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# BULLETIN

Zagreb, 2004

# General Information on Croatia

## Economic Indicators

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
GDP <sup>a</sup> (million USD, current prices)	14,585	18,811	19,872	20,109	21,628	19,906	18,427	19,863	22,436
GDP – annual changes <sup>a</sup> (in %, constant prices)	5.9	6.8	5.9	6.8	2.5	-0.9	2.9	4.4	5.2
GDP per capita <sup>a,b</sup> (in USD)	3,137	4,029	4,422	4,398	4,805	4,371	4,153	4,477	5,057
Retail price inflation (in %, end of year)	-3.0	3.7	3.4	3.8	5.4	4.4	7.4	2.6	2.3
Population <sup>b</sup> (million)	4.6	4.7	4.5	4.6	4.5	4.6	4.4	4.4	4.4
Exports of goods and services (as % of GDP)	49.8	37.1	40.1	39.9	39.5	40.8	47.0	48.5	47.1
Imports of goods and services <sup>c</sup> (as % of GDP)	47.4	48.7	49.7	56.6	48.7	49.2	52.1	54.4	58.2
Current account balance <sup>c</sup> (as % of GDP)	4.9	-7.5	-4.8	-12.5	-6.7	-7.0	-2.5	-3.7	-8.5
Outstanding external debt (million USD, end of year)	3,020	3,809	5,308	7,452	9,683	9,878	11,055	11,317	15,428
Outstanding external debt (as % of GDP)	20.7	20.2	26.7	37.1	44.8	50.1	60.0	57.0	68.8
Outstanding external debt (as % of exports of goods and services)	41.6	54.6	66.6	92.9	113.3	122.9	127.6	117.5	146.0*
External debt service <sup>d</sup> (as % of exports of goods and services)	9.0	10.1	9.0	9.9	12.5	20.8	23.3	24.4	26.0
Gross international reserves (million USD, end of year)	1,405	1,895	2,314	2,539	2,816	3,025	3,525	4,704	5,886
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.4	2.5	2.8	2.7	3.2	3.7	4.4	5.2	5.4
Exchange rate on 31 December (HRK : 1USD)	5.6287	5.3161	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457
Average exchange rate (HRK : 1USD)	5.9953	5.2300	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637

<sup>a</sup> Preliminary data for 2002.

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

<sup>c</sup> Includes changes in the methodology aimed at monitoring the 2002 goods imports at f.o.b. parity.

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

Sources: Central Bureau of Statistics and Croatian National Bank.

# Contents

## **Introduction / 3**

### **Demand / 4**

- Foreign Demand / 5
- Domestic Demand / 5
- Personal Consumption / 5
- Investment Consumption / 6
- Government Consumption / 7

### **Output / 7**

- Industry / 8
- Trade / 9
- Construction / 9
- Tourism / 10
- Transport and Communications / 11

### **Labour Market / 11**

- Unemployment and Employment / 11
- Wages and Labour Costs / 13

### **Prices / 14**

- Box 1: The Main Characteristics of the New Inflation Indicator in Croatia – Consumer Price Index and Movements in Consumer Prices in January 2004 / 17

### **Exchange Rate / 19**

### **Monetary Policy and Instruments / 21**

- Monetary Environment / 21
- Uses of Monetary Policy Instruments / 21
  - Reserve Money and International Reserves / 23
- Monetary Developments / 25
  - Placements / 25
  - Money Supply / 26
  - Total Liquid Assets / 26
  - Foreign Assets and Liabilities / 27
- Box 2: Monetary Policy and Changes in its Instruments at the Beginning of 2004 / 28
  - Placements to the Central Government / 29

### **Money Market / 29**

- Money Market Interest Rates / 30
- Interest Rates in the Short-Term Securities Market / 31
- Banks' Interest Rates / 31

### **Capital Market / 33**

- Equities Market / 33
- Debt Securities Market / 35

### **International Transactions / 37**

- Current Account / 37
- Merchandise Trade / 38
- Capital and Financial Account / 40
- External Debt / 41
- International Liquidity / 43

### **Government Finance / 44**

- 2003 Budget Highlights / 44
- Budget Outturn / 44
  - Budget Revenues / 44
  - Budget Expenditures / 44
- Budget Balance and Deficit Financing / 45
- Box 3: Government Arrears / 46
- Government Debt / 47
  - Central Government Domestic Debt / 47
  - Central Government External Debt / 47

## **Statistical Survey**

### **A. Monetary and Credit Aggregates**

- Table A1: Monetary and Credit Aggregates / 52

### **B. Monetary Institutions**

- Table B1: Monetary Survey / 53
- Table B2: Number of Reporting Banks and Savings Banks and their Classification by Total Assets / 54

### **C. Monetary Authorities**

- Table C1: Monetary Authorities Accounts / 55

### **D. Banks**

- Table D1: Banks' Accounts / 57
- Table D2: Banks' Foreign Assets / 58
- Table D3: Banks' Claims on the Central Government and Funds / 59
- Table D4: Banks' Claims on Other Domestic Sectors / 59
- Table D5: Distribution of Banks' Loans by Domestic Institutional Sectors / 60
- Table D6: Demand Deposits with Banks / 60
- Table D7: Time and Savings Deposits with Banks / 61
- Table D8: Foreign Currency Deposits with Banks / 61
- Table D9: Bonds and Money Market Instruments / 62
- Table D10: Banks' Foreign Liabilities / 62
- Table D11: Central Government and Funds' Deposits with Banks / 62
- Table D12: Restricted and Blocked Deposits with Banks / 63
- Graph D1: Distribution of Banks' Loans / 64
- Graph D2: Distribution of Banks' Deposits / 64

