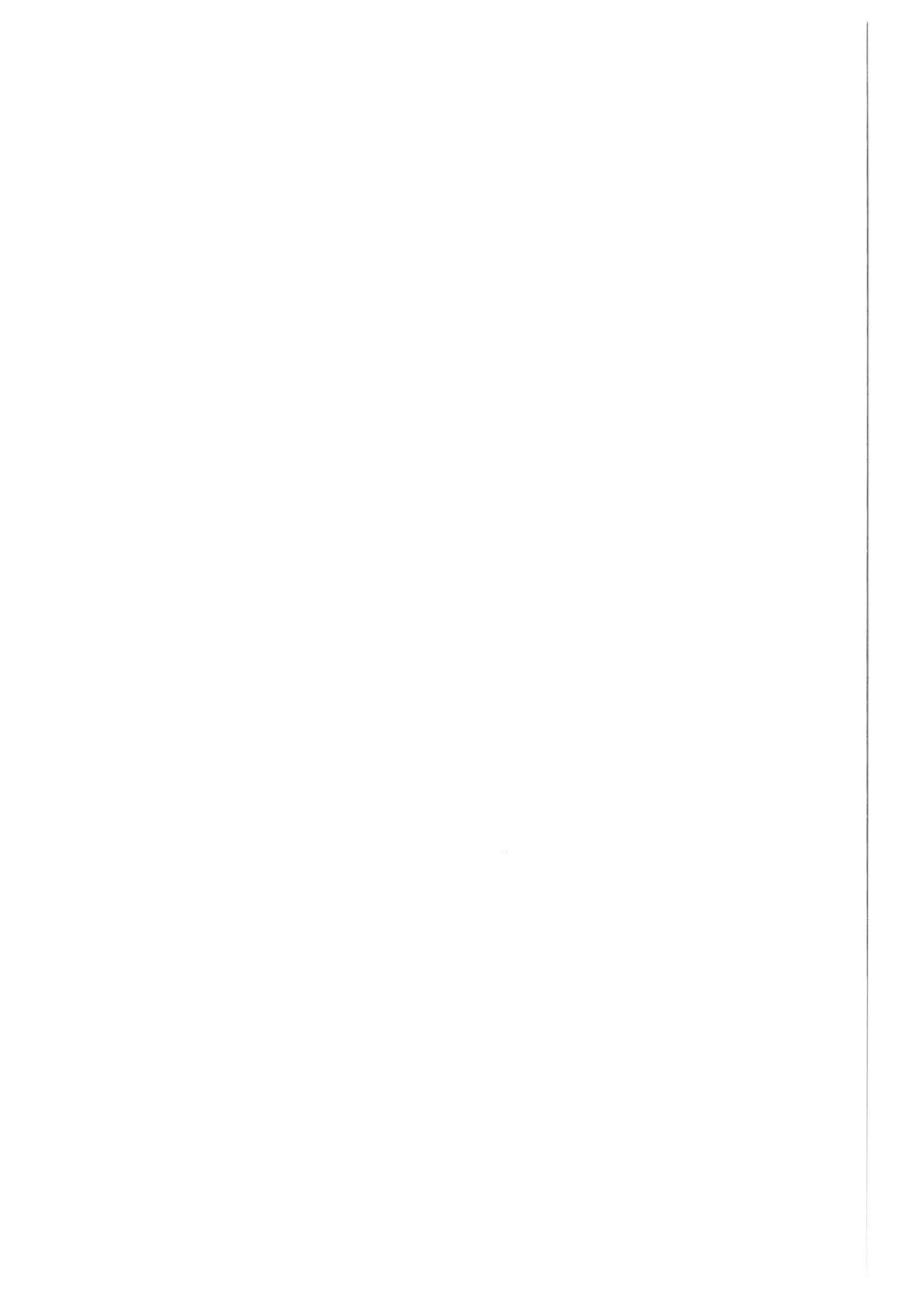
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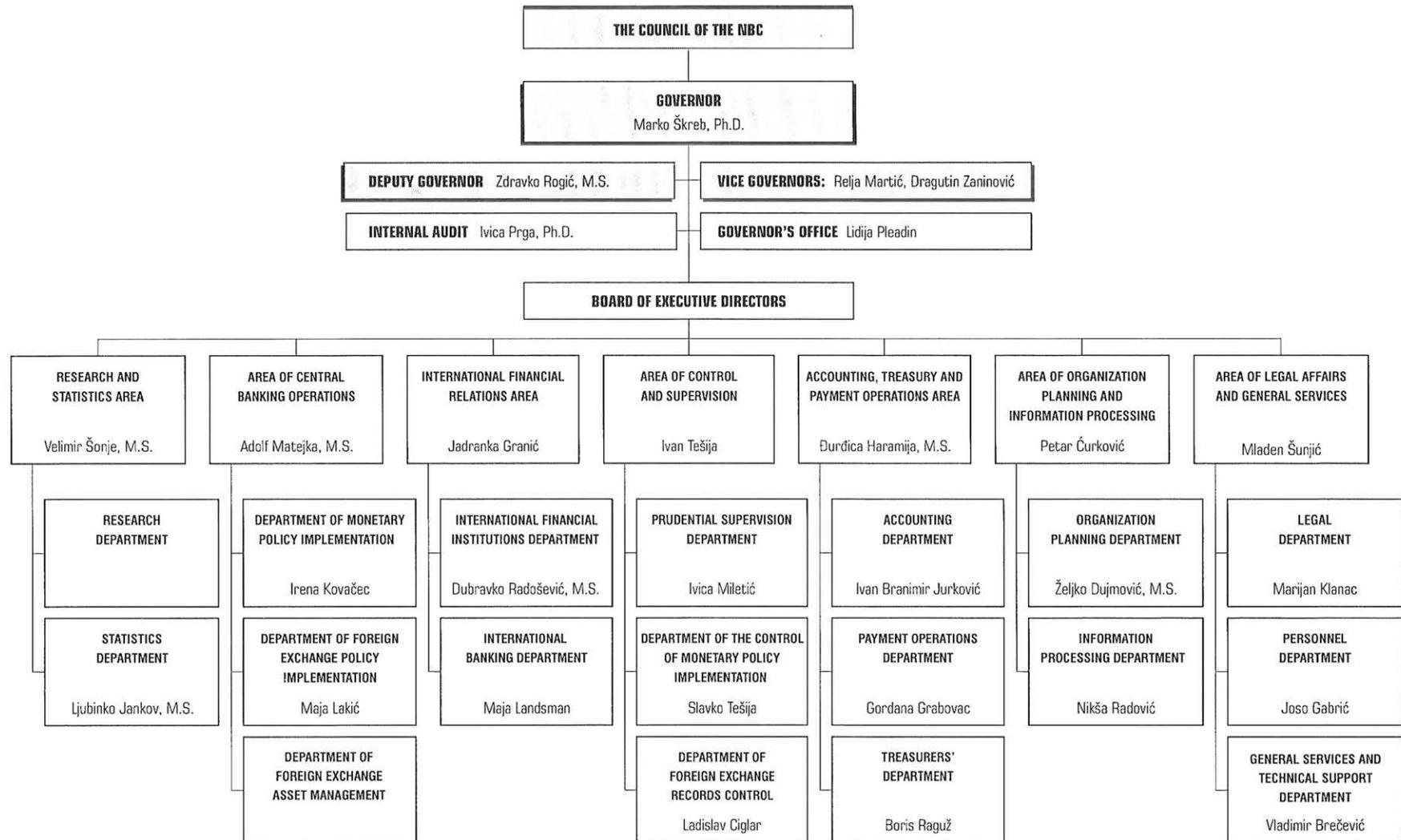
Area of legal affairs and general services - **Mladen Šunjić**

INTERNAL ORGANIZATION OF THE NBC

(December 31, 1996)







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INTERNAL AUDIT Ivica Prga, Ph.D.

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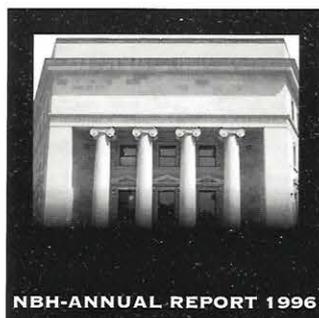
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*** PARTNER BANKA D.D.**

Andrije Žaje 61
10000 ZAGREB

Phone: + 385 1 / 391 433
Fax: + 385 1 / 391 250
Tlx: 21212 parbaz rh
SWIFT: PAZG HR 2X

*** PODRAVSKA BANKA D.D.**

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48300 KOPRIVNICA

Phone: + 385 48 / 6550
Fax: + 385 48 / 827 143
Tlx: 23368 pod kc rh
SWIFT: PDKC HR 2X

International Division

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Fax: + 385 48 / 655 135
Tlx: + 599 23311 pod kc rh

*** POŽEŠKA BANKA D.D.**

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Fax: + 385 34 / 271 006
Tlx: 28550 kb slp rh
SWIFT: POBK HR 2X

International Division

Phone: + 385 34 / 72 218

*** PRIVREDNA BANKA ZAGREB D.D.**

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10000 ZAGREB

Phone: + 385 1 / 4610 401, 4610 447
Fax: + 385 1 / 4610 429
Tlx: 21120 pbz rh
SWIFT: PBZG HR 2X
Reuters: PBZH

*** PROMDEI BANKA D.D.**

Kralja Držislava 1
10000 ZAGREB

Phone: + 385 1 / 4551 379; 4551 277; 412 939
Fax: + 385 1 / 449 553
Tlx: 21248 promde rh
SWIFT: PDEI HR 2X

RAZVOJNA BANKA "DALMACIJA" D.D.

Poljička cesta 39
21000 SPLIT

Phone: + 385 21 / 365 904; 371 000
Fax: + 385 21 / 365 904; 371 000

*** RAIFFEISENBANK AUSTRIA D.D.**

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10000 ZAGREB

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Fax: + 385 1 / 448 626
SWIFT: RZBH HR 2X

*** RIADRIA BANKA D.D.**

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Fax: + 385 51 / 211 093; 211 013
Tlx: 24 161

International Division

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Fax: + 385 51 / 211 551
SWIFT: ADRI HR 2X

LIST OF BANKS

*** RIJEČKA BANKA D.D.**

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51000 RIJEKA

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Fax: + 385 51 / 330 525; 331 880
Tlx: 24 143 bankom rh
SWIFT: RBRI HR 2X
Reuters: RBRH

SAMOBORSKA BANKA D.D.

Trg Kralja Tomislava 8
10430 SAMOBOR

Phone: + 385 1 / 782 530
Fax: + 385 1 / 781 523
Tlx: 21811 samba rh

*** SISAČKA BANKA D.D.**

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Fax: + 385 44 / 22 090
Tlx: 23645 sbdd sk rh
SWIFT: SSKB HR 2X

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SWIFT: SBSL HR 2X

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Phone. odjela za odnos s inoz.: + 385 31 / 131 405
Fax: + 385 31 / 124 846
Tlx: 28235; 28090 banka rh
SWIFT: SLBO HR 2X

*** SPLITSKA BANKA D.D.**

Rudera Boškovića 16
21000 SPLIT

Phone: + 385 21 / 370 500; 370 516
Fax: + 385 21 / 370 541
Tlx: 26252 st bank rh
SWIFT: SPLI HR 2X

International Division

Rudera Boškovića 28
21000 SPLIT

Phone: + 385 21 / 563 611; 563 873
Fax: + 385 21 / 526 107
Tlx: 26161 st bank rh

*** ŠTEDBANKA D.O.O.**

Veprinačka 16
10000 ZAGREB

Phone: 385 1 / 337 166
Fax: 385 1 / 562 949
SWIFT: STED HR 22

*** TRGOVAČKA BANKA D.D.**

Varšavska 3-5
10000 ZAGREB

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Fax: + 385 1 / 4561 900
Tlx: 22370 tb rh
SWIFT: TRGB HR 2X

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Fax: + 385 21 / 362 122
Tlx: 26609

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Fax: + 385 1 / 41 52 99
SWIFT: TSBZ HR 22

*** VARAŽDINSKA BANKA D.D.**
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42000 VARAŽDIN

Phone: + 385 42 / 106 122; 106 190
Fax: + 385 42 / 106 102
Tlx: 23224 banka rh
SWIFT: VBDD HR 2X Reuters: VBVH

International Division
Phone: + 385 42 / 106 000
Fax: + 385 42 / 55 114; 55 569
Tlx: 23203 banka rh

**** VOLKSBANK D.D.**
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10000 ZAGREB

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Fax: + 385 1 / 333 - 904

*** VUKOVARSKA BANKA D.D.**
Ksaver 195
10000 ZAGREB

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Fax: + 385 1 / 424 612
SWIFT: VUBA HR 2X

*** ZAGREBAČKA BANKA D.D.**
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10000 ZAGREB

Phone: + 385 1 / 6130 444
Fax: + 385 1 / 536 626
Tlx: 21462 zaba rh
SWIFT: ZABA HR 2X
Reuters: ZBZH

International Division
Savska 60
10000 ZAGREB

Phone: + 385 1 / 6120 444
Fax: + 385 1 / 534 040
Tlx: 21211 zaba rh

*** ZAGREBAČKA BANKA-POMORSKA BANKA D.D.**
Ivana Gundulića 26
21000 SPLIT

Phone: + 385 21 / 352 222
Fax: + 385 21 / 357 079
Tlx: 26333, 26199 zg pbk rh
SWIFT: ZAPO HR 22

International Division
Phone: + 385 21 / 352 288; 352 390
Fax: + 385 21 / 352 242

*** ŽUPANJSKA BANKA D.D.**
J.J.Strossmayera 9
56270 ŽUPANJA

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Fax: + 385 32 / 832 646
Tlx: 28216 kbz rh
SWIFT: ZUBA HR 2X

International Division
Phone: + 385 32 / 833 824
Fax: + 385 32 / 833 59

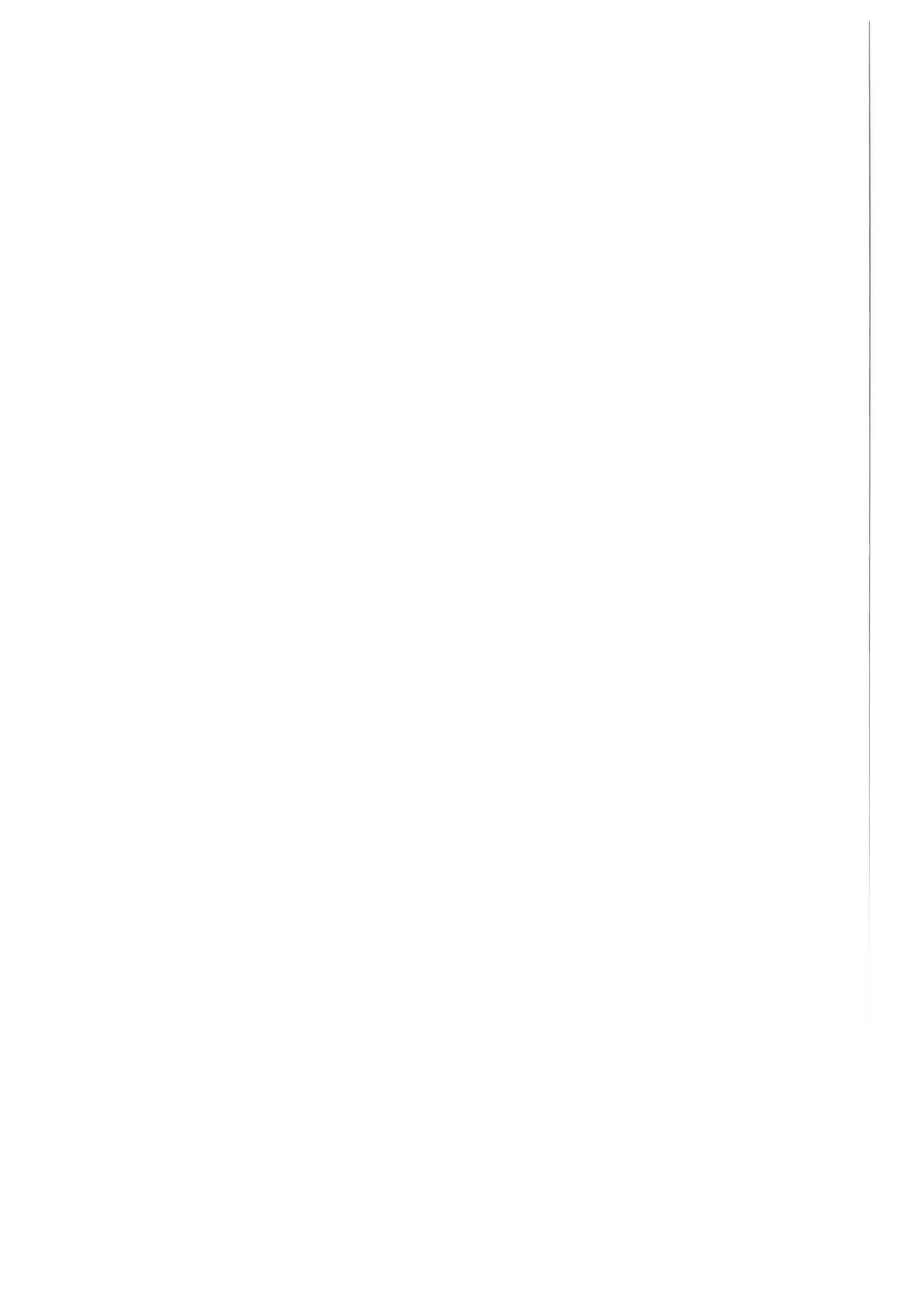
* *Bank authorized for international operations*

** *Licensed but not yet operative*

LICENCED BRANCHES OF FOREIGN BANKS:
(Branches of foreign banks with full authorization)

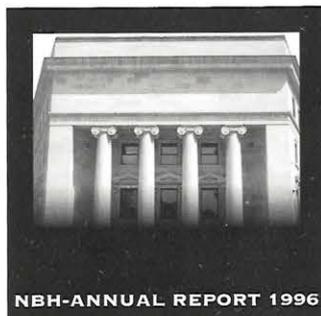
Branch of SOCIETE GENERALE D.D. PARIS
Preradovićeva 35/1
10000 ZAGREB

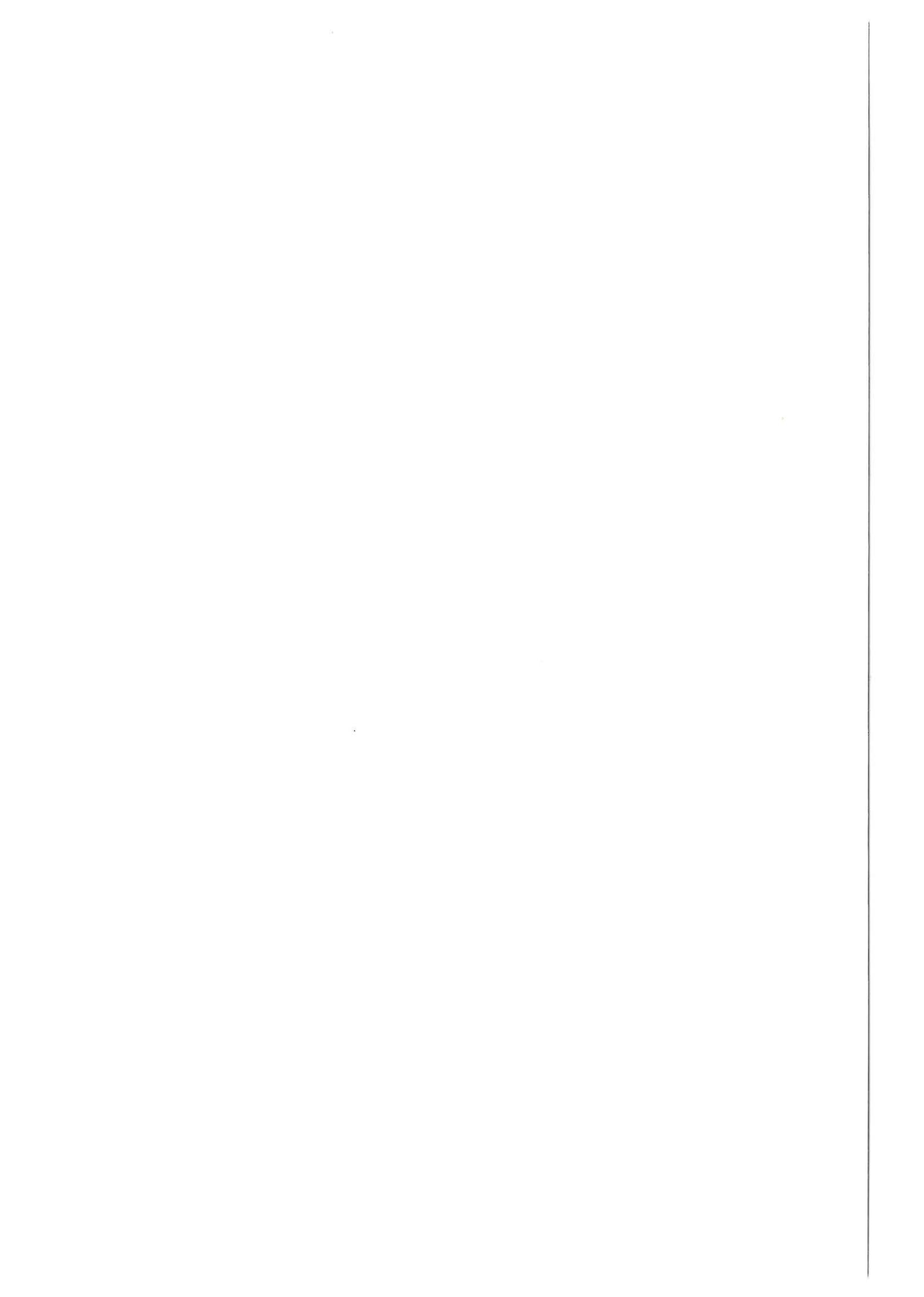
Phone: +385 1 / 6159 - 206
SWIFT : SOGE HR 22



LIST OF SAVINGS BANKS

(December 31, 1996)





"ADRIA ŠTEDIONICA" d.o.o.

Zagreb, Ul. grada Vukovara 37a

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"GOSPODARSKA ŠTEDIONICA" d.o.o.

Vrbovec, Stjepana Radića 2

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"GRADANSKA ŠTEDIONICA" d.o.o.

Karlovac, Preradovićeve 5

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"HIBIS ŠTEDIONICA" d.o.o.

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"INVEST ŠTEDIONICA" d.o.o.

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Phone: + 385 1 6176 603; 6176 604; 6176 605

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"KRAPINSKA ŠTEDIONICA" d.d.

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"MARVIL ŠTEDIONICA" d.o.o.

Zagreb, Ivana Šibla 9

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"NAVA ŠTEDIONICA" d.d.

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"PRVA OBRTNIČKA ŠTEDIONICA" d.o.o.

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"SLAVONSKA ŠTEDIONICA" d.d.

Zagreb, Medvedgradska 47

Phone: + 385 1 420 868

*** "ŠPAR ŠTEDIONICA" d.o.o.**

Zagreb, Vlaška 67

"ŠTEDIONICA BANAK" d.o.o.

Pula, Flanatička 11/I

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*** ŠTEDIONICA "DORA" d.d.**

Zagreb, Prilaz baruna Filipovića 75/1

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"ŠTEDIONICA DUGI POGLED" d.o.o.

Zagreb, Ilica 228

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*** ŠTEDIONICA "GOLD" d.o.o.**

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LIST OF SAVINGS BANKS

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Pula, Ul. prvog maja broj 1

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ŠTEDIONICA "ZLATNI VRUTAK" d.d.

Zagreb, Maksimirska 39

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ŠTEDIONICA "SLAVONIJA" d.o.o.

Zagreb, Vrbanićeva 50/I

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"TRGOVAČKA ŠTEDIONICA" d.o.o.

Zagreb, Utješinovićeve 7

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"ŠTEDIONICA SPLITSKO

DALMATINSKA" d.o.o.

Split, Boktuljin put bb

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"ZAGREBAČKA ŠTEDIONICA" d.d.

Zagreb, Budakova 1

Phone: + 385 1 2301 333

"ŠTEDIONICA ZA RAZVOJ I OBNOVU" d.o.o.

Zagreb, Koturaška 53

Phone: + 385 1 4559 666

*** "ZAPAD ŠTEDIONICA" d.o.o.**

Zagreb, Zlatka Šulentića 9a

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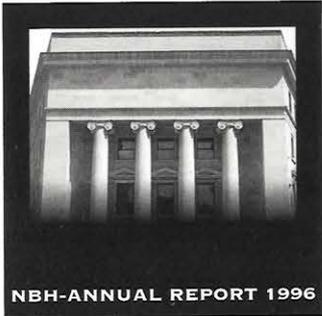
ŠTEDIONICA "ZAGIŠTED" d.d.

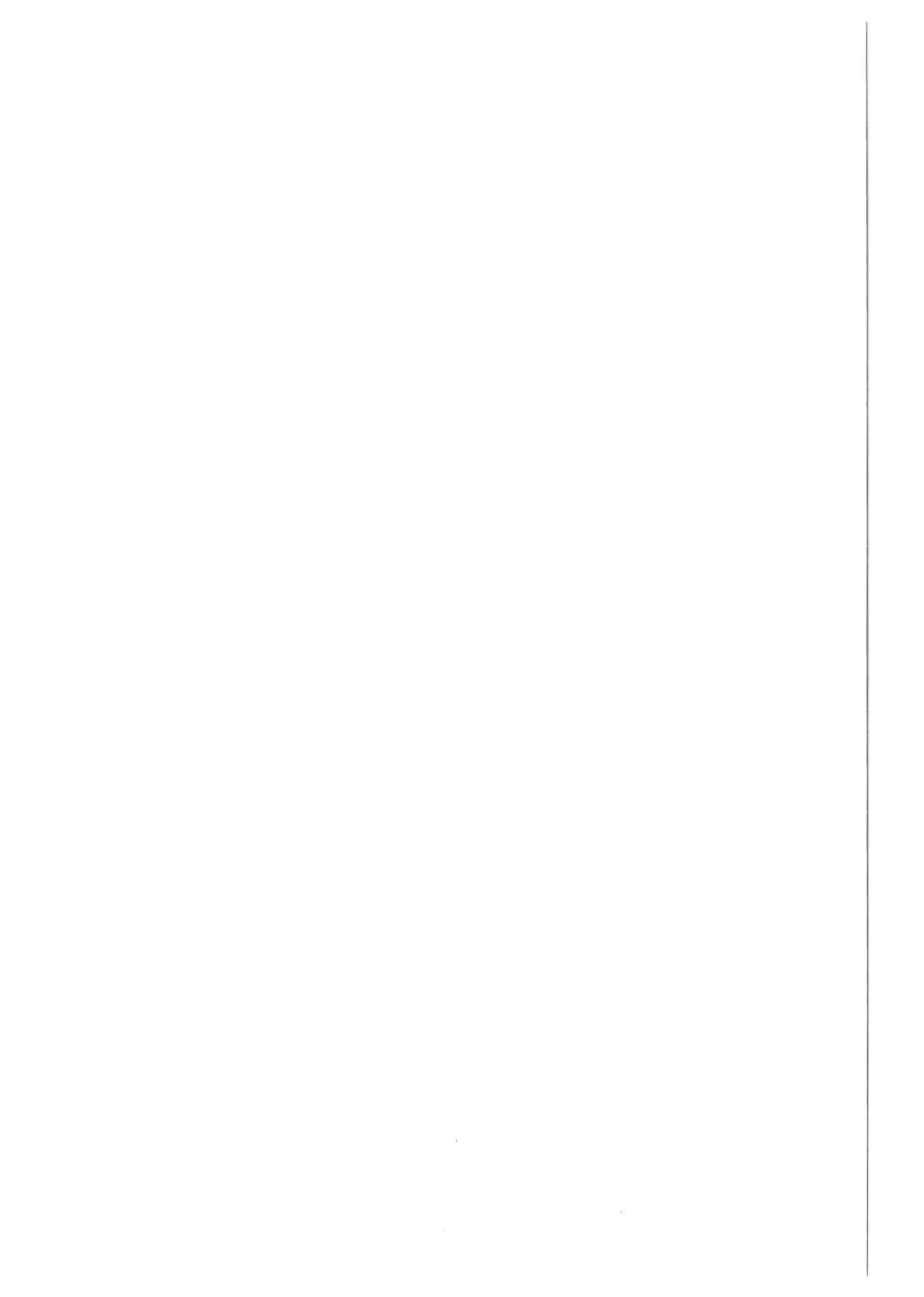
Zagreb, Školski prilaz 5

Phone: + 385 1 672 101; 681 552

* Licenced savings bank not yet operative.

STATISTICAL APPENDIX





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Table A1: Monetary and Credit Aggregates
End of Period, In Millions of Kuna

MONETARY AND CREDIT AGGREGATES

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	3 133.9	3 758.7	10 060.0	12 022.5	20 287.9	-	-	-	-	-	-
1994	December	4 714.2	6 639.6	6 988.4	17 480.7	16 345.0	27 313.3	11.73	2.12	3.71	1.10	10.51	2.14
1995	June	5 558.2	7 748.0	7 947.8	19 691.4	17 464.7	27 227.5	7.68	3.43	1.96	2.92	-1.37	-1.60
	July	6 173.7	8 509.4	8 737.8	21 705.2	19 166.8	28 259.2	11.07	9.83	9.94	10.23	9.75	3.79
	August	6 231.5	8 840.5	9 018.3	22 627.9	19 961.1	28 842.3	0.94	3.89	3.21	4.25	4.14	2.06
	September	6 437.3	8 362.6	8 551.6	22 823.9	19 882.5	29 396.8	3.30	-5.41	-5.17	0.87	-0.39	1.92
	October	6 611.2	8 338.1	8 514.9	23 240.6	20 686.9	31 103.6	2.70	-0.29	-0.43	1.83	4.05	5.81
	November	6 549.8	8 198.7	8 368.9	23 729.1	21 300.9	31 888.4	-0.93	-1.67	-1.72	2.10	2.97	2.52
	December	6 744.1	8 274.8	8 497.4	24 536.9	21 511.6	32 478.1	2.97	0.93	1.54	3.40	0.99	1.85
1996	January	6 513.5	8 339.1	8 393.1	25 962.7	23 125.7	33 022.5	-3.42	0.78	-1.23	5.81	7.50	1.68
	February	6 510.6	8 296.6	8 417.1	26 477.2	23 288.9	33 306.4	-0.04	-0.51	0.29	1.98	0.71	0.86
	March	6 675.8	8 600.7	8 704.5	27 535.6	23 802.3	34 046.4	2.54	3.66	3.41	4.00	2.20	2.22
	April	6 664.2	8 755.8	8 836.8	28 236.9	23 786.2	35 037.0	-0.17	1.80	1.52	2.55	-0.07	2.91
	May	6 811.5	8 999.7	9 191.8	28 718.5	23 922.2	35 252.0	2.21	2.79	4.02	1.71	0.57	0.61
	June	7 124.5	9 396.3	9 579.2	29 415.9	24 039.2	35 374.9	4.60	4.41	4.21	2.43	0.49	0.35
	July	7 706.0	10 197.9	10 320.2	31 553.1	25 034.2	35 406.0	8.16	8.53	7.74	7.27	4.14	0.09
	August	7 995.8	10 453.6	10 648.4	32 655.0	25 080.9	35 960.4	3.76	2.51	3.18	3.49	0.19	1.57
	September	7 881.6	10 325.9	10 493.1	33 231.9	25 168.9	36 484.7	-1.43	-1.22	-1.46	1.77	0.35	1.46
	October	7 962.9	10 611.3	10 786.0	34 354.8	26 259.4	37 308.1	1.03	2.76	2.79	3.38	4.33	2.26
	November	7 876.2	10 590.4	10 677.3	34 905.1	26 321.6	37 938.6	-1.09	-0.20	-1.01	1.60	0.24	1.69
	December	8 770.3	11 409.3	11 489.5	36 595.5	24 885.6	33 488.6	11.35	7.73	7.61	4.84	-5.46	-11.73
1997	January	8 331.3	10 683.0	10 734.7	37 374.4	26 419.0	34 051.8	-5.01	-6.37	-6.57	2.13	6.16	1.68
	February	8 091.3	10 679.0	10 767.5	38 274.7	25 338.0	34 792.9	-2.88	-0.04	0.31	2.41	-4.09	2.18
	March	8 420.0	10 995.0	11 093.5	39 292.1	26 654.0	36 181.6	4.06	2.96	3.03	2.66	5.19	3.99

Table B1: Monetary Survey

End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7			
	Dec.	Dec.	Dec.	Mar.	Jun.	Oct.	Dec.	Jan.	Feb.	Mar.	Apr.
ASSETS											
1. Foreign assets (net)	-1 962.5	1 135.8	3 025.3	3 733.3	5 376.7	8 063.1	11 709.9	10 955.4	12 936.6	12 638.2	11 978.3
2. Domestic credit	39 357.0	42 937.6	47 633.6	49 186.0	49 106.0	49 764.6	48 121.6	49 121.2	48 048.3	49 386.0	50 962.6
2.1. Claims on central government and funds (net)	19 069.1	15 624.3	15 155.5	15 139.7	13 731.1	13 279.9	14 633.0	15 069.4	13 255.4	13 204.4	13 236.4
2.2. Claims on other domestic sectors	20 262.0	27 221.6	32 346.6	33 911.3	35 220.6	36 317.6	33 311.1	33 855.3	34 576.3	35 953.3	37 485.4
2.3. Claims on other banking institutions	10.2	30.0	30.8	37.1	35.3	33.2	38.4	43.8	53.4	53.1	59.3
2.4. Claims on other financial institutions	15.7	61.8	100.6	97.9	119.1	133.9	139.1	152.7	163.2	175.2	181.5
Total (1+2)	37 394.5	44 073.4	50 658.9	52 919.4	54 482.7	57 827.7	59 831.5	60 076.6	60 984.9	62 024.1	62 940.9
LIABILITIES											
1. Money	3 133.9	6 639.6	8 274.8	8 600.7	9 396.3	10 325.9	11 409.3	10 683.0	10 679.0	10 995.0	11 405.9
2. Savings and time deposits	1 465.6	1 866.9	2 037.9	2 298.3	2 516.9	2 985.6	3 254.7	3 353.5	3 537.6	3 816.0	3 853.1
3. Foreign currency deposits	5 412.3	8 775.3	14 099.4	16 498.9	17 336.8	19 812.7	21 802.0	23 193.1	23 914.4	24 315.3	25 183.9
4. Bonds and money market instruments	48.3	199.0	124.8	137.8	165.9	107.7	129.5	144.8	143.6	165.8	153.5
5. Restricted and blocked deposits	14 262.9	12 122.3	10 711.0	10 023.3	9 536.1	8 821.4	8 301.0	7 671.4	7 522.6	7 605.2	7 343.4
o/w: Households' blocked f/c deposits	13 857.4	11 470.6	9 812.5	9 219.0	8 704.1	7 940.2	7 168.2	6 734.7	6 614.1	6 519.9	6 314.0
6. Other (net)	13 071.5	14 470.4	15 411.0	15 360.4	15 530.8	15 774.3	14 935.0	15 030.8	15 187.7	15 126.9	15 001.1
Total (1+2+3+4+5+6)	37 394.5	44 073.4	50 658.9	52 919.4	54 482.7	57 827.7	59 831.5	60 076.6	60 984.9	62 024.1	62 940.9

Table B2: Number Of Reporting Deposit Money Banks¹⁾ and Savings Banks and their Classification by Size

Year	Month	Total number of reporting DMBs	Reporting DMBs graded according to their total assets						Total number of reporting savings banks	Savings banks graded 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	10 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	June	51	14	21	5	7	2	2	35	20	13	2
	July	51	14	21	5	7	2	2	21	9	11	1
	August	52	15	20	6	7	2	2	21	9	11	1
	September	52	15	20	6	7	2	2	21	8	12	1
	October	52	15	20	6	7	2	2	21	8	12	1
	November	53	16	19	7	7	2	2	21	7	13	1
	December	53	15	20	7	7	2	2	21	7	13	1
	1996	January	53	14	21	7	7	2	2	21	6	14	1
February		54	13	23	7	6	3	2	21	6	14	1
March		54	13	23	6	7	3	2	21	6	14	1
April		54	13	23	6	7	3	2	21	6	14	1
May		54	11	24	7	8	2	2	21	6	14	1
June		54	11	23	8	7	3	2	21	6	14	1
July		54	10	24	8	7	3	2	21	6	14	1
August		55	11	23	8	8	3	2	21	7	13	1
September		55	11	23	8	8	3	2	21	7	13	1
October		57	10	25	9	7	4	2	22	10	11	1
November		57	11	25	8	7	4	2	22	10	11	1
December		57	10	26	6	9	4	2	22	10	11	1
1997	January	58	11	25	7	9	4	2	22	8	13	1
	February	58	11	24	8	9	4	2	24	10	13	1
	March	59	10	26	8	8	5	2	25	10	14	1

¹⁾ Including banks and savings banks in liquidation.

Table C1: Monetary Authorities Accounts (Assets)
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
ASSETS										
1. Foreign assets	4 043.5	7 908.3	10 075.1	10 319.0	10 989.2	12 451.9	12 818.5	12 702.3	13 146.2	13 495.9
1.1. Gold	-	-	-	-	-	-	-	-	-	-
1.2. Holdings of SDRs	24.4	25.4	743.4	752.9	720.0	703.4	695.5	711.8	719.7	938.0
1.3. Foreign cash in vaults	608.4	87.9	383.8	385.0	195.3	114.2	115.6	119.4	61.3	61.0
1.4. Demand deposits with foreign banks	7.3	1.4	12.0	3.9	2.7	2.1	50.3	12.1	5.3	256.1
1.5. Time deposits with foreign banks	3 403.5	7 793.6	8 381.3	8 592.7	9 314.1	11 040.2	11 009.8	10 485.9	10 466.9	10 142.2
1.6. Securities in f/c	-	-	554.6	584.6	757.0	591.9	947.3	1 373.0	1 892.9	2 098.6
1.7. Nonconvertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government	535.1	250.6	390.1	585.8	352.1	275.0	218.8	329.8	240.4	173.5
2.1. Claims in Kuna	383.6	180.1	353.1	548.3	327.5	250.6	206.4	317.1	227.3	173.5
Short-term loans maturing in less than 1 month	-	-	-	200.0	-	-	-	100.0	-	-
Loans maturing in more than 1 month	376.7	180.1	353.1	348.3	299.8	250.6	206.4	217.1	223.8	169.8
Overdue claims	7.0	-	0.1	0.0	27.8	-	-	0.0	3.5	3.7
2.2. Claims in f/c	151.4	70.5	37.0	37.5	24.6	24.4	12.4	12.7	13.0	0.0
3. Claims on other domestic sectors	0.3	0.7	0.9	3.3	2.6	1.8	1.1	0.8	0.6	0.3
4. Claims on DMBs	191.6	223.8	220.2	137.2	122.5	2.5	213.9	14.2	110.8	43.7
4.1. Credits to DMBs	181.6	221.7	122.8	134.8	120.2	0.1	211.4	13.1	109.7	42.6
Refinancing of DMBs	139.8	-	-	-	-	-	-	-	-	-
Short-term credits against securities portfolio	-	-	25.8	-	-	-	-	-	-	-
Lombard credits	5.5	24.0	96.6	134.4	119.8	-	211.3	13.0	109.6	42.5
Other credits	36.3	0.4	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1
NBC bills under repurchase agreement	-	197.3	-	-	-	-	-	-	-	-
4.2. NBC deposits with DMBs	0.5	1.2	1.3	1.3	1.4	1.4	1.4	0.0	-	-
4.3. Overdue claims	9.5	0.9	96.1	1.0	1.0	1.0	1.0	1.1	1.1	1.1
5. Claims on other banking institutions	-	-	-	-	-	-	-	-	-	-
6. Total (1+2+3+4+5)	4 770.5	8 383.4	10 686.3	11 045.3	11 466.5	12 731.3	13 252.3	13 047.1	13 498.0	13 713.5

Table C1: Monetary Authorities Accounts (Liabilities)
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
LIABILITIES										
1. Reserve money	2 248.9	4 714.2	6 744.1	6 675.8	7 124.5	7 881.6	8 770.3	8 331.3	8 091.3	8 420.0
1.1. Currency outside banks	1 367.0	2 658.2	3 365.1	3 275.4	3 577.0	3 918.8	4 366.2	4 260.7	4 287.8	4 553.0
1.2. DMBs' cash in vaults	52.2	133.8	131.5	113.3	110.7	137.0	147.4	164.9	149.3	141.2
1.3. DMBs' deposits	821.5	1 901.3	3 199.0	3 238.6	3 393.3	3 774.9	4 210.9	3 850.2	3 606.2	3 682.9
Giro accounts	54.9	116.1	181.2	182.0	270.3	444.9	899.4	469.9	284.1	332.2
Statutory reserves	766.6	1 785.2	2 201.8	2 255.1	2 458.7	2 954.6	3 311.5	3 380.2	3 322.1	3 350.7
NBC bills on obligatory basis	-	-	816.0	801.6	664.3	375.3	-	-	-	-
1.4. Deposits of other banking institutions	0.0	5.9	45.6	48.5	43.6	50.9	45.9	55.5	47.8	42.7
1.5. Deposits of other domestic sectors	8.2	15.0	2.8	0.0	0.0	0.0	0.1	0.1	0.1	0.1
2. Restricted and blocked deposits	1.4	40.3	212.2	216.3	230.2	226.8	243.2	128.6	102.9	96.7
2.1. Restricted deposits	1.4	40.3	54.1	53.3	58.0	66.2	78.7	92.3	99.7	96.7
2.2. Escrow deposits	-	-	158.1	163.0	172.2	160.6	164.4	36.3	3.1	-
3. Foreign liabilities	151.7	716.1	1 175.1	1 193.2	1 160.9	1 149.3	1 160.0	1 188.0	1 218.2	1 437.0
3.1. Use of IMF credit	151.3	715.3	1 173.9	1 191.5	1 159.2	1 147.6	1 158.2	1 185.3	1 215.4	1 434.2
3.2. Liabilities to international organizations	0.3	0.8	1.2	1.7	1.7	1.7	1.8	2.7	2.8	2.8
4. Central government deposits	0.0	793.8	395.5	608.8	613.5	717.2	557.6	686.7	797.8	838.9
4.1. Demand deposits	0.0	793.8	395.5	579.6	613.5	547.5	424.6	514.4	642.9	615.5
Central government demand deposits	-	725.5	338.6	423.4	510.3	454.2	342.0	408.9	509.2	537.1
Central government funds demand deposits	0.0	68.3	56.9	156.2	103.1	93.3	82.6	105.6	133.7	78.4
4.2. Central government f/c deposits	-	-	-	-	-	-	-	-	-	-
4.3. NBC bills	-	-	-	29.3	0.0	169.7	133.0	172.2	154.9	223.4
5. NBC bills	21.2	375.1	168.3	316.3	512.2	946.1	665.7	628.4	795.9	704.6
6. Capital accounts	2 366.0	2 066.0	2 019.4	2 073.3	1 831.5	1 818.8	1 900.1	2 104.2	2 247.4	2 209.1
7. Other items (net)	- 18.7	- 322.1	- 28.3	- 38.4	- 6.3	- 8.6	- 44.6	- 20.1	244.5	7.1
8. Total (1+2+3+4+5+6+7)	4 770.5	8 383.4	10 686.3	11 045.3	11 466.5	12 731.3	13 252.3	13 047.1	13 498.0	13 713.5

Table D1: Deposit Money Banks' Accounts
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
ASSETS										
1. Reserves	860.9	2 033.5	3 302.1	3 365.8	3 510.6	3 924.3	4 359.2	4 010.5	3 757.2	3 828.3
2. Foreign assets	6 212.1	7 078.4	9 273.9	10 387.1	11 706.1	12 877.5	12 518.0	12 124.1	13 924.6	13 439.0
o/w: Claims on former SFRY	969.2	385.9	425.8	450.2	440.4	334.0	247.9	252.7	252.2	225.8
3. Claims on central government	19 971.9	17 837.0	17 186.5	16 927.4	15 653.6	15 507.2	16 692.7	17 145.1	16 400.4	15 666.9
3.1. Bonds arising from blocked f/c deposits	14 836.8	11 437.3	10 078.2	9 539.0	8 477.4	7 858.2	8 291.1	7 873.2	7 866.1	7 863.1
3.2. Big bonds	3 635.5	4 971.6	5 060.9	4 877.9	4 656.1	4 053.1	2 438.5	2 461.6	2 459.3	2 396.6
3.3. Other claims	1 499.6	1 428.1	2 047.4	2 510.5	2 520.2	3 596.0	5 963.1	6 810.2	6 074.9	5 407.2
4. Claims on other domestic sectors	20 261.7	27 220.8	32 345.8	33 908.0	35 218.0	36 315.7	33 310.0	33 854.5	34 575.7	35 952.9
4.1. Claims on local government	11.4	112.9	147.1	150.2	139.0	138.6	145.4	149.9	148.7	150.1
4.2. Claims on enterprises	18 348.2	23 733.5	27 686.4	28 910.0	29 939.7	30 626.0	26 814.7	27 159.4	27 600.1	28 624.1
4.3. Claims on households	1 902.1	3 374.4	4 512.3	4 847.8	5 139.2	5 551.2	6 349.9	6 545.2	6 826.9	7 178.8
5. Claims on other banking institutions	10.2	30.0	30.8	37.1	35.3	33.2	38.4	43.8	53.4	53.1
6. Claims on other financial institutions	15.7	61.8	100.6	97.9	119.1	133.9	139.1	152.7	163.2	175.2
Total (1+2+3+4+5+6)	47 332.4	54 261.4	62 239.8	64 723.4	66 242.6	68 791.9	67 057.4	67 330.6	68 874.4	69 115.5
LIABILITIES										
1. Demand deposits	1 758.7	3 960.5	4 861.2	5 276.8	5 775.7	6 356.2	6 997.2	6 366.8	6 343.2	6 399.1
2. Savings and time deposits	1 465.6	1 866.9	2 037.9	2 298.3	2 516.9	2 985.6	3 254.7	3 353.5	3 537.6	3 816.0
3. Foreign currency deposits	5 412.3	8 775.3	14 099.4	16 498.9	17 336.8	19 812.7	21 802.0	23 193.1	23 914.4	24 315.3
4. Bonds and money market instruments	48.3	199.0	124.8	137.8	165.9	107.7	129.5	144.8	143.6	165.8
5. Foreign liabilities	12 066.4	13 134.8	15 148.7	15 779.6	16 157.7	16 117.0	12 466.6	12 682.9	12 916.1	12 859.8
o/w: Liabilities to former SFRY	8 177.1	6 777.5	6 713.6	6 776.2	6 546.4	6 455.8	2 801.3	2 588.9	2 446.1	2 428.2
6. Central government and funds' deposits	1 437.8	1 669.4	2 025.6	1 764.8	1 661.2	1 785.1	1 720.9	1 718.8	2 587.5	1 797.1
7. Credit from central bank	275.2	224.0	182.6	136.3	121.7	28.7	267.7	13.3	109.9	42.9
8. Restricted and blocked deposits	14 261.5	12 081.5	10 656.0	9 968.6	9 475.5	8 752.6	8 219.2	7 576.5	7 422.8	7 508.5
o/w: Households' blocked f/c deposits	13 857.4	11 470.6	9 812.5	9 219.0	8 704.1	7 940.2	7 168.2	6 734.7	6 614.1	6 519.9
9. Capital accounts	11 203.3	13 721.8	15 116.2	15 039.8	15 513.8	15 971.0	15 133.6	14 890.1	14 753.5	15 258.7
10. Other items (net)	- 596.6	- 1 371.7	- 2 012.6	- 2 177.5	- 2 482.5	- 3 124.9	- 2 934.0	- 2 609.2	- 2 854.2	- 3 047.7
Total (1+2+3+4+5+6+7+8+9+10)	47 332.4	54 261.4	62 239.8	64 723.4	66 242.6	68 791.9	67 057.4	67 330.6	68 874.4	69 115.5

Table D2: Deposit Money Banks' Foreign Assets

End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Foreign assets in f/c	5 223.3	6 659.8	8 832.8	9 925.4	11 253.4	12 531.1	12 249.5	11 854.3	13 655.3	13 198.0
1.1. Claims on foreign banks	4 714.1	5 581.1	7 960.5	9 035.8	10 253.3	11 527.1	11 206.8	11 213.0	13 000.1	12 548.2
Foreign currencies	437.0	464.4	569.3	520.9	598.5	605.2	631.9	496.0	469.3	536.1
Demand deposits and f/c savings deposits	2 357.0	2 448.7	3 286.2	4 151.0	4 883.6	5 873.3	5 794.5	5 642.2	6 546.3	6 408.9
Pledged deposits	25.2	45.8	27.9	42.9	33.8	33.3	39.6	34.0	25.6	25.6
Letters of credit	161.2	145.5	97.5	69.3	56.6	64.3	66.1	69.7	68.1	68.9
Time and notice deposits	1 544.7	2 301.3	3 803.8	4 095.4	4 521.8	4 774.6	4 482.7	4 746.0	5 700.6	5 278.0
Securities	51.4	60.3	76.1	44.4	52.3	57.6	72.7	66.5	78.5	74.5
Loans and advances	49.2	22.6	19.2	31.6	28.9	41.3	26.6	65.9	20.3	56.0
Arrears	-	-	-	-	-	-	15.2	15.2	13.7	13.7
Shares and participations	88.5	92.4	80.4	80.3	77.7	77.4	77.4	77.5	77.7	86.7
1.2. Claims on foreign nonbanks	509.2	1 078.7	872.3	889.7	1 000.1	1 004.0	1 042.7	641.3	655.2	649.8
Claims on foreign governments	-	-	-	-	-	-	-	-	-	-
Claims on other nonresidents	552.9	785.6	572.3	589.6	706.7	710.9	750.5	348.8	362.3	358.5
Securities	531.2	514.4	536.2	530.1	525.3	506.0	492.5	97.3	100.5	98.2
Loans and advances	21.7	271.2	36.1	59.5	181.4	204.9	258.0	251.5	261.9	260.3
Arrears	- 47.0	-	7.2	8.5	10.9	11.6	10.9	11.3	11.5	10.0
Shares and participations	3.4	293.0	292.8	291.6	282.6	281.5	281.3	281.3	281.3	281.3
2. Foreign assets in kuna	19.6	32.7	15.3	11.5	12.3	12.5	20.6	17.1	17.1	15.2
2.1. Claims on foreign banks	-	-	-	-	-	-	3.3	1.3	1.3	1.3
2.2. Claims on foreign nonbanks	19.6	32.7	15.3	11.5	12.3	12.5	17.3	15.7	15.8	13.9
Loans and advances	16.5	28.5	15.3	11.5	12.3	12.5	17.3	15.7	15.8	13.9
Arrears	3.1	4.1	-	-	-	-	0.0	-	-	-
3. Claims on former SFRY	969.2	385.9	425.8	450.2	440.4	334.0	247.9	252.7	252.2	225.8
3.1. In f/c	968.4	383.0	423.8	447.5	436.0	328.4	244.3	249.2	249.0	222.0
Claims on foreign banks	864.7	194.7	198.3	203.4	178.6	157.2	159.3	160.6	159.4	148.0
Claims on foreign nonbanks	103.7	188.3	225.5	244.1	257.4	171.2	85.0	88.7	89.6	74.0
3.2. In kuna	0.8	2.9	2.1	2.7	4.4	5.5	3.6	3.5	3.2	3.8
Total (1+2+3)	6 212.1	7 078.4	9 273.9	10 387.1	11 706.1	12 877.5	12 518.0	12 124.1	13 924.6	13 439.0

Table D3: Deposit Money Banks' Claims on Central Government and Funds
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Bonds (c'part to blocked f/c savings deposits)	14 836.8	11 437.3	10 078.2	9 539.0	8 477.4	7 858.2	8 291.1	7 873.2	7 866.1	7 863.1
2. Big bonds	3 635.5	4 971.6	5 060.9	4 877.9	4 656.1	4 053.1	2 438.5	2 461.6	2 459.3	2 396.6
3. Other claims	1 499.6	1 428.1	2 047.4	2 510.5	2 520.2	3 596.0	5 963.1	6 810.2	6 074.9	5 407.2
3.1. In kuna	532.4	176.3	181.1	235.0	60.1	1 229.6	4 121.2	4 171.9	3 976.6	3 909.8
3.1.1. Claims on central government	407.4	147.4	166.3	234.3	39.3	1 208.7	4 100.2	4 150.9	3 947.6	3 892.2
Securities	133.1	144.0	145.6	206.8	17.9	1 193.9	4 071.6	4 146.5	3 942.4	3 888.7
Loans and advances	10.8	2.5	20.2	27.4	18.2	12.2	11.5	0.3	0.4	0.3
Arrears	263.4	0.9	0.4	0.1	3.2	2.5	17.1	4.0	4.8	3.2
3.1.2. Claims on central government funds	125.0	28.9	14.9	0.7	20.8	21.0	21.0	21.0	29.0	17.6
Securities	-	-	-	-	20.8	21.0	21.0	21.0	21.0	9.5
Loans and advances	124.9	28.7	14.9	0.4	-	-	0.0	0.0	8.0	8.1
Arrears	0.1	0.2	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
3.2. In f/c	967.2	1 251.9	1 866.3	2 275.5	2 460.1	2 366.3	1 841.9	2 638.4	2 098.3	1 497.3
3.2.1. Claims on central government	769.3	1 016.6	1 771.2	2 154.8	2 345.7	2 363.9	1 827.8	2 636.6	2 097.0	1 496.0
Bonds	55.1	271.3	704.7	1 260.9	1 354.0	1 517.7	1 396.2	2 172.3	1 833.0	1 232.9
Loans and advances	598.1	529.9	678.8	675.2	662.1	661.2	187.9	200.7	207.8	205.6
Postponed interest arrears	-	84.2	150.9	160.5	165.6	167.0	47.5	48.7	49.6	49.5
Arrears	116.1	131.2	236.8	58.2	164.0	18.1	196.2	214.9	6.7	8.0
3.2.2. Claims on central government funds	197.9	235.2	95.1	120.7	114.4	2.4	14.1	1.8	1.3	1.4
Securities	-	-	-	0.1	0.1	0.1	11.8	0.2	-	0.0
Loans and advances	197.9	235.2	95.1	120.6	114.3	2.3	2.3	1.6	1.3	1.3
Postponed interest arrears	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears	-	-	-	-	-	-	0.0	-	-	-
Total (1+2+3)	19 971.9	17 837.0	17 186.5	16 927.4	15 653.6	15 507.2	16 692.7	17 145.1	16 400.4	15 666.9

Table D4: Deposit Money Banks' Claims on Other Domestic Sectors
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Claims in Kuna	10 122.6	17 126.9	21 296.8	22 532.6	23 715.2	24 774.6	25 222.8	25 659.2	26 527.3	27 667.4
1.1. Bills of exchange	1.0	7.8	53.0	18.2	8.7	14.6	19.1	23.8	28.1	24.9
1.2. Commercial bills	1 138.7	149.3	23.9	23.9	23.7	23.6	22.9	22.9	22.9	23.3
1.3. Bonds	16.2	8.0	8.0	7.4	7.5	2.3	2.1	1.7	1.7	1.6
1.4. Other short-term securities	-	-	-	-	-	-	-	-	-	-
1.5. Loans and advances	6 618.6	11 536.7	15 749.4	16 874.4	17 627.9	19 029.4	21 203.8	21 957.9	22 719.7	23 877.6
1.6. Arrears	- 130.4	161.8	235.6	335.5	404.2	251.5	203.9	264.9	279.3	259.6
1.7. Shares and participations	2 478.5	5 263.2	5 227.0	5 273.3	5 643.2	5 453.3	3 770.9	3 388.1	3 475.6	3 480.4
2. Claims in f/c	10 139.2	10 094.0	11 048.9	11 375.4	11 502.7	11 541.1	8 087.3	8 195.2	8 048.4	8 285.6
2.1. Securities	0.5	3.6	3.6	3.6	2.9	2.9	2.9	2.9	2.9	2.9
2.2. Loans and advances	10 240.5	9 071.8	9 801.7	10 026.7	10 102.9	10 175.7	7 088.0	7 217.7	7 034.1	7 345.6
2.3. Postponed interest arrears	-	933.2	1 076.1	1 159.0	1 194.0	1 182.0	807.4	805.7	808.3	765.7
2.4. Arrears	- 101.8	85.3	167.5	186.1	202.9	180.5	189.0	168.9	203.1	171.4
Total (1+2)	20 261.7	27 220.8	32 345.8	33 908.0	35 218.0	36 315.7	33 310.0	33 854.5	34 575.7	35 952.9

Table D5: Distribution of Deposit Money Banks' Loans by Domestic Institutional Sectors
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
LOANS IN KUNA										
1. Loans to central government and funds	135.7	31.2	35.1	27.8	18.2	12.2	11.5	0.3	8.4	8.4
1.1. Loans to central government	10.8	2.5	20.2	27.4	18.2	12.2	11.5	0.3	0.4	0.3
1.2. Loans to central government funds	124.9	28.7	14.9	0.4	-	-	0.0	0.0	8.0	8.1
2. Loans to local government	11.4	93.5	122.5	122.8	114.0	115.3	125.1	129.6	128.8	130.2
2.1. Loans to other republic funds	0.9	0.0	-	-	-	-	-	-	-	-
2.2. Loans to local government and funds	10.5	93.5	122.5	122.8	114.0	115.3	125.1	129.6	128.8	130.2
3. Loans to enterprises	4 707.8	8 096.2	11 136.6	11 926.3	12 408.0	13 401.0	14 752.1	15 310.1	15 794.4	16 601.3
4. Loans to households	1 899.4	3 347.1	4 490.3	4 825.3	5 106.0	5 513.1	6 326.6	6 518.2	6 796.5	7 146.1
5. Loans to other banking institutions	10.0	29.8	28.5	28.7	29.7	27.7	30.5	36.0	45.5	45.3
6. Loans to other financial institutions	4.1	34.8	61.1	56.7	63.3	78.4	88.4	90.6	86.3	88.2
A. Total (1+2+3+4+5+6)	6 768.4	11 632.6	15 874.2	16 987.5	17 739.1	19 147.7	21 334.3	22 084.9	22 859.9	24 019.5
LOANS IN F/C										
1. Loans to central government and funds	796.0	765.2	773.9	795.8	776.4	663.5	190.2	202.2	209.1	206.9
1.1. Loans to central government	598.1	529.9	678.8	675.2	662.1	661.2	187.9	200.7	207.8	205.6
1.2. Loans to central government funds	197.9	235.2	95.1	120.6	114.3	2.3	2.3	1.6	1.3	1.3
2. Loans to local government	-	19.4	21.4	25.0	22.4	21.7	18.9	18.9	18.9	19.0
2.1. Loans to other republic funds	-	-	-	-	-	-	-	-	-	-
2.2. Loans to local government and funds	-	19.4	21.4	25.0	22.4	21.7	18.9	18.9	18.9	19.0
3. Loans to enterprises	10 239.6	9 049.3	9 770.0	9 991.5	10 064.5	10 134.8	7 057.9	7 185.9	6 999.3	7 308.6
4. Loans to households	0.9	3.1	10.3	10.2	15.9	19.2	11.2	12.9	15.9	18.1
5. Loans to other banking institutions	-	-	-	-	-	-	-	-	-	-
6. Loans to other financial institutions	-	-	-	-	-	-	-	-	-	-
B. Total (1+2+3+4+5+6)	11 036.4	9 837.0	10 575.6	10 822.5	10 879.3	10 839.2	7 278.2	7 419.9	7 243.2	7 552.5
TOTAL (A+B)	17 804.9	21 469.6	26 449.7	27 810.0	28 618.4	29 986.9	28 612.5	29 504.8	30 103.1	31 572.0

Table D6: Demand Deposits with Deposit Money Banks

End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Local governments and funds	142.5	512.8	495.3	604.1	756.9	787.5	683.8	608.6	602.2	479.8
1.1. Other republic funds	9.7	9.2	14.6	15.5	0.1	-	-	-	-	-
1.2. Local governments	132.9	503.6	480.6	588.6	756.8	787.5	683.8	608.6	602.2	479.8
2. Enterprises	1 264.7	2 678.2	3 161.9	3 346.3	3 475.7	3 934.5	4 489.1	3 884.6	3 789.4	3 904.8
3. Households	327.3	752.7	1 156.8	1 265.3	1 443.5	1 523.7	1 646.8	1 673.7	1 793.3	1 870.6
4. Other banking institutions	2.8	0.1	0.1	0.2	0.4	2.2	0.7	0.1	0.4	0.3
5. Nonbank financial institutions	42.6	47.5	79.6	91.3	134.8	143.0	208.2	213.8	176.7	177.8
6. Other transferable deposits	0.6	2.1	3.2	0.4	1.3	0.6	3.5	3.0	0.6	1.2
7. Less: Checks of other banks and checks in collection	- 21.8	- 32.7	- 35.5	- 30.9	- 36.9	- 35.3	- 35.0	- 17.0	- 19.4	- 35.5
Total (1+2+3+4+5+6+7)	1 758.7	3 960.5	4 861.2	5 276.8	5 775.7	6 356.2	6 997.2	6 366.8	6 343.2	6 399.1

Table D7: Time and Savings Deposits with Deposit Money Banks
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Savings deposits of households	215.2	389.7	494.6	561.0	594.0	635.4	717.3	763.7	785.6	855.9
2. Time and notice deposits	1 250.3	1 477.1	1 543.2	1 737.4	1 922.9	2 350.3	2 537.4	2 589.7	2 752.0	2 960.0
2.1. Local governments and funds	41.8	119.8	81.2	78.4	100.3	116.4	89.7	88.7	92.6	87.6
Other republic funds	5.6	39.7	5.0	1.9	1.0	1.0	1.0	1.0	1.0	1.0
Local governments	36.2	80.1	76.2	76.5	99.3	115.4	88.7	87.7	91.6	86.6
2.2. Enterprises	680.0	765.0	784.1	850.6	885.3	992.6	1 039.9	1 040.4	1 073.3	1 243.6
2.3. Households	408.1	425.4	475.1	581.3	706.6	868.2	1 007.6	1 096.6	1 195.8	1 242.4
2.4. Other banking institutions	4.1	3.3	5.1	5.2	4.7	1.1	1.5	0.5	1.2	2.4
2.5. Nonbank financial institutions	116.3	163.6	197.7	221.9	226.0	372.1	398.6	363.6	389.1	384.0
Total (1+2)	1 465.6	1 866.9	2 037.9	2 298.3	2 516.9	2 985.6	3 254.7	3 353.5	3 537.6	3 816.0

Table D8: Foreign Currency Deposits with Deposit Money Banks

End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Savings deposits	3 843.4	5 482.8	7 952.1	8 890.8	8 532.4	8 917.5	9 242.7	9 727.4	9 870.1	9 610.0
1.1. Local governments and funds	4.0	2.1	6.0	5.9	7.4	9.4	10.5	10.2	10.7	11.2
Other republic funds	2.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local governments	1.1	1.4	6.0	5.9	7.4	9.4	10.5	10.2	10.7	11.2
1.2. Enterprises	1 302.0	1 460.9	1 498.0	1 534.1	1 524.0	1 761.3	1 762.8	1 705.1	1 752.0	1 594.0
1.3. Households	2 524.3	3 978.2	6 407.3	7 297.7	6 964.4	7 089.8	7 407.8	7 950.0	8 041.5	7 955.9
1.4. Other banking institutions	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5. Nonbank financial institutions	3.6	29.3	28.3	44.5	28.6	40.2	49.5	48.7	54.1	33.7
1.6. Other demand deposits	9.4	12.3	12.5	8.6	8.0	16.8	12.1	13.5	11.8	15.2
2. Time deposits	1 568.9	3 292.5	6 147.3	7 608.1	8 804.5	10 895.2	12 559.2	13 465.7	14 044.3	14 705.3
2.1. Enterprises	224.6	547.2	743.7	747.6	864.2	1 069.7	1 160.1	1 234.2	1 227.9	1 353.0
2.2. Households	1 308.0	2 642.7	5 276.4	6 732.9	7 787.8	9 671.6	11 193.7	12 027.7	12 626.6	13 152.8
2.3. Other banking institutions	-	-	-	-	-	-	-	-	-	-
2.4. Nonbank financial institutions	36.3	102.6	127.2	127.6	152.5	153.9	205.5	203.8	189.8	199.5
Total (1+2)	5 412.3	8 775.3	14 099.4	16 498.9	17 336.8	19 812.7	21 802.0	23 193.1	23 914.4	24 315.3

Table D9: Bonds and Money Market Instruments

End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Money market instruments (net)	3.3	1.5	0.2	0.5	0.7	0.8	0.9	0.9	0.9	1.0
2. Bonds (net)	12.8	47.8	42.9	43.1	42.4	42.1	55.6	86.2	86.3	86.3
3. Other domestic borrowing	32.2	149.7	81.7	94.2	122.8	64.7	73.0	57.7	56.4	78.6
3.1. Local governments and funds	0.8	14.8	9.9	11.3	9.6	7.9	7.3	7.1	6.9	6.6
Other republic funds	0.8	14.8	9.9	11.3	9.6	7.9	7.3	7.1	6.9	6.6
Local governments	0.0	0.0	0.0	0.0	-	-	-	-	-	-
3.2. Enterprises	3.9	5.6	3.9	2.5	2.7	1.0	4.0	4.0	4.6	4.6
3.3. Other banking institutions	1.3	13.4	6.7	10.6	16.2	10.4	6.6	4.4	10.2	21.8
3.4. Nonbank financial institutions	26.3	115.8	61.2	69.8	94.3	45.4	55.1	42.2	34.9	45.6
Total (1+2+3)	48.3	199.0	124.8	137.8	165.9	107.7	129.5	144.8	143.6	165.8

Table D10: Deposit Money Banks' Foreign Liabilities
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Foreign liabilities in f/c	3 860.9	6 329.7	8 397.8	8 973.9	9 570.8	9 615.9	9 583.7	10 011.6	10 388.9	10 254.0
1.1. Liabilities to foreign banks	2 294.5	4 056.9	5 285.9	6 278.3	6 855.8	6 760.5	6 568.4	6 482.9	6 766.6	6 632.7
Current accounts	218.8	105.2	117.0	116.3	141.9	190.5	205.7	126.5	211.6	238.8
Time and notice deposits	298.1	371.4	1 152.8	1 207.3	796.9	748.2	979.6	734.5	989.9	806.2
Letters of credit	1.0	2.6	1.9	2.1	2.5	2.0	0.6	0.2	0.3	0.3
Loans and advances	1 776.5	2 527.2	2 740.9	3 592.2	4 500.1	4 390.2	3 932.6	4 129.9	4 150.1	4 183.4
Postponed interest arrears	-	1 050.6	1 273.2	1 360.2	1 414.3	1 429.6	1 449.9	1 491.8	1 414.6	1 404.0
1.2. Liabilities to foreign nonbanks	1 566.5	2 272.8	3 111.9	2 695.6	2 715.0	2 855.4	3 015.3	3 528.7	3 622.4	3 621.3
Savings and time deposits	450.5	608.9	1 204.2	1 099.1	1 179.7	1 332.1	1 496.8	2 002.1	2 081.8	2 095.6
Sight deposits	373.6	401.1	654.2	625.2	626.6	671.4	667.6	632.2	647.1	625.6
Time and notice deposits	76.9	207.8	549.9	473.9	553.1	660.7	829.2	1 369.9	1 434.8	1 470.0
Loans and advances	1 116.0	1 558.7	1 825.7	1 513.6	1 453.3	1 441.4	1 433.2	1 439.7	1 451.6	1 436.9
Postponed interest arrears	-	105.3	82.1	82.8	82.0	82.0	85.3	86.9	88.9	88.7
2. Foreign liabilities in kuna	28.4	27.6	37.2	29.5	40.5	45.4	81.5	82.5	81.0	177.6
2.1. Liabilities to foreign banks	1.0	4.8	7.5	8.4	12.0	10.9	30.0	25.6	19.3	117.1
Demand deposits	1.0	4.8	6.4	5.7	12.0	10.9	27.0	22.5	14.7	16.7
Time and notice deposits	-	-	1.1	2.7	-	-	3.0	3.1	3.1	-
Loans and advances	-	-	-	-	-	-	-	-	1.5	100.4
2.2. Liabilities to foreign nonbanks	27.4	22.8	29.7	21.2	28.5	34.5	51.5	56.9	61.7	60.5
Demand deposits	27.1	20.7	29.6	21.0	28.1	34.0	22.1	27.6	30.4	29.2
Time and notice deposits	0.2	2.2	0.1	0.1	0.4	0.5	29.4	29.3	31.3	31.3
Loans and advances	-	-	-	-	-	-	-	-	-	-
3. Liabilities to former SFRY	8 177.1	6 777.5	6 713.6	6 776.2	6 546.4	6 455.8	2 801.3	2 588.9	2 446.1	2 428.2
3.1. In f/c	8 109.5	6 771.2	6 709.8	6 772.3	6 542.4	6 451.6	2 797.0	2 584.5	2 441.8	2 423.8
o/w: Loans from foreign banks	8 097.7	6 725.0	6 469.0	6 527.5	6 300.8	6 215.6	2 553.6	2 337.0	2 191.2	2 177.7
3.2. In kuna	67.5	6.3	3.8	3.9	4.0	4.2	4.3	4.3	4.3	4.5
Total (1+2+3)	12 066.4	13 134.8	15 148.7	15 779.6	16 157.7	16 117.0	12 466.6	12 682.9	12 916.1	12 859.8

Table D11: Central Government and Funds Deposits with Deposit Money Banks
End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. In kuna	1 122.1	1 511.5	1 760.4	1 541.1	1 517.7	1 629.0	1 585.3	1 524.1	1 573.8	1 577.7
1.1. Central government deposits	494.0	178.1	179.3	77.0	115.1	148.5	131.2	94.6	96.3	69.5
Demand deposits	445.5	16.9	17.9	16.0	10.3	12.9	23.3	6.6	11.5	8.3
Time and notice deposits	32.1	145.5	126.5	20.8	65.2	99.3	77.4	59.6	56.7	33.3
Loans and advances	16.3	15.7	34.9	40.2	39.7	36.4	30.5	28.4	28.1	28.0
1.2. Central government funds deposits	628.1	1 333.4	1 581.1	1 464.1	1 402.6	1 480.4	1 454.1	1 429.5	1 477.6	1 508.2
Demand deposits	187.4	352.8	253.2	136.4	216.2	205.2	102.8	100.6	125.0	133.0
Time and notice deposits	43.3	129.5	200.7	103.1	43.8	41.7	38.0	37.0	37.7	37.7
Loans and advances	397.4	851.1	1 127.2	1 224.6	1 142.6	1 233.5	1 313.3	1 291.8	1 315.0	1 337.5
2. In f/c	315.8	157.9	265.2	223.7	143.5	156.2	135.7	194.7	1 013.7	219.3
2.1. Central government deposits	315.8	118.8	145.4	127.5	60.5	76.6	54.2	109.7	965.7	175.5
Savings deposits	315.8	118.8	134.3	111.7	55.9	61.4	48.8	109.7	960.4	170.2
Time and notice deposits	-	-	11.1	15.8	4.6	15.2	5.3	-	5.4	5.4
2.2. Central government funds deposits	0.0	39.1	119.8	96.2	82.9	79.6	81.5	85.0	47.9	43.8
Savings deposits	0.0	39.1	21.2	64.3	71.7	74.9	58.2	60.4	47.9	43.8
Time and notice deposits	-	-	98.6	31.9	11.2	4.7	23.4	24.6	-	-
Total (1+2)	1 437.8	1 669.4	2 025.6	1 764.8	1 661.2	1 785.1	1 720.9	1 718.8	2 587.5	1 797.1

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

End of Period, In Millions of Kuna

	1993	1994	1995	1 9 9 6				1 9 9 7		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
1. Restricted deposits	404.1	589.7	687.0	588.1	609.9	654.9	889.7	677.1	642.9	885.4
1.1. In Kuna	79.6	156.6	271.3	227.7	204.8	237.0	249.0	197.7	220.1	208.3
1.2. In f/c	324.5	433.0	415.6	360.4	405.1	417.9	640.8	479.4	422.8	677.0
2. Blocked f/c deposits	13 857.4	11 491.8	9 969.0	9 380.5	8 865.6	8 097.8	7 329.4	6 899.4	6 779.9	6 623.1
2.1. Central government	-	19.6	67.9	68.0	66.6	66.3	66.8	67.7	69.5	68.6
2.2. Enterprises	-	1.6	88.7	93.5	94.9	91.3	94.5	96.9	96.3	34.6
2.3. Households	13 857.4	11 470.6	9 812.5	9 219.0	8 704.1	7 940.2	7 168.2	6 734.7	6 614.1	6 519.9
Total (1+2)	14 261.5	12 081.5	10 656.0	9 968.6	9 475.5	8 752.6	8 219.2	7 576.5	7 422.8	7 508.5

Table E1: Savings Banks' Accounts
End of Period, In Millions of Kuna

	1994	1995	1 9 9 6								1 9 9 7		
	Dec.	Dec.	Mar.	Jun.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
ASSETS													
1. Reserves	6.3	48.1	54.2	53.1	53.1	65.3	60.1	63.3	59.7	50.3	62.2	54.2	50.8
2. Foreign Assets	4.2	22.7	21.8	20.4	22.9	20.2	22.7	21.4	20.8	31.7	32.9	33.1	31.7
3. Claims on central government	0.2	1.6	2.7	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.0	0.0	0.0
4. Claims on other domestic sectors	377.9	372.0	367.5	355.7	355.9	352.1	356.5	350.9	370.2	379.8	387.2	406.6	412.0
4.1. Claims on local government	0.1	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Claims on enterprises	249.3	141.0	133.8	118.5	116.0	117.9	119.0	115.6	113.5	114.6	115.2	127.8	131.9
4.3. Claims on households	128.5	231.0	233.8	237.2	239.9	234.2	237.5	235.3	256.7	265.3	272.0	278.8	280.1
5. Claims on DMBs	35.8	18.9	22.4	25.0	21.0	23.5	23.2	24.1	21.0	24.1	24.6	34.5	41.1
6. Claims on other financial institutions	0.3	0.2	0.1	0.1	0.1	0.6	0.3	0.1	0.6	1.1	0.2	0.2	0.7
Total (1+2+3+4+5+6)	424.6	463.5	468.8	454.2	453.0	461.7	462.8	459.8	473.2	487.8	507.2	528.6	536.4
LIABILITIES													
1. Demand deposits	9.3	8.8	10.4	10.8	12.7	13.8	12.2	12.8	12.8	11.0	10.2	10.6	11.4
2. Time and savings deposits	182.1	127.4	130.9	126.2	136.4	135.9	141.9	144.5	143.8	138.7	145.5	147.0	153.6
3. Foreign currency deposits	8.0	-	-	-	-	-	-	-	2.4	15.5	21.8	27.2	26.8
4. Bonds	68.0	34.9	20.6	22.5	19.2	16.5	19.7	18.0	17.6	27.3	31.5	39.4	46.5
5. Foreign liabilities	0.1	1.3	2.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
6. Central government deposits	5.6	-	-	-	-	-	-	-	-	-	-	0.1	0.3
7. Credit from central bank	0.6	-	-	-	-	-	0.3	0.3	0.0	0.0	0.0	0.0	0.0
8. Restricted deposits	6.3	6.4	5.8	4.8	4.3	3.9	2.6	1.8	1.8	2.1	2.5	1.0	0.9
9. Capital accounts	125.7	276.1	264.8	279.0	286.6	292.7	294.3	295.7	306.3	307.2	298.8	309.9	312.7
10. Other items (net)	19.1	8.6	33.4	10.2	-7.0	-2.0	-9.0	-14.2	-12.4	-14.8	-3.9	-7.4	-16.6
Total (1+2+3+4+5+6+7+8+9+10)	424.6	463.5	468.8	454.2	453.0	461.7	462.8	459.8	473.2	487.8	507.2	528.6	536.4

Table F1: Credit Rates of the National Bank of Croatia
In Percentage, On Yearly Basis

Year	Month	NBC Discount Rate	Credit rates							
			On lombard credits ¹⁾	On intervention credits	On daily credits for Households' savings in Kuna ¹⁾	On special credits for payment of blocked f/c deposits	On initial credits	On advances on the account of statutory reserves ¹⁾	On inaccurately calculated statutory reserves ¹⁾	On arrears
1	2	3	4	5	6	7	8	9	10	11
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	June	8.50	18.86	19.00	17.00	-	-	-	19.00	22.00
	July	8.50	19.72	19.00	17.00	12.00	-	-	19.00	22.00
	August	8.50	20.53	19.00	17.00	12.00	-	-	19.00	22.00
	September	8.50	22.33	19.00	17.00	12.00	-	-	19.00	22.00
	October	8.50	24.35	19.00	17.00	12.00	-	-	19.00	22.00
	November	8.50	24.86	19.00	17.00	12.00	-	-	19.00	22.00
	December	8.50	25.49	19.00	17.00	12.00	-	-	19.00	22.00
	1996	January	8.50	25.72	19.00	17.00	12.00	-	-	19.00
February		8.50	27.26	19.00	17.00	12.00	-	-	19.00	22.00
March		8.50	27.69	19.00	17.00	12.00	-	-	19.00	22.00
April		8.50	28.11	19.00	17.00	12.00	-	-	19.00	22.00
May		8.50	28.30	19.00	17.00	12.00	-	-	19.00	24.00 ²⁾
June		8.50	27.12	19.00	17.00	12.00	-	-	19.00	24.00
July		8.50	20.87	19.00	17.00	12.00	-	-	19.00	24.00
August		6.50	19.58	19.00	17.00	12.00	-	-	19.00	24.00
September		6.50	13.00 ³⁾	19.00	17.00	-	-	-	19.00	18.00
October		6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
November		6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
December		6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
1997	January	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
	February	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
	March	5.90 ⁴⁾	9.50 ⁴⁾	19.00	17.00	-	-	-	19.00	18.00

¹⁾ Breaks in the series of data are explained in the Notes of Methodology.

²⁾ Since May 8, 1996.

³⁾ From June 1995 through September 1996 in column 4 are presented weighted averages on interest rates on lombard credits. Since September 11, 1996 interest rate on lombard credits is set by the NBC as 11 % on annual basis.

⁴⁾ Since March 12, 1997

Table F2: Deposit Rates of the National bank of Croatia
In Percentage, On Yearly Basis

Year	Month	Interest rates on statutory reserves dep. with the NBC ¹⁾	Interest rates on NBC bills on obligatory basis	Interest rates on NBC bills on voluntary basis ¹⁾				
				Due in 7 days	Due in 35 days	Due in 91 days	Due in 182 days	
1	2	3	4	5	6	7	8	
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	June	5.50	16.50	9.00	18.00	19.33	-	
	July	5.50	16.50	9.00	18.96	19.50	-	
	August	5.50	16.50	10.00	19.21	24.00	-	
	September	5.50	16.50	12.00	21.95	24.00	-	
	October	5.50	16.50	12.00	22.89	26.00	-	
	November	5.50	16.50	12.00	24.43	27.00	-	
	December	5.50	16.50	12.00	25.54	27.00	-	
	1996	January	5.50	16.50	12.00	26.00	-	-
February		5.50	16.50	12.00	26.00	27.50	-	
March		5.50	16.50	12.00	26.00	27.54	-	
April		5.50	16.50	12.00	26.00	28.00	-	
May		5.50	16.50	12.00	25.10	26.51	-	
June		5.50	16.50	-	21.50	22.79	23.00	
July		5.50	16.50	-	16.54	17.60	18.71	
August		5.50	12.00	²⁾	-	9.13	10.82	-
September		5.50	-	-	-	7.98	9.49	-
October		5.50	-	-	-	8.00	9.49	-
November		5.50	-	-	-	8.00	9.50	-
December		5.50	-	-	-	8.00	9.50	-
1997		January	5.50	-	-	7.50	9.00	-
	February	5.50	-	-	7.50	9.00	-	
	March	5.50	-	-	7.50	9.00	-	

¹⁾ Breaks in the series of data are explained in the Notes of Methodology.

²⁾ Since August 9, 1996.

Table F3: Deposit Money Banks' Reserves on Obligatory Basis

Daily Averages and Percentages, in Million of Kuna and %

Year	Month	Reserve requirement (RR)	Weighted average res. requirement in % on res. base	Statutory reserves deposited with the NBC	Statutory reserves deposited with the NBC in % of RR	Other deposits with the NBC on obligatory basis	Total reserve requirement	Total reserve requirement in % of res. base	Weighted avg. remuneration in % of total RR	Use of obligatory reserves
1	2	3	4	5	6=[5/3]*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	June	2 256.9	29.88	2 046.1	90.66	133.3	2 390.2	31.64	5.62	20.3
	July	2 280.1	29.87	2 065.5	90.59	369.2	2 649.3	34.71	6.59	12.9
	August	2 352.6	29.86	2 134.4	90.72	541.5	2 894.2	36.74	7.14	16.4
	September	2 504.9	30.53	2 275.3	90.84	608.4	3 113.3	37.95	7.24	37.3
	October	2 517.1	30.87	2 291.0	91.02	771.6	3 288.7	40.33	7.70	40.8
	November	2 473.1	30.88	2 247.3	90.87	832.3	3 305.3	41.27	7.89	17.3
	December	2 431.8	30.90	2 215.9	91.12	826.5	3 258.4	41.40	7.93	45.9
1996	January	2 407.0	30.87	2 197.6	91.30	805.5	3 212.6	41.21	7.90	4.7
	February	2 430.5	30.88	2 203.8	90.67	798.0	3 228.4	41.01	7.83	0.0
	March	2 446.9	31.02	2 225.5	90.95	798.1	3 244.9	41.14	7.83	0.1
	April	2 517.8	30.85	2 300.3	91.36	810.8	3 328.6	40.79	7.82	0.6
	May	2 558.1	30.85	2 337.5	91.38	822.2	3 380.3	40.77	7.82	0.2
	June	2 635.6	30.85	2 419.3	91.79	805.9	3 441.5	40.28	7.73	0.2
	July	2 750.8	30.87	2 512.1	91.32	617.4	3 368.2	37.80	7.13	0.0
	August	2 856.9	30.88	2 598.8	90.96	539.1	3 396.0	36.71	6.11	0.0
	September	3 123.8	32.25	2 843.8	91.04	429.9	3 553.7	36.68	5.85	0.1
	October	3 360.4	34.07	3 055.1	90.92	218.6	3 579.0	36.28	5.43	0.2
	November	3 499.8	35.13	3 172.1	90.64	71.1	3 570.9	35.84	5.12	0.2
	December	3 652.9	35.91	3 312.0	90.67	0.0	3 652.9	35.91	5.50	0.1
1997	January	3 689.7	35.92	3 338.7	90.49	0.0	3 689.7	35.92	5.50	0.3
	February	3 706.3	35.93	3 357.6	90.59	0.0	3 706.3	35.93	5.50	0.2
	March	3 546.0	35.93	3 219.6	90.79	0.0	3 546.0	35.93	5.50	0.2

Table F4: Deposit Money Banks' Liquidity Indicators

Daily Averages and Percentages, in Million of Kuna and %

Year	Month	Free Reserves	Primary liquidity ratio (in %)	Secondary liquidity sources	NBC bills on voluntary basis
1	2	3	4	5	6
1993	December	- 18.5	-0.52	188.0	1.9
1994	December	119.5	1.72	393.7	210.2
1995	June	43.5	0.58	144.3	263.7
	July	29.2	0.38	154.4	256.3
	August	57.9	0.74	106.7	273.3
	September	28.9	0.35	206.4	336.6
	October	7.0	0.09	209.5	269.6
	November	56.1	0.70	107.2	193.5
	December	49.4	0.63	199.4	218.7
1996	January	86.5	1.11	64.9	206.6
	February	71.2	0.90	116.1	271.8
	March	92.3	1.17	79.0	293.5
	April	36.5	0.45	112.4	338.2
	May	36.5	0.45	112.4	338.2
	June	149.6	1.75	79.3	451.6
	July	242.9	2.73	38.6	572.9
	August	426.3	4.61	7.2	767.6
	September	365.0	3.77	55.0	1 018.7
	October	308.2	3.12	56.1	893.6
	November	300.3	3.01	29.7	940.8
	December	267.9	2.63	98.5	780.9
1997	January	323.2	3.15	47.5	653.5
	February	246.1	2.39	55.2	729.6
	March	219.3	2.22	68.6	756.0

Table G1: Deposit Money Banks' Credit Rates

Weighted Averages of Monthly Interest Rates, in % on Yearly Basis

Year	Month	Money market interest rates		Interest rates on credits in Kuna			Interest rates on credits in Kuna indexed to f/c			Interest rates on credits in f/c		
		On daily market	On overnight market	Total average	On short-term credits	On long-term credits	Total average	On short-term credits	On long-term credits	Total average	On short-term credits	On long-term credits
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	2 182.26	2 182.26	2 332.92	2 384.89	1 166.29	20.41	9.90	21.41	....	....	....
1993	December	86.90	34.49	59.00	59.00	78.97	21.84	19.00	23.14	....	....	....
1994	December	17.76	8.50	15.39	15.43	13.82	11.99	12.38	11.65	....	....	....
1995	June	21.96	21.96	22.62	22.77	15.18	21.58	20.77	22.01	....	....	....
	July	22.75	22.74	21.88	22.62	10.10	21.70	25.80	13.10	17.28	17.12	17.94
	August	23.13	23.07	22.01	22.61	11.86	25.99	30.00	13.80	33.76	35.23	17.32
	September	22.97	22.97	21.73	21.80	16.86	23.62	29.60	13.90	16.58	16.63	13.73
	October	23.78	23.80	23.52	23.56	17.35	24.67	30.32	16.21	8.37	8.29	13.05
	November	24.76	24.75	24.21	24.39	17.24	22.97	31.20	12.33	16.77	16.86	13.97
	December	27.15	27.26	22.32	22.56	13.48	19.56	21.62	14.33	15.73	16.56	12.27
1996	January	29.55	29.70	26.37	26.57	16.20	24.02	26.71	11.26	17.72	18.02	14.92
	February	30.01	30.01	25.81	26.00	14.85	26.21	31.52	11.55	17.70	17.76	15.00
	March	29.41	29.40	24.87	25.15	16.36	22.75	27.28	12.85	17.62	18.67	14.26
	April	29.93	19.00	25.59	25.78	15.85	23.49	27.09	12.67	16.14	19.08	13.46
	May	27.40	19.00	25.06	25.20	17.25	22.85	27.15	11.66	14.09	14.55	12.90
	June	21.44	19.00	23.57	24.02	13.15	22.42	25.59	11.60	14.30	15.84	10.94
	July	16.05	15.11	22.78	23.12	16.46	21.62	25.45	11.12	15.06	17.56	10.78
	August	9.79	9.02	20.81	20.91	17.87	20.68	25.31	11.89	15.69	20.72	10.93
	September	8.47	7.45	18.67	19.11	10.76	21.91	26.78	10.93	19.58	20.94	10.69
	October	9.55	8.38	17.99	18.54	10.84	20.83	24.14	12.37	20.97	22.08	9.75
	November	10.10	9.62	20.20	20.36	15.71	19.92	24.47	11.62	22.11	23.05	14.14
	December	10.41	9.66	18.46	19.35	11.51	18.97	22.56	12.12	19.28	21.11	10.95
1997	January	11.40	10.54	17.62	17.68	14.57	20.08	23.28	13.11	23.45	24.21	13.40
	February	11.12	10.04	17.17	17.27	14.39	17.64	20.42	12.64	20.38	20.57	19.48
	March	11.56	10.41	16.89	17.03	14.21	18.11	21.15	12.96	19.10	20.34	11.35
Relative significance ¹⁾		11.68	9.61	37.27	35.43	1.84	36.47	22.94	13.53	4.97	4.29	0.68

¹⁾ This data represent percentages of related credits in total credits included in calculation of weighted averages of monthly interest rates (for the last month included in the table).

Table G2: Deposit Money Banks' Deposit Rates
Weighted Averages of Monthly Interest Rates, in % on Yearly Basis

Year	Month	Interest rates on deposits in Kuna			Interest rates on time and sav. dep. in Kuna ind. to f/c	Interest rates on deposits in f/c		
		Total average	On demand deposits	On time and savings deposits ¹⁾		Total average	On demand deposits	On time and savings deposits ¹⁾
1	2	3	4	5	6	7	8	9
1992	December	434.47	184.69	1 867.18	6.04	....	....	....
1993	December	27.42	18.16	52.16	5.91	....	....	....
1994	December	5.03	3.55	9.65	6.95	....	....	....
1995	June	5.40	3.87	11.20	6.46	....	....	....
	July	5.24	3.81	10.55	8.13	4.55	3.33	6.19
	August	5.32	3.72	11.33	9.75	5.22	3.93	6.92
	September	5.94	4.05	12.35	8.31	4.64	3.14	6.56
	October	5.76	4.15	11.21	9.10	3.66	1.74	5.94
	November	6.19	3.94	14.06	13.05	4.61	2.92	6.66
	December	6.10	3.88	13.65	12.69	4.57	2.82	6.83
1996	January	6.35	3.95	14.81	11.22	4.61	2.95	6.71
	February	6.56	3.97	15.22	13.02	4.72	2.79	7.00
	March	6.44	3.92	14.88	9.72	4.70	2.90	6.80
	April	6.45	3.91	15.07	7.84	4.67	2.77	6.81
	May	6.40	3.93	14.93	11.68	4.44	2.78	6.22
	June	5.82	3.55	13.79	11.58	4.10	1.69	6.44
	July	5.89	3.50	14.09	13.03	3.98	1.53	6.32
	August	5.50	3.09	13.44	10.41	4.15	1.88	6.18
	September	4.69	2.74	10.70	11.44	4.50	1.48	6.97
	October	4.46	2.55	10.20	10.23	4.82	1.37	7.52
	November	4.31	2.26	10.38	10.02	5.03	1.58	7.61
	December	4.15	2.19	10.19	9.46	5.09	1.44	7.77
1997	January	4.18	2.20	9.75	9.82	4.51	1.39	6.76
	February	4.33	2.24	9.81	9.49	4.22	1.44	6.18
	March	4.43	2.12	10.11	8.57	4.27	1.43	6.13

¹⁾ From December 1992 through June 1995 in column 5 data represent weighted averages of monthly interest rates on End-of-Month outstanding deposits. Since July 1995 data represent weighted averages of monthly interest rates on new deposits in reporting month.

Table G3: Commercial Banks' Trade with Foreign Exchange
In Million of DEM, Current Exchange Rate

	1994	1995	1996				1996					
			Q1	Q2	Q3	Q4	Mar.	Jun.	Sept.	Oct.	Nov.	Dec.
A. Purchases of foreign exchange												
1. Legal persons	2 861.3	3 295.9	968.8	950.9	995.0	1 018.8	299.2	317.9	310.0	332.6	330.9	355.3
2. Natural persons	3 463.8	3 492.4	778.6	1 067.9	1 346.9	825.4	279.9	362.4	309.5	327.9	258.0	239.5
2.1. Residents	2 512.8	2 908.9	698.2	932.3	980.9	765.3	252.7	305.2	259.6	302.0	241.1	222.2
2.2. Non-residents	951.0	583.4	80.4	135.6	366.0	60.1	27.2	57.2	49.9	25.9	16.9	17.3
3. Commercial banks	375.0	599.9	185.5	160.5	185.7	236.4	66.7	53.3	79.4	88.6	76.2	71.6
4. National bank of Croatia	434.0	334.0	40.8	17.5	70.8	0.0	9.4	17.0	0.0	0.0	0.0	0.0
Total (1+2+3+4)	7 134.1	7 722.2	1 973.7	2 196.8	2 598.4	2 080.6	655.2	750.6	698.9	749.1	665.1	666.4
B. Sales of foreign exchange												
1. Legal persons	3 845.8	5 000.4	1 425.3	1 636.0	1 828.9	1 789.5	486.9	545.4	537.8	616.4	572.7	600.4
2. Natural persons	1 221.8	1 502.7	379.3	372.8	384.8	423.4	123.1	117.2	132.4	135.0	131.6	156.8
2.1. Residents	1 221.8	1 502.7	379.3	372.8	384.8	423.4	123.1	117.2	132.4	135.0	131.6	156.8
2.2. Non-residents	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. Commercial banks	375.0	599.9	185.5	160.5	185.7	234.4	66.7	53.3	79.4	86.6	76.2	71.6
4. National bank of Croatia	1 407.0	663.2	17.9	193.2	421.2	43.8	5.8	118.8	0.0	0.0	0.0	43.8
Total (1+2+3+4)	6 849.6	7 766.2	2 008.0	2 362.5	2 820.6	2 491.2	682.5	834.7	749.6	838.1	780.5	872.6
C. Net purchasing (A-B)												
1. Legal persons	- 984.5	-1 704.5	- 456.5	- 685.1	- 833.9	- 770.6	- 187.7	- 227.5	- 227.8	- 283.8	- 241.8	- 245.0
2. Natural persons	2 242.0	1 989.7	399.3	695.1	962.1	402.0	156.8	245.2	177.1	192.9	126.4	82.7
2.1. Residents	1 291.0	1 406.3	318.9	559.5	596.1	341.9	129.6	188.0	127.2	167.0	109.5	65.4
2.2. Non-residents	951.0	583.4	80.4	135.6	366.0	60.1	27.2	57.2	49.9	25.9	16.9	17.3
3. National bank of Croatia	- 973.0	- 329.2	22.9	- 175.7	- 350.4	- 43.8	3.6	- 101.8	0.0	0.0	0.0	- 43.8
Total (1+2+3)	284.5	- 44.0	20.3	- 165.7	- 222.2	- 412.6	- 27.3	- 84.1	- 50.7	- 91.0	- 115.4	- 206.2

Table H1: Balance of Payments - Summary
In Millions of USD

	1993	1994	1995	1996				1996					
				Q1	Q2	Q3 ¹⁾	Q4 ¹⁾	Jul. ¹⁾	Aug. ¹⁾	Sept. ¹⁾	Oct. ¹⁾	Nov. ¹⁾	Dec. ¹⁾
A. CURRENT ACCOUNT (1+6)	104.0	103.4	-1 712.0	- 238.1	- 424.2	- 83.2	- 706.7	- 38.0	98.9	- 144.2	- 251.1	- 271.5	- 184.1
1. Goods, services, and income (2+5)	- 272.0	- 355.9	-2 357.8	- 470.7	- 618.7	- 252.5	- 889.1	- 91.7	40.3	- 201.2	- 315.6	- 328.4	- 245.1
1.1. Credit	5 822.2	6 653.9	7 375.3	1 752.2	1 940.1	2 332.3	2 210.0	866.7	835.7	630.0	649.8	775.9	784.3
1.2. Debit	-6 094.1	-7 009.8	-9 733.1	-2 222.8	-2 558.8	-2 584.8	-3 099.0	-958.3	-795.3	-831.2	-965.3	-1 104.3	-1 029.4
2. Goods and services (3+4)	- 130.7	- 231.4	-2 264.5	- 437.3	- 586.3	- 280.6	- 881.4	- 114.4	27.7	- 193.9	- 318.3	- 317.4	- 245.7
2.1. Credit	5 710.5	6 552.9	7 201.9	1 709.0	1 878.4	2 265.3	2 155.3	830.5	818.2	616.6	630.0	759.2	766.1
2.2. Debit	-5 841.2	-6 784.3	-9 466.4	-2 146.3	-2 464.7	-2 545.9	-3 036.7	-944.9	-790.5	-810.5	-948.3	-1 076.7	-1 011.8
3. Goods	- 762.5	- 968.9	-2 877.2	- 579.6	- 812.7	- 848.7	-1 035.1	- 317.4	- 218.9	- 312.4	- 366.9	- 398.7	- 269.5
3.1. Credit	3 903.8	4 260.4	4 632.7	1 082.1	1 080.2	1 058.4	1 291.2	414.3	369.0	275.1	331.9	458.2	501.1
3.2. Debit	-4 666.4	-5 229.3	-7 509.9	-1 661.7	-1 892.9	-1 907.0	-2 326.2	-731.6	-587.9	-587.5	-698.8	-856.9	-770.6
4. Services	631.9	737.5	612.7	142.3	226.4	568.1	153.7	203.0	246.6	118.5	48.6	81.3	23.8
4.1. Credit	1 806.7	2 292.5	2 569.2	626.9	798.2	1 207.0	864.1	416.2	449.3	341.5	298.1	301.1	265.0
4.2. Debit	-1 174.9	-1 555.0	-1 956.5	-484.6	-571.8	-638.9	-710.5	-213.2	-202.6	-223.0	-249.5	-219.8	-241.2
5. Income	- 141.3	- 124.5	- 93.3	- 33.4	- 32.5	28.1	- 7.6	22.7	12.7	- 7.3	2.7	- 11.0	0.6
5.1. Credit	111.6	101.0	173.4	43.1	61.7	67.0	54.6	36.2	17.5	13.4	19.8	16.6	18.2
5.2. Debit	-252.9	-225.5	-266.7	-76.5	-94.2	-38.9	-62.3	-13.4	-4.8	-20.7	-17.1	-27.6	-17.6
6. Current transfers	376.0	459.3	645.8	232.6	194.5	169.3	182.3	53.7	58.6	57.0	64.5	56.9	61.0
6.1. Credit	554.9	602.1	814.6	275.3	248.2	196.6	209.4	70.2	62.6	63.8	72.2	65.7	71.6
6.2. Debit	-178.9	-142.8	-168.8	-42.7	-53.7	-27.3	-27.1	-16.4	-4.0	-6.8	-7.7	-8.8	-10.6
B. CAPITAL AND FINANCIAL ACCOUNT	- 179.8	- 205.2	411.5	175.6	- 127.1	7.4	579.4	- 170.3	- 89.7	262.0	192.0	215.9	171.5
B1. Capital account	-	-	-	-	-	-	-	-	-	-	-	-	-
B2. Financial account, excl. reserves	269.8	583.6	901.7	171.2	1.2	283.4	598.3	26.9	25.1	225.9	209.5	195.9	192.9
1. Direct investment	74.3	97.6	80.5	20.0	91.5	143.3	99.6	64.6	29.6	43.6	13.7	36.0	49.9
2. Portfolio investment	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Other investment	195.4	486.1	821.2	151.2	-90.3	140.1	498.7	-37.7	-4.5	182.3	195.7	159.9	143.1
3.1. Assets	44.2	241.8	49.8	-109.9	-86.9	126.8	212.0	-4.4	50.2	81.1	61.2	57.6	93.2
3.2. Liabilities	151.2	244.2	771.4	261.1	-3.4	13.3	286.7	-33.3	-54.6	101.3	134.5	102.2	49.9
B3. Reserve Assets	- 449.6	- 788.8	- 490.2	4.4	- 128.3	- 276.0	- 18.9	- 197.2	- 114.8	36.0	- 17.5	20.0	- 21.5
C. NET ERRORS AND OMISSIONS	75.8	101.7	1 300.5	62.4	551.4	75.8	127.4	208.2	- 9.3	- 117.8	59.0	55.7	12.6

¹⁾ Preliminary data

Table H2: Balance of Payments - Goods and Services
In Millions of USD

	1993	1994	1995	1996				1996					
				Q1	Q2	Q3 ¹⁾	Q4 ¹⁾	Jul. ¹⁾	Aug. ¹⁾	Sept. ¹⁾	Oct. ¹⁾	Nov. ¹⁾	Dec. ¹⁾
1. Goods	- 762.5	- 968.9	-2 877.2	- 579.6	- 812.7	- 848.7	-1 035.1	- 317.4	- 218.9	- 312.4	- 366.9	- 398.7	- 269.5
1.1. Credit	3 903.8	4 260.4	4 632.7	1 082.1	1 080.2	1 058.4	1 291.2	414.3	369.0	275.1	331.9	458.2	501.1
1.1.1. Intermediate goods	1 975.7	2 073.1	2 443.1	598.8	595.2	489.5	552.8	190.1	162.0	137.3	148.7	191.0	213.1
1.1.2. Equipment	350.5	528.0	539.6	144.1	88.8	167.8	293.3	75.6	59.9	32.4	55.4	119.9	118.0
1.1.3. Consumers goods	1 577.5	1 659.3	1 650.0	339.3	396.1	401.1	445.1	148.6	147.1	105.5	127.8	147.3	169.9
1.2. Debit	-4 666.4	-5 229.3	-7 509.9	-1 661.7	-1 892.9	-1 907.0	-2 326.2	- 731.6	- 587.9	- 587.5	- 698.8	- 856.9	- 770.6
1.2.1. Intermediate goods	-2 749.5	-2 929.0	-4 154.6	- 928.0	-1 038.1	- 979.5	-1 179.2	- 374.3	- 325.6	- 279.6	- 357.3	- 463.8	- 358.1
1.2.2. Equipment	- 748.6	- 898.1	-1 314.3	- 280.9	- 336.1	- 393.0	- 500.1	- 160.6	- 102.2	- 130.2	- 139.8	- 158.3	- 201.9
1.2.3. Consumers goods	-1 168.3	-1 402.2	-2 040.9	- 452.9	- 518.7	- 534.5	- 647.0	- 196.8	- 160.1	- 177.7	- 201.7	- 234.8	- 210.5
2. Services	631.9	737.5	612.7	142.3	226.4	568.1	153.7	203.0	246.6	118.5	48.6	81.3	23.8
2.1. Transportation	178.6	120.4	59.9	35.2	4.4	34.1	36.8	8.2	13.8	12.1	8.4	12.5	15.9
2.1.1. Credit	674.8	630.9	654.5	176.9	169.2	168.2	167.3	56.3	52.9	59.0	57.2	55.7	54.4
2.1.2. Debit	- 496.2	- 510.6	- 594.6	- 141.6	- 164.9	- 134.1	- 130.5	- 48.1	- 39.1	- 46.8	- 48.8	- 43.2	- 38.6
2.2. Travel	533.2	874.7	813.2	168.7	225.5	592.3	166.6	205.8	260.4	126.0	78.1	43.8	44.7
2.2.1. Credit	831.6	1 426.9	1 583.8	378.5	458.8	875.0	473.7	305.9	349.1	220.1	191.3	140.1	142.4
2.2.2. Debit	- 298.4	- 552.3	- 770.8	- 209.9	- 233.3	- 282.7	- 307.1	- 100.0	- 88.6	- 94.1	- 113.2	- 96.3	- 97.7
2.3. Other services	- 79.9	- 257.5	- 260.5	- 61.6	- 3.4	- 58.3	- 49.7	- 11.1	- 27.6	- 19.6	- 37.9	24.9	- 36.7
2.3.1. Credit	300.4	234.7	330.8	71.5	170.2	163.7	223.1	54.1	47.3	62.4	49.6	105.3	68.2
2.3.2. Debit	- 380.2	- 492.2	- 591.3	- 133.1	- 173.6	- 222.1	- 272.9	- 65.2	- 74.9	- 82.0	- 87.6	- 80.4	- 104.9
Total (1+2)	- 130.7	- 231.4	-2 264.5	- 437.3	- 586.3	- 280.6	- 881.4	- 114.4	27.7	- 193.9	- 318.3	- 317.4	- 245.7

¹⁾ Preliminary data

Table H3: Balance of Payments - Income and Current transfers
In Millions of USD

	1993	1994	1995	1996				1996					
				Q1	Q2	Q3 ¹⁾	Q4 ¹⁾	Jul. ¹⁾	Aug. ¹⁾	Sept. ¹⁾	Oct. ¹⁾	Nov. ¹⁾	Dec. ¹⁾
1. Income	-141.3	-124.5	-93.3	-33.4	-32.5	28.1	-7.6	22.7	12.7	-7.3	2.7	-11.0	0.6
1.1. Credit	111.6	101.0	173.4	43.1	61.7	67.0	54.6	36.2	17.5	13.4	19.8	16.6	18.2
1.1.1. Interest payments	108.3	100.3	172.4	43.1	58.3	55.8	39.3	32.1	14.8	8.9	16.1	12.1	11.1
1.1.2. Other	3.3	0.7	1.0	0.0	3.4	11.2	15.4	4.1	2.7	4.5	3.7	4.6	7.1
1.2. Debit	-252.9	-225.5	-266.7	-76.5	-94.2	-38.9	-62.3	-13.4	-4.8	-20.7	-17.1	-27.6	-17.6
1.2.1. Interest payments	-162.8	-141.0	-168.5	-56.5	-68.3	-60.2	-53.0	-38.6	-5.8	-15.8	-17.4	-19.7	-15.9
1.2.2. Interest arrears	-75.6	-78.4	-85.2	-18.2	-20.9	26.6	-5.8	28.2	1.7	-3.4	1.7	-7.1	-0.4
1.2.3. Other	-14.5	-6.1	-13.0	-1.9	-5.0	-5.3	-3.4	-3.1	-0.7	-1.5	-1.4	-0.8	-1.2
2. Current transfers	376.0	459.3	645.8	232.6	194.5	169.3	182.3	53.7	58.6	57.0	64.5	56.9	61.0
2.1. General government	249.8	235.3	279.8	85.0	66.7	-2.5	5.3	-7.5	3.5	1.6	2.0	1.6	1.7
2.1.1. Credit	255.7	261.9	309.2	89.9	73.4	13.0	17.2	5.7	4.4	2.9	4.5	5.4	7.3
2.1.2. Debit	-6.0	-26.6	-29.3	-4.9	-6.7	-15.4	-11.8	-13.2	-0.9	-1.3	-2.5	-3.7	-5.6
2.2. Other sectors	126.2	224.0	366.0	147.7	127.8	171.7	177.0	61.3	55.1	55.4	62.5	55.2	59.3
2.2.1. Credit	299.2	340.2	505.5	185.4	174.8	183.6	192.3	64.5	58.2	60.9	67.7	60.3	64.3
2.2.2. Debit	-172.9	-116.2	-139.5	-37.8	-47.0	-11.9	-15.3	-3.2	-3.2	-5.5	-5.2	-5.1	-5.0
Total (1+2)	234.7	334.8	552.5	199.2	162.1	197.4	174.7	76.4	71.3	49.7	67.2	45.9	61.6

¹⁾ Preliminary data

Table H4: Balance of Payments - Other Investment

In Millions of USD

	1993	1994	1995	1996				1996					
				Q1	Q2	Q3 ¹⁾	Q4 ¹⁾	Jul. ¹⁾	Aug. ¹⁾	Sept. ¹⁾	Oct. ¹⁾	Nov. ¹⁾	Dec. ¹⁾
1. Assets	44.2	241.8	49.8	- 109.9	- 86.9	126.8	212.0	- 4.4	50.2	81.1	61.2	57.6	93.2
1.1. Currency and deposits	44.2	241.8	49.8	- 109.9	- 86.9	126.8	212.0	- 4.4	50.2	81.1	61.2	57.6	93.2
1.1.1. Banks	- 210.6	- 189.5	- 467.1	- 278.2	- 260.4	- 164.2	80.2	- 120.0	- 67.1	22.9	- 5.5	27.6	58.1
1.1.2. Other sectors	254.8	431.3	516.9	168.3	173.5	291.0	131.8	115.6	117.3	58.2	66.7	30.0	35.1
2. Liabilities	151.2	244.2	771.4	261.1	- 3.4	13.3	286.7	- 33.3	- 54.6	101.3	134.5	102.2	49.9
2.1. Loans	- 118.5	- 21.5	430.7	97.5	- 25.7	88.5	244.0	47.1	- 32.1	73.5	140.7	45.7	57.6
2.1.1. Monetary authorities	- 24.0	105.5	97.6	-	- 2.2	-	- 2.2	-	-	-	- 2.2	0.0	-
2.1.1.1. Use of Fund credit and loans	- 24.0	105.5	97.6	-	- 2.2	-	- 2.2	-	-	-	- 2.2	0.0	-
2.1.1.1.1. Drawings	-	114.2	103.0	-	-	-	-	-	-	-	-	-	-
2.1.1.1.2. Repayments	- 24.0	- 8.7	- 5.4	-	- 2.2	-	- 2.2	-	-	-	- 2.2	0.0	-
2.1.2. General government	- 7.8	- 1.8	93.5	0.2	7.5	45.4	256.8	- 20.5	- 0.3	66.2	100.6	150.2	6.0
2.1.2.1. Long-term	- 7.8	- 1.8	- 6.5	0.2	1.1	43.3	256.6	- 20.5	- 0.3	64.1	100.5	150.2	6.0
2.1.2.1.1. Drawings	3.7	10.4	9.4	2.9	3.2	69.1	274.7	-	-	69.1	103.2	157.3	14.2
2.1.2.1.2. Repayments	- 11.5	- 12.2	- 15.9	- 2.7	- 2.0	- 25.8	- 18.0	- 20.5	- 0.3	- 5.0	- 2.7	- 7.1	- 8.2
2.1.2.2. Short-term	-	-	100.0	-	6.4	2.1	0.2	-	-	2.1	0.2	0.0	-
2.1.3. Banks	- 115.8	- 41.7	176.2	35.3	- 69.3	27.7	- 46.3	64.2	- 45.8	9.3	3.0	- 100.5	51.2
2.1.3.1. Long-term	- 133.2	- 56.7	- 94.2	15.5	- 13.5	45.9	9.2	34.2	9.4	2.3	8.4	3.7	- 2.9
2.1.3.1.1. Drawings	55.2	69.4	72.0	42.4	42.8	31.0	51.3	4.4	16.4	10.2	19.2	26.3	5.8
2.1.3.1.2. Repayments	- 188.4	- 126.1	- 166.2	- 26.9	- 56.3	14.9	- 42.1	29.8	- 7.0	- 7.9	- 10.8	- 22.6	- 8.7
2.1.3.2. Short-term	17.4	15.0	270.4	19.8	- 55.8	- 18.2	- 55.5	30.0	- 55.2	7.0	- 5.4	- 104.2	54.1
2.1.4. Other sectors	29.1	- 83.5	63.4	62.1	38.2	15.5	35.7	3.4	14.0	- 2.0	39.3	- 4.0	0.4
2.1.4.1. Long-term	- 50.7	- 78.3	- 36.1	18.8	21.6	12.6	26.4	- 5.6	26.0	- 7.8	25.9	- 0.2	0.6
2.1.4.1.1. Drawings	94.7	104.5	233.7	67.3	86.6	66.6	106.5	10.7	35.7	20.2	40.2	39.6	26.7
2.1.4.1.2. Repayments	- 145.4	- 182.8	- 269.8	- 48.5	- 65.0	- 54.0	- 80.2	- 16.3	- 9.7	- 28.0	- 14.3	- 39.7	- 26.1
2.1.4.2. Short-term	79.8	- 5.2	99.5	43.2	16.7	2.9	9.3	9.0	- 12.0	5.8	13.4	- 3.9	- 0.2
2.2. Other liabilities (short-term)	2 69.7	265.8	340.7	163.7	22.3	- 75.2	42.7	- 80.4	- 22.6	27.7	- 6.2	56.5	- 7.7
2.2.1. General government	-	-	0.3	-	-	-	13.0	0.1	- 0.1	-	0.1	11.8	1.1
2.2.2. Banks	221.6	165.8	209.5	22.4	40.5	- 64.7	11.9	- 69.0	- 0.9	5.2	0.5	20.4	- 9.0
2.2.3. Other sectors	48.1	100.0	130.9	141.3	- 18.2	- 10.5	17.7	- 11.5	- 21.5	22.5	- 6.8	24.4	0.1
Total (1+2)	195.4	486.1	821.2	151.2	- 90.3	140.1	498.7	- 37.7	- 4.5	182.3	195.7	159.9	143.1

¹⁾ Preliminary data

Table H5: International reserves of National Bank of Croatia

In Millions of USD, End of Period

	Total	Special drawing rights	Reserve position in the Fund	Foreign exchange		
				Total	Currency and deposits	Bonds and notes
1991 December	-	-	-	-	-	-
1992 December	166.8	-	-	166.8	166.8	-
1993 December	616.2	3.7	-	612.5	612.5	-
1994 December	1 405.0	4.5	-	1 400.5	1 400.5	-
1995 June	1 826.1	102.7	-	1 723.4	1 723.4	-
July	1 911.5	102.1	-	1 809.4	1 809.4	-
August	1 863.1	95.3	-	1 767.8	1 767.8	-
September	1 943.8	146.6	-	1 797.2	1 786.5	10.7
October	1 897.4	143.0	-	1 754.4	1 706.9	47.5
November	1 892.0	140.3	-	1 751.7	1 679.9	71.8
December	1 895.2	139.8	-	1 755.4	1 651.0	104.3
1996 January	1 845.2	137.0	-	1 708.1	1 591.8	116.4
February	1 883.6	137.8	-	1 745.8	1 626.9	118.9
March	1 890.8	138.0	-	1 752.8	1 645.7	107.1
April	1 876.3	134.8	-	1 741.4	1 646.0	95.4
May	1 919.2	131.6	-	1 787.6	1 667.0	120.6
June	2 019.1	132.3	-	1 886.8	1 747.7	139.1
July	2 216.3	133.8	-	2 082.5	1 923.6	159.0
August	2 331.1	131.1	-	2 200.0	2 069.6	130.4
September	2 295.1	129.6	-	2 165.4	2 056.3	109.1
October	2 312.5	128.0	-	2 184.5	2 074.6	109.9
November	2 292.5	126.2	-	2 166.3	1 979.8	186.4
December	2 314.0	125.6	-	2 188.4	2 016.6	171.8
1997 January	2 173.1	121.8	-	2 051.3	1 816.4	234.9
February	2 177.8	119.2	-	2 058.5	1 744.9	313.6
March	2 252.4	156.6	-	2 095.9	1 745.6	350.2

Table H6: Exchange Rates of National Bank of Croatia (period average)

		HRK/100 ATS	HRK/100 FRF	HRK/100 ITL	HRK/100 CHF	HRK/GBP	HRK/USD	HRK/100 DEM	HRK/XEU
1992		2.4435	5.0688	0.0210	19.1620	0.4540	0.2657	17.1934	-
1993		30.5459	62.3241	0.2240	243.3658	5.3688	3.5776	214.8962	4.1336
1994		52.4804	107.9560	0.3715	438.1763	9.1662	5.9961	369.2044	7.0874
1995		51.8734	104.7969	0.3213	442.5311	8.2530	5.2300	364.9286	6.7578
1996		51.3722	106.2735	0.3522	440.4976	8.4799	5.4338	361.4100	6.8047
1995	September	52.4843	107.0436	0.3342	453.2701	8.4059	5.4016	369.1623	6.8895
	October	52.8658	106.4992	0.3275	459.5187	8.3019	5.2596	372.0225	6.8313
	November	52.8846	107.8401	0.3302	461.5286	8.2401	5.2614	372.1133	6.8284
	December	52.7522	107.7925	0.3355	459.4350	8.2262	5.3484	371.1654	6.8204
1996	January	52.6830	108.2060	0.3412	459.5670	8.2753	5.4049	370.5077	6.8323
	February	52.6304	107.6193	0.3450	453.7723	8.3341	5.4341	370.1289	6.7954
	March	52.5526	107.9038	0.3490	456.3227	8.3349	5.4581	369.5767	6.8452
	April	52.4445	108.6350	0.3537	455.7257	8.3997	5.5376	368.8233	6.8932
	May	51.6720	107.4202	0.3574	444.8496	8.4247	5.5688	363.5654	6.8412
	June	51.0279	105.9487	0.3556	436.5501	8.4535	5.4848	359.0886	6.7906
	July	50.6076	105.1828	0.3512	433.9396	8.3273	5.3639	356.1316	6.7283
	August	50.4061	103.9133	0.3464	436.9548	8.1455	5.2559	354.6796	6.6688
	September	50.5430	104.4095	0.3520	435.2483	8.3357	5.3487	355.6333	6.7352
	October	50.6437	105.3510	0.3572	433.0685	8.6162	5.4490	356.2751	6.8221
	November	50.6604	105.3683	0.3557	423.5404	8.9299	5.3818	356.4890	6.8419
	December	50.5956	105.3243	0.3614	416.4327	9.1814	5.5169	356.0212	6.8623
1997	January	50.6307	105.5680	0.3646	410.4601	9.4731	5.6813	356.2051	6.9086
	February	50.6882	105.6570	0.3612	411.1264	9.6607	5.9557	356.6996	6.9194
	March	50.7702	105.9315	0.3580	413.5243	9.7433	6.0575	357.3151	6.9342
	April	50.8002	106.1420	0.3610	418.2252	9.9465	6.1053	357.5270	6.9692

Table H7: Exchange Rates of the National Bank of Croatia (end of period)

		HRK/100 ATS	HRK/100 FRF	HRK/100 ITL	HRK/100 CHF	HRK/GBP	HRK/USD	HRK/100 DEM	HRK/XEU
1994	December	51.6285	105.2510	0.3465	428.8893	8.7842	5.6287	363.2100	6.9024
1995	June	51.3083	102.9121	0.3074	434.0345	7.9787	5.0422	360.8000	6.6492
	July	51.3969	104.4659	0.3152	435.0174	8.0026	5.0071	361.5200	6.7138
	August	51.6744	105.6669	0.3292	441.5784	8.2850	5.3643	363.4100	6.8107
	September	52.6962	107.3766	0.3263	460.9657	8.3070	5.2550	370.7500	6.8563
	October	52.8632	107.1212	0.3285	460.4641	8.2642	5.2534	372.0300	6.8241
	November	52.8233	108.4337	0.3345	459.5290	8.1877	5.3393	371.6600	6.8675
	December	52.6742	108.5365	0.3358	461.8693	8.2345	5.3161	370.5900	6.8122
1996	January	52.7361	107.9764	0.3452	455.9974	8.2884	5.5057	370.8300	6.7906
	February	52.4763	107.5640	0.3477	453.4799	8.2636	5.3706	369.0600	6.8173
	March	52.6109	108.4996	0.3474	458.8962	8.3186	5.4576	369.9600	6.8505
	April	51.9521	108.2838	0.3567	452.0397	8.4092	5.5669	365.5200	6.8795
	May	51.2883	106.6131	0.3583	438.2318	8.4518	5.5769	360.8500	6.8240
	June	50.8064	105.7232	0.3547	434.7147	8.4224	5.4426	357.5500	6.7749
	July	50.5542	104.8190	0.3440	437.1505	8.1843	5.2580	355.7300	6.6852
	August	50.4647	103.7710	0.3477	437.9760	8.1824	5.2553	355.1100	6.6810
	September	50.6388	105.3156	0.3566	432.7272	8.4700	5.4255	356.2400	6.7939
	October	50.6786	105.3726	0.3544	429.2314	8.7319	5.3869	356.5800	6.8264
	November	50.6125	104.8419	0.3612	420.6835	9.2058	5.4659	356.1800	6.8768
	December	50.6253	105.5662	0.3626	409.8835	9.3590	5.5396	356.2200	6.8636
1997	January	50.6416	105.6052	0.3635	409.7032	9.4688	5.8452	356.3300	6.9060
	February	50.7687	105.9568	0.3591	408.4832	9.8192	6.0366	357.3200	6.9402
	March	50.7929	106.1326	0.3582	414.0791	9.7846	5.9917	357.4800	6.9480
	April	50.8625	106.2010	0.3612	420.5253	10.0748	6.2002	357.9600	6.9895

Table H8: Outstanding Debt
In Millions of USD

	1993	1994	1995	1996						1997		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Outstanding debt												
1. Medium and long term credits	2 431.3	2 771.0	3 111.3	3 144.8	3 146.6	4 099.7	4 263.0	4 422.9	4 397.2	4 323.8	4 607.0	4 731.0
1.1. Official creditors	1 041.4	1 187.8	1 318.0	1 316.7	1 297.4	1 797.9	1 921.0	1 912.9	1 889.6	1 849.0	1 827.1	1 870.3
1.1.1. International financial organizations	319.6	404.0	493.7	487.2	513.9	514.9	644.2	660.7	673.1	672.9	672.2	702.3
1.1.2. Foreign governments	721.8	783.8	824.3	829.5	783.5	1 283.0	1 276.8	1 252.2	1 216.5	1 176.1	1 154.9	1 168.0
1.2. Private creditors	1 389.9	1 583.2	1 793.3	1 828.1	1 849.2	2 301.8	2 342.0	2 510.0	2 507.6	2 474.8	2 779.9	2 860.7
1.2.1. Foreign banks	1 266.5	1 392.8	1 508.8	1 541.7	1 559.8	2 005.4	2 042.1	2 203.4	2 198.2	2 169.2	2 462.4	2 534.0
o/w: Guaranteed by government agencies	244.9	301.9	297.3	294.6	295.2	190.5	195.3	194.6	191.8	182.2	176.8	177.8
1.2.2. Foreign nonbanks	123.4	190.4	284.5	286.4	290.4	296.4	299.9	306.6	309.4	305.6	317.5	326.7
o/w: Guaranteed by government agencies	18.0	29.5	37.5	34.9	32.1	24.8	24.3	24.1	*21.9	20.6	19.7	19.5
2. Short-term credits	54.6	50.5	225.1	262.6	424.0	411.9	428.7	420.1	411.2	380.6	359.1	277.7
2.1. Foreign banks	10.5	15.7	136.2	168.1	306.6	286.6	291.0	284.2	278.6	269.0	252.1	167.9
2.2. Foreign nonbanks	44.1	34.8	88.9	94.5	117.4	125.3	137.7	135.9	132.6	111.6	107.0	109.8
Total (1+2)	2 485.9	2 821.5	3 336.4	3 407.4	3 570.6	4 511.6	4 691.7	4 843.0	4 808.4	4 704.4	4 966.1	5 008.7
o/w: principal arrears	543.4	753.5	950.5	947.1	968.8	146.5	145.6	189.1	197.5	169.5	144.8	160.1
Interest arrears												
3. Medium and long term credits	152.1	244.6	322.9	332.8	347.5	28.4	24.0	34.3	34.3	38.4	30.4	26.0
3.1. Official creditors	36.7	45.8	51.0	51.7	54.4	9.8	17.8	12.1	8.6	13.7	12.7	6.2
3.1.1. International financial organizations	1.4	1.8	2.2	2.2	2.1	1.9	0.3	0.1	0.3	6.2	6.2	0.1
3.1.1. Governments	35.3	44.0	48.8	49.5	52.3	7.9	17.5	12.0	8.3	7.5	6.5	6.1
3.2. Private creditors	115.4	198.8	271.9	281.1	293.1	18.6	84.6	22.2	25.7	24.7	17.7	19.8
3.2.1. Foreign banks	109.8	191.6	263.7	275.5	287.7	13.3	50.7	14.3	17.1	15.3	11.8	12.6
o/w: Guaranteed by government agencies	16.6	18.7	14.4	14.6	14.3	7.7	28.5	7.6	8.2	7.6	4.8	5.1
3.2.2. Foreign nonbanks	5.6	7.2	8.2	5.6	5.4	5.3	33.9	7.9	8.6	9.4	5.9	7.2
o/w: Guaranteed by government agencies	0.5	0.5	0.0	0.0	0.0	0.1	0.6	0.1	0.0	0.0	0.1	0.1
4. Short-term credits	0.3	0.5	1.6	1.9	2.7	2.9	43.2	3.9	4.5	3.2	3.2	4.2
4.1. Foreign banks	0.1	0.2	0.3	0.6	1.3	0.8	14.9	1.2	1.8	1.6	1.4	1.7
4.2. Foreign nonbanks	0.2	0.3	1.3	1.3	1.4	2.1	28.3	2.7	2.7	1.6	1.8	2.5
Total (3+4)	152.4	245.1	324.5	334.7	350.2	31.3	27.6	38.2	38.8	41.6	33.6	30.2
TOTAL (1+2+3+4)	2 638.3	3 066.6	3 660.9	3 742.1	3 920.8	4 542.9	4 719.3	4 881.2	4 847.2	4 746.0	4 999.7	5 038.9

Table II: Consolidated Central Government
In Millions of Kuna

	1994	1995	1 9 9 6				1 9 9 6						1 9 9 7	
			Q1	Q2	Q3	Q4	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
TOTAL REVENUE AND GRANTS														
1. Budgetary central government	23 142.6	27 980.8	6 836.8	8 773.0	7 894.8	7 863.0	2 487.5	3 285.6	2 598.7	2 579.5	2 514.1	2 769.4	2 064.7	2 276.2
2. Extrabudgetary funds	13 739.6	15 302.3	3 978.9	4 197.5	4 403.5	4 449.2	1 394.6	1 441.2	1 375.7	1 487.1	1 338.0	1 624.1	1 401.4	1 467.9
2.1 Pension fund	7 165.1	8 720.4	2 219.0	2 384.9	2 479.9	2 501.0	791.6	809.4	757.1	857.4	715.8	927.8	770.7	844.6
2.2 Health insurance fund	3 775.2	4 558.1	1 230.6	1 263.6	1 370.6	1 331.5	428.7	439.2	454.5	431.7	435.2	464.6	426.7	436.4
2.3 Employment fund	556.7	691.2	181.0	185.1	161.6	148.5	61.7	63.3	37.6	45.5	46.4	56.6	47.5	49.2
2.4 Child benefit fund	689.4	782.1	198.3	215.1	231.6	233.5	69.8	75.1	76.2	74.9	76.5	82.0	71.9	73.2
2.5 Road fund ¹⁾	1 117.5	-	-	-	-	-	-	-	-	-	-	-	-	-
2.6 Public water management fund	435.7	550.5	150.0	149.0	159.7	234.9	42.8	54.2	50.3	77.7	64.1	93.1	84.7	64.4
A. Total (1+2)	36 882.3	43 283.1	10 815.6	12 970.5	12 298.3	12 312.2	3 882.1	4 726.7	3 974.3	4 066.6	3 852.1	4 393.5	3 466.1	3 744.1
TOTAL EXPENDITURE AND LENDING (minus repayments)														
3. Budgetary central government	20 732.4	26 189.3	6 390.1	7 333.8	6 934.3	6 933.7	2 381.1	2 655.4	2 101.8	2 099.1	2 052.3	2 782.3	1 939.3	2 491.0
4. Extrabudgetary funds	14 736.9	17 976.8	5 166.7	5 005.8	5 361.5	5 748.1	1 642.8	1 580.7	1 753.7	1 859.8	1 884.9	2 003.4	1 858.3	1 932.7
4.1. Pension fund	6 685.6	8 860.7	2 448.1	2 541.6	2 641.7	2 828.4	820.0	838.4	879.4	949.2	928.7	950.5	1 008.8	1 075.4
4.2. Health insurance fund	5 255.7	7 083.1	2 108.3	1 959.8	2 103.6	2 185.8	642.6	571.4	665.4	697.1	713.1	775.5	605.4	651.3
4.3. Employment fund	416.1	445.9	193.1	144.9	174.9	163.3	58.4	32.4	61.1	47.8	58.0	57.4	53.3	62.0
4.4. Child benefit fund	665.2	820.6	208.6	200.6	221.7	222.3	67.6	74.3	71.3	65.6	78.5	78.2	101.0	76.9
4.5. Road fund ¹⁾	1 207.0	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6. Public water management fund	507.4	766.6	208.6	158.9	219.7	348.3	54.2	64.3	76.6	100.1	106.5	141.6	89.8	67.1
B. Total (3+4)	35 469.3	44 166.1	11 556.8	12 339.6	12 295.8	12 681.8	4 023.9	4 236.2	3 855.5	3 958.9	3 937.2	4 785.6	3 797.6	4 423.7
C. Overall surplus/deficit (A-B)	1 413.0	- 883.0	- 741.2	630.9	218.2	- 585.3	- 141.7	490.6	334.6	- 108.1	- 85.1	- 392.2	- 331.5	- 679.6
5. Budgetary central government (1-3)	2 410.3	1 791.5	446.6	1 439.1	960.5	929.3	106.5	630.1	496.9	480.4	461.8	- 12.9	125.3	- 214.8
6. Extrabudgetary funds (2-4)	- 997.3	- 2 674.6	- 1 187.8	- 808.3	- 958.0	- 1 298.9	- 248.2	- 139.6	- 378.0	- 372.7	- 546.9	- 379.3	- 456.9	- 464.8

¹⁾ In 1995 included in government budget.
Source: Ministry of Finance

Table I2: Budgetary Central Government Operations
In Millions of Kuna

	1992	1993	1994	1995	1 9 9 6				1 9 9 6				1 9 9 7	
					Q1	Q2	Q3	Q4	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.
1. Total revenue	547.4	8 382.2	23 142.6	27 880.8	6 836.8	8 773.0	7 894.8	7 863.0	2 487.5	3 285.6	2 598.7	2 769.4	2 064.7	2 276.2
1.1. Current revenue	547.0	8 371.2	22 788.9	27 287.1	6 698.0	8 045.8	7 778.9	7 721.6	2 442.1	2 863.7	2 548.5	2 692.4	2 047.5	2 247.0
1.1.1. Tax revenue	502.1	7 891.8	22 377.5	26 505.4	6 398.0	7 466.5	7 336.1	7 329.8	2 319.0	2 546.8	2 301.9	2 564.2	1 977.5	1 969.2
1.1.2. Nontax revenue	45.0	479.3	411.4	781.8	300.0	579.3	442.8	391.8	123.1	316.9	246.6	128.2	70.1	277.7
1.2. Capital revenue	0.3	11.0	353.8	593.7	138.7	727.1	115.9	141.4	45.4	421.8	50.2	77.0	17.1	29.3
2. Grants	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1. Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Capital	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A. Total revenue and grants (1+2)	547.4	8 382.2	23 142.6	27 980.8	6 836.8	8 773.0	7 894.8	7 863.0	2 487.5	3 285.6	2 598.7	2 769.4	2 064.7	2 276.2
3. Total expenditure	564.6	8 403.4	22 282.8	28 475.6	7 119.2	8 148.0	7 773.8	7 931.8	2 725.0	2 900.7	2 460.8	2 982.1	2 353.8	2 722.8
3.1. Current expenditure	519.8	7 738.1	20 360.5	25 495.2	6 649.3	7 091.7	6 277.3	5 911.8	2 537.3	2 569.3	1 923.3	1 991.5	2 155.4	2 478.7
3.2. Capital expenditure	44.5	661.3	1 922.3	2 980.4	469.9	1 056.2	1 496.5	2 020.0	187.7	331.4	537.5	990.6	198.4	244.1
4. Lending minus rep.	- 9.7	- 88.8	316.0	220.6	112.3	198.6	94.2	123.5	- 42.4	73.8	- 24.1	82.3	0.9	190.3
B. Total expenditure and net lending (3+4)	554.9	8 314.6	22 598.8	28 696.2	7 231.5	8 346.6	7 868.0	8 055.3	2 682.5	2 974.6	2 436.8	3 064.4	2 354.6	2 913.0
5. Current account surplus without grants (1.1.-3.1.)	27.3	633.1	2 428.4	1 791.9	48.7	954.1	1 501.7	1 809.8	- 95.2	294.4	625.1	700.9	- 107.8	- 231.7
6. Current account surplus with current grants (5+2.1.)	27.3	633.1	2 428.4	1 791.9	48.7	954.1	1 501.7	1 809.8	- 95.2	294.4	625.1	700.9	- 107.8	- 231.7
7. Gross fixed capital formation¹⁾	44.2	650.3	1 235.0	1 040.5	60.1	- 291.9	550.1	795.6	2.1	- 308.2	231.3	382.8	84.2	100.1
8. Gross Capital formation²⁾	44.2	650.3	1 415.0	1 040.5	60.1	- 291.9	550.1	795.6	2.1	- 308.2	231.3	382.8	84.2	100.1
C. Overall surplus/deficit (A-B)	- 7.5	67.6	543.9	- 715.4	- 394.8	426.3	26.8	- 192.4	- 195.0	311.0	161.9	- 295.0	- 290.0	- 636.8
9. Foreign financing	0.0	0.0	47.3	686.0	168.6	- 60.0	- 8.0	703.3	- 7.4	- 160.2	- 144.0	270.7	- 91.3	1 087.4
10. Domestic financing	7.5	- 67.6	- 591.2	29.4	226.2	- 366.3	- 18.8	- 510.9	202.4	- 150.8	- 17.9	24.3	381.3	- 450.6
10.1. From other government	0.0	- 18.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.0	- 30.0
10.2. From monetary authorities	0.0	67.0	- 617.3	396.0	226.2	- 364.9	- 2.9	- 11.0	202.4	- 149.3	45.5	27.3	92.6	- 92.4
10.3. From deposit money banks	- 4.0	- 106.2	- 63.8	0.0	0.0	- 1.4	143.5	- 450.4	0.0	- 1.4	85.9	- 26.8	47.4	- 429.2
10.4. Other domestic financing	11.5	- 9.9	89.9	- 366.6	0.0	0.0	- 159.4	- 49.5	0.0	0.0	- 149.4	23.8	211.3	101.0
D. Total financing (9+10)	7.5	- 67.6	- 543.9	715.4	394.8	- 426.3	- 26.8	192.4	195.0	- 311.0	- 161.9	295.0	290.0	636.8

¹⁾ Net purchase of fixed capital formation

²⁾ Net purchase of fixed capital formation and net purchase of shares

Source: Ministry of Finance

Table J1: Retail Prices, Costs of Living and Manufacturing Producers' Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices			Cumulative year-on-year indices		
		Retail prices	Costs of living	Manufact prices	Retail prices	Costs of living	Manufact prices	Retail prices	Costs of living	Manufact 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	June	99.6	98.1	99.8	102.7	103.5	101.8	100.9	104.5	100.3
	July	100.0	99.0	100.1	102.0	102.1	101.2	101.1	104.2	100.5
	August	99.9	99.2	100.3	102.0	102.0	100.8	101.2	103.9	100.5
	September	101.6	101.9	100.3	103.1	103.5	100.7	101.4	103.8	100.5
	October	100.5	101.0	100.5	103.5	104.4	101.4	101.6	103.9	100.6
	November	100.1	100.5	100.5	103.7	104.8	101.3	101.8	104.0	100.7
	December	100.2	100.7	100.5	103.7	104.6	101.6	102.0	104.0	100.8
1996	January	100.2	101.0	100.1	103.2	104.8	101.8	103.2	104.8	101.8
	February	100.5	100.8	100.0	103.6	104.4	101.3	103.4	104.6	101.6
	March	99.9	100.3	99.0	103.3	104.4	100.7	103.4	104.4	101.3
	April	99.7	99.3	100.4	102.4	102.1	101.6	103.2	103.9	101.4
	May	101.1	101.4	99.6	103.3	103.1	101.2	103.1	103.7	101.4
	June	100.5	100.9	100.4	104.1	105.5	101.7	103.4	104.0	101.4
	July	100.4	99.5	100.0	104.5	106.1	101.7	103.5	104.3	101.5
	August	100.0	99.2	100.0	104.7	106.0	101.3	103.6	104.5	101.5
	September	100.1	100.1	100.1	103.1	104.2	101.1	103.5	104.4	101.4
	October	100.6	100.7	100.0	103.2	104.0	100.6	103.5	104.4	101.3
	November	100.5	100.6	101.6	103.5	104.1	101.7	103.6	104.4	101.3
	December	100.0	100.4	100.3	103.4	103.7	101.5	103.5	104.3	101.4
1997	January	101.0	101.5	103.0	104.2	104.3	104.3	104.2	104.3	104.3
	February	100.0	100.2	100.1	103.7	103.6	102.0	104.0	103.9	101.9
	March	100.1	100.3	99.3	103.9	103.6	102.2	104.0	103.8	102.0
	April	100.1	100.2	100.0	104.4	104.5	101.9	104.1	104.0	101.9

Source: Central Bureau of Statistics

Table J2: Average Monthly Net Wages
In Kuna, In Current Prices

		Nominal amount in HRK	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	June	1 843.0	100.4	150.6	156.7
	July	1 798.0	97.6	144.2	154.7
	August	1 839.0	102.3	145.1	153.4
	September	1 826.0	99.3	145.0	152.4
	October	1 848.0	101.2	139.4	151.0
	November	1 895.0	102.5	137.0	149.5
	December	1 883.0	99.4	114.4	145.7
1996	January	1 924.0	102.2	110.3	110.3
	February	1 908.0	99.2	110.6	110.4
	March	1 920.0	100.6	106.7	109.1
	April	1 980.0	103.1	110.6	109.5
	May	2 067.0	104.4	112.6	110.2
	June	1 994.0	96.5	108.2	109.8
	July	2 071.0	103.9	115.2	110.6
	August	2 085.0	100.7	113.4	111.0
	September	2 028.0	97.3	111.1	111.0
	October	2 071.0	102.1	112.1	111.1
	November	2 124.0	102.6	112.1	111.3
	December	2 217.0	104.4	117.7	111.8
1997	January	2 274.0	102.6	118.2	118.2
	February	2 196.0	96.6	115.1	116.6

Source: Central Bureau of Statistics

Classification and Presentation of Data on Claims and Liabilities

Data on financial institutions' claims and liabilities are classified according to institutional sectors and financial instruments. Institutional sectors are: financial institutions, central government and funds, other domestic sectors and foreign sector.

The financial institutions sector includes following sub-sectors: monetary authorities (the central bank), deposit money banks (DMBs), other banking institutions and nonbank financial institutions. The central bank is the National Bank of Croatia (NBC). Deposit money banks are institutions granted, by the National Bank of Croatia, the permission to perform banking business services in accordance with the Law on Banks and Savings Banks. Data on DMBs does not include claims and liabilities of former branches of banks with their headquarters in the former Yugoslavia. Other banking institutions comprise savings banks. Since July 1995 savings banks have been under auspices, and have operated with the permission of the NBC. Nonbank financial institutions are financial institutions not classified as banks or other banking institutions (insurance companies, investment funds, savings cooperatives etc.)

The central government and funds comprises government institutions including Croatian Roads Company, Bank Rehabilitation Agency and Croatian Guarantee Agency, and following central government funds: Croatian health insurance fund, state retirement funds, employment agency, Croatian Privatization Fund, Croatian water company and Croatian Bank for Reconstruction and Development. Other domestic sectors are other central government funds (those not classified under the central government and funds sector), local government authorities and local funds, public and private companies and households, including craftsmen and non-profit institutions. In some tables other domestic sectors are divided into following sub-sectors: local governments and funds (including other republic funds, local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal entities and individuals.

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

midpoint NBC exchange rate at the end of the reporting period.

Table A1: Monetary and Credit Aggregates

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

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

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

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

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

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

Table B1: Monetary Survey

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

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

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

The money is the sum of currency outside banks, deposits by other banking institutions with the NBC, deposits by other domestic sectors with the NBC and DMB's demand deposits (item Demand deposits in DMB's Accounts, Table D1).

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

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

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

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

Table C1: Monetary Authorities Accounts

The table reports data on claims and liabilities by monetary authorities. Foreign assets include the following forms of foreign currency and kuna claims on foreign legal entities and individuals: monetary gold, holdings of special drawing rights, foreign cash in vaults, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits in foreign banks, foreign currency security investments and other claims. Claims on central government and funds are loans and overdue claims on the budget of the Republic of Croatia. Claims in kuna are short-term loans granted for the purpose of overcoming the incoordination between incoming revenues and execution of budgetary expenditures, long-term loans granted by special decrees by the government of the Republic of Croatia, and overdue claims on the State Budget for liabilities to the IMF and foreign banks. Claims in foreign currency is a counter-entry to

the liability to the IMF based on the succession of membership in that institution.

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

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

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

Restricted and blocked deposits are mainly import deposits. Blocked foreign currency deposits are funds deposited on a special account with the NBC for the purpose of covering the unpaid liabilities due to foreign creditors.

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

Central government and funds deposits are demand deposits and foreign currency deposits of the central government and funds with the NBC, and NBC bills voluntary subscribed by the Central bank for Reconstruction and Development.

NBC bills are NBC bills on voluntary basis excluding NBC bills voluntary subscribed by the Central bank for Reconstruction and Development.

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

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

Table D1: Deposit Money Banks' Accounts

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

Reserves with the central bank are: kuna cash in vaults and kuna deposits with the central bank.

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

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

Claims on other domestic sectors include the following claims in kuna and foreign currency: securities, loans (including acceptances), equities and claims due.

Same forms of kuna and foreign currency claims are included in claims on other banking institutions and nonbank 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 nonbank financial institutions.

Demand deposits include giro and current accounts balances and other transferable deposits, decreased by currency in the payment system, i.e. checks in banks' vaults and checks in collection.

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

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

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

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

Central government and funds' deposits are all forms of DMBs' kuna and foreign currency liabilities (except restricted and blocked deposits) to the central government and funds.

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

Restricted and blocked deposits comprise the following DMBs' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other banking institutions, nonbank financial institutions, central government and funds as well as foreign legal entities and individuals; households' blocked foreign currency deposits, regulated by the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia and foreign currency deposits by domestic sectors to cover outstanding liabilities due to foreign creditors.

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

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

Tables D2-D12

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

Table D2: Deposit Money Bank's Foreign Assets

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

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

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

Table D3: Deposit Money Banks' Claims on the Central Government and Funds

The table shows kuna and foreign currency DMBs' claims on the central government and funds.

Bonds arising from blocked foreign currency savings deposits are issued in accordance with the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia

Big bonds are those issued in accordance with the Law on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia.

Other claims are all other DMBs' kuna and foreign currency claims on central government and funds: securities, loans, equities, postponed interest arrears (claims for interest due but not payable before relations with foreign creditors are regulated) and arrears (including claims for interest due 30 and more days prior to the reporting date).

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

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

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

By October 1994, foreign currency loans were granted only when counterparted by DMB's loan abroad, in

bank's name and on behalf of the final beneficiary of the loan. Due to the fact that foreign debts are still not entirely regulated, there is an item Postponed interest arrears. It refers to claims on interest due at the original due date, but the obligation to pay is postponed until relations with foreign creditors are regulated.

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

The table shows data on kuna and foreign currency loans granted by DMBs to domestic sectors, including acceptances and commodity futures.

Table D6: Demand Deposits with Deposit Money Banks

The table shows demand deposits with DMBs, classified by domestic institutional sectors.

Demand deposits are the sum of other domestic sectors', other banking institutions' and nonbank financial institutions' giro and current accounts balances, as well as other transferable deposits, decreased by currency in the payment system, i.e. by amount of checks in banks' vaults and checks in collection.

Table D7: Time and Savings Deposits with Deposit Money Banks

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

Table D8: Foreign Currency Deposits with Deposit Money Banks

The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and nonbank financial institutions with DMBs. Foreign currency savings deposits are all foreign currency sight deposits, while foreign currency time deposits also include foreign currency notice deposits.

Table D9: Bonds and Money Market Instruments

The table shows DMBs liabilities for securities issued (net) and loans received from other domestic sectors,

other banking institutions and nonbank financial institutions.

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

Bonds (net) comprise DMBs net liabilities for kuna and foreign currency bonds issued.

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

Table D10: Deposit Money Banks' Foreign Liabilities

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

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

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

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

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

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

Kuna and foreign currency deposits by Republic of Croatia and republic funds are shown separately. Kuna deposits comprise demand deposits, kuna time and notice deposits, and kuna loans obtained from the central government and funds. Foreign currency deposits comprise foreign currency sight deposits, as well as foreign currency time and notice deposits.

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

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

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

Blocked foreign currency deposits include households' foreign currency deposits regulated by the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, as well as domestic sectors' deposits regulated by the Decree Law on the Settlement of Arrears to External Creditors.

Table E1: Savings Banks' Accounts

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

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

Foreign assets refer to foreign currency in savings banks' possession either within arrangements which are in the process of liquidation due to the adjustment to the new Law on Banks and Savings Banks or within arrangements with DMBs regarding performing currency exchange transactions.

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

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

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

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

Savings and time deposits are households' savings deposits in kuna as well as time and notice deposits by other domestic sectors, domestic deposit money banks and nonbank financial institutions.

Foreign currency deposits are households' foreign currency savings and time deposits. These deposits, however, represent transactions in liquidation owing to adjustment to the new Law on Banks and Savings Banks.

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

Foreign liabilities are foreign savings and time deposits in foreign currency. These deposits represent transactions in liquidation owing to adjustment to the new Law on Banks and Savings Banks.

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

Credit from central bank comprise kuna loans obtained from the National bank of Croatia.

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

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

Table F1 - Credit Rates of National Bank of Croatia

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

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

Time series presented in the table contain certain breaches, due to changes in NBC'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 since October 1994 to interest rates on daily credits for savings deposits and current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day.

Interest rates reported in column 9 refer to the use of statutory reserves, which was being used by the banks (in prescribed percentage) to maintain day-to-day liquidity until September 1994. Interest rates paid until September 1994 on the use of statutory reserve funds in amount above prescribed and/or for longer period than allowed are shown in column 10. Since October 1994, interest rates paid on the use of statutory reserve funds are the same as those used for any other form of financial undiscipline, in accordance with the late interest regulations (shown in column 11).

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 10). From July to September 1994, interest rate applied to the use of those funds was 21%, and since October 1994 the same interest rates have been applied as for other forms of financial undiscipline, shown in column 11.

Table F2: Deposit Rates of National Bank of Croatia

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

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

Interest rates on NBC bills on obligatory basis are set by the Council of the NBC.

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

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

Table F3: Deposit Money Banks' Reserves on Obligatory Basis

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

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

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

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

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

Column 7 shows the total amount of other deposits with the NBC on obligatory basis, which comprises NBC bills on obligatory basis, part of NBC bills on

voluntary basis used by the banks to maintain the prescribed minimal liquidity (LAR), and special statutory reserves.

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

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

Column 11 shows the use of obligatory reserves, which includes use of appropriated statutory reserve funds (authorized and unauthorized), inaccurately calculated statutory reserves, non-maintenance of the prescribed minimal liquidity, i.e. (since January 1995) non-maintenance of the minimal average giro account and vault balance (determined in accordance with the calculation of statutory reserves), unregistered amount of the NBC bills on obligatory basis and inaccurately calculated special statutory reserves.

Table F4: Deposit Money Banks' Liquidity Indicators

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

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

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

Column 5 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: use of statutory reserves (until October 1994), regular loans for maintenance of day-to-day liquidity (until November 1994), use of funds exceeding those available on bank's giro account (until October 1994), initial loans (since October 1994), lombard credits (since December 1994), intervention credits for overcoming illiquidity (since October 1994), as well as outstanding liabilities due to the NBC.

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

Table G1: Deposit Money Banks' Credit Rates

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

Columns 3 and 4 show interest rates on the interbank daily and overnight money markets, according to information received from Money Market Zagreb. From December 1993 until May 1995, interest rates on overnight loans were identical to the NBC discount rate. Until December 1993 and since July 1995, interest rates charged for overnight loans equaled to daily weighted average interest rates reached on the daily money market.

Data on DMBs' interest rates on kuna and foreign currency credits are based on DMBs' periodic reports. Basis for calculation of weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reported month, with the exception of interest rates on giro and current accounts credit lines, for which weighted averages were calculated based on the balance of these loans at the end of the reported month.

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

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

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

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

percentage of corresponding credit category (to which exchange rates apply) in total credits included in the calculation of weighted averages for that period.

Table G2: Deposit Money Banks' Deposit Rates

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

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

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

Interest rates on foreign currency deposits refer to deposits received in Deutsche Mark or US dollars, while weighted averages are calculated based on their kuna equivalent using current exchange rate. Deposits received in other foreign currencies are not included in the data reported in this table.

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

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

Table G3: Deposit Money Banks' Trade with Foreign Exchange

Data on trade with foreign exchange between DMBs comprise transactions of purchase and sale of foreign exchange on domestic foreign currency market. The transactions are classified by categories of participants (legal entities or individuals, banks, NBC). Source of data are DMBs periodic reports on trading with foreign exchange, sent to the NBC on a regular basis. The amounts are stated in Deutsche Mark, converted from

other foreign currencies using the NBC's midpoint exchange rate (reporting period average).

Table H1-H4: Balance of Payments

Balance of payments is based on the methodology of the International Monetary Fund (Balance of Payments Manual, fifth edition, 1993). Sources of data are following: reports of the State Bureau of Statistics, reports of transportation companies, reports of deposit money banks, Croatian Bank for Reconstruction and Development and the National Bank of Croatia.

Data on international flows of merchandise trade commodities are compiled by the State Bureau of Statistics on the basis of the customs declaration forms. According to the existing methodology applied by the CBS, commodity imports include temporary commodity imports as well. Other data required for compilation of the balance of payments are collected and processed directly by the NBC.

Services are, except for the data on the international cargo and passenger transport, reported on cash-flow basis.

Earnings from traveling (tourism), are calculated as a total value of: purchase of foreign currency and checks from nonresident natural persons, foreign exchange remittances to accounts owned by companies offering tourist services, sales of domestic currency and traveler's checks abroad, sales of domestic goods and services for foreign currency to nonresident natural persons, foreign exchange checks and credit cards charges in the country, sales of foreign goods to nonresident natural persons, purchase of foreign currency in casinos, 25% of the value of purchase of currency and traveler's checks from resident natural persons and 25% of the value of cash and traveler's checks deposited to resident natural persons foreign currency accounts.

Expenditures from traveling (tourism) industry, are calculated as total value of: payments for business travels, scholarships and specialization, payments for tourist trips organized by domestic tourist agencies, 25% of the value of sales of foreign currency and traveler's checks to resident natural persons and 20% of the value of currency and checks drawn from resident natural persons' foreign currency accounts.

Other services include investment works, construction and installation projects abroad, representation fees, insurance, freight and forwarding services, postal services, costs of Croatian representative offices abroad,

unclassified services and 25% of the value of foreign currency transfers from foreign currency accounts to foreign countries.

Current transfers are classified into two categories: transfers to the central government and transfers to other sectors. Transfers to and from the central government consist of retirement and social welfare payments, financial aid payments, gifts, as well as of import and export bearing no payment obligation. Credits of transfers to other sectors represent the total value of foreign remittances received. Debits of other sectors transfers represent 75% of the value of transfers from resident natural persons foreign currency accounts to foreign countries.

Direct foreign investments are calculated partly from the data on imports of goods to be invested in resident corporations, partly from the data on payments made by nonresidents in connection with investments in the Republic of Croatia.

Data on other investment are structured into following institutional sectors: monetary authorities, general government, banks and other sectors. The scope of sectors somewhat differs from the corresponding scope in the balance sheets of financial institutions. General government sector includes the central government and funds, local government authorities and local funds. Banking sector includes DMBs.

Item Other investments - assets - banks currency and deposits, represents the change in total foreign currency held by banks authorized to do business with foreign countries, i.e. banks with full authorization. Inflow from foreign countries, reported in the item Other investments - assets - other sectors - currency and deposits, is calculated as a difference between the sum of 75% of the value of currency and traveler's checks deposited to resident natural persons' foreign currency accounts and 75% of the value of currency and checks purchased from resident natural persons and the sum of 80% of the value of currency and traveler's checks withdrawn from resident natural persons foreign currency accounts and 75% of the value of sale of currency and traveler's checks to resident natural persons.

Data on loans for all previously mentioned sectors are based in greater part on originally concluded and registered credit agreements included in the NBC database. These do not include unallocated debt of the former Yugoslavia.

Changes in the total current balances of the NBC's foreign currency reserves are calculated using current US

dollars exchange rates for currencies that form the reserves, and they are denominated in US dollars on the day when the balance of payments is compiled (end of month, end of quarter or year).

Table H8: External Debt

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

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

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

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

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

LIST OF ABBREVIATIONS & SYMBOLS

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

ABBREVIATIONS FOR CURRENCY

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

SYMBOLS

-	- no entry
....	- data no available
()	- value is less than 0.5 of the unit of measure being used
Ø	- average
1)	- indicates a note beneath the table
*	- corrected data
()	- incomplete or insufficiently verified data

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