### **E. Housing Savings Banks**

- Table E1: Housing Savings Banks' Accounts / 65

### **F. Monetary Policy Instruments And Liquidity**

- Table F1: Credit Rates of the Croatian National Bank / 66
- Table F2: Deposit Rates of the Croatian National Bank / 67
- Table F3: Banks' Reserve Requirements / 68
- Table F4: Banks' Liquidity Indicators / 68

### **G. Financial Markets**

- Table G1: Banks' Interest Rates on Kuna Credits Not Indexed to Foreign Currency / 70

Table G2: Banks' Interest Rates on Kuna Credits Indexed to Foreign Currency and on Credits in Euros / 71

Table G3: Banks' Interest Rates on Kuna Deposits Not Indexed to Foreign Currency / 72

Table G4a: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 73

Table G4b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 74

Table G5: Banks' Trade with Foreign Exchange / 75

## **H. International Economic Relations**

Table H1: Balance of Payments – Summary / 76

Table H2: Balance of Payments – Goods and Services / 77

Table H3: Balance of Payments – Income and Current Transfers / 78

Table H4: Balance of Payments – Other Investments / 79

Table H5: Balance of Payments – Summary / 80

Table H6: International Reserves and Bank's Foreign Exchange Reserves / 81

Table H7: International Reserves and Foreign Currency Liquidity / 82

Table H8: Midpoint Exchange Rates of the Croatian National Bank (period average) / 84

Table H9: Midpoint Exchange Rates of the Croatian National Bank (end of period) / 84

Table H10: Indices of the Effective Exchange Rate of the Kuna / 85

Table H11: External Debt by Domestic Sectors / 86

Table H12: External Debt by Creditors / 87

Table H13: External Debt by Domestic Sectors and Projected Future Payments / 88

Table H14: International Investment Position – Summary / 89

Table H15: International Investment Position – Direct Investment / 90

Table H16: International Investment Position – Portfolio Investment / 90

Table H17: International Investment Position – Other Investment / 91

## **I. Government Finance**

Table I1: Consolidated Central Government / 92

Table I2: Budgetary Central Government Operations / 93

Table I3: Central Government Debt / 94

## **J. Nonfinancial Statistics**

Table J1: Retail Prices Producer Prices Indices / 95

Table J2a: Core Retail Prices Indices / 96

Table J2b: Core Consumer Price Indices / 96

Table J3: Average Monthly Net Wages / 97

**List of Banks and Savings Banks / 99**

**Management of the Croatian National Bank / 101**

**List of Abbreviations and Symbols / 102**

# Quarterly Report

## Introduction

Available data suggest a mild slowdown in economic growth in the second half of 2003. Personal consumption, the largest component of GDP, grew only 3.9% year-on-year in the third quarter, its lowest rate since late 2001. Despite a strong Christmas shopping season, it seems likely that personal consumption growth will also be slower in the fourth quarter.

The other components of demand do not appear likely to make up for weaker consumption growth in the fourth quarter. Investment has a strong seasonal component, since highway and building construction are difficult during the winter months. And foreign demand tends to make a negative contribution in the fourth quarter, with large import bills in December and seasonally weak tourism revenues. Thus it seems likely that growth in the fourth quarter will be well below the 5% rate seen in the first half of the year.

However, it is worth mentioning that there is a degree of tension between the slowdown of GDP growth and the very strong tourism revenues registered in the balance of payments in the third quarter. Statistical data on foreign trade in 2002 and 2003 shown by the National Accounts Statistics currently differ from those presented by the balance of payments.

Labor market developments also offer some evidence of slowdown. But here too, caution is necessary in interpreting the data. Registered unemployment has risen each month since September, in keeping with the usual seasonal pattern, and employment of those registered with the CEI decreased somewhat during the fourth quarter. However, there are signs that increased entrance to the register represents the return of inactive workers to the labor force. This phenomenon, which can cause registered employment to increase in the early stages of economic recovery, in this case is not clearly linked to business cycle developments. The publication of labor force survey data, compiled according to ILO methodology, in May, should shed further light on this question.

Inflation remains muted. Retail price inflation averaged only 1.5% in 2003, down from 2.2% in 2002. Growth in retail prices of non-food industrial products led the decline, falling from 2.6% in 2002 to 1.0% in 2003. Exchange rate stability (the average daily kuna-euro rate depreciated by a small 2.1% in 2003), moderate wage growth (2.6% growth in real gross wages), and a low inflation environment in Croatia's main trade partners helped keep inflation low. Also, the appreciation of the kuna against the US dollar helped dampen the impact of world market oil price increases in Croatia. In fact, while crude oil prices rose 15.9% on world markets in dollar terms, the price of crude oil fell by 0.7% in kuna terms in 2003. Even substantial increases in agricultural prices, mainly caused by severe drought in the spring and summer, did not raise overall inflation.

A new price index, the consumer price index, was unveiled by the Central Bureau of Statistics in February. From now on, this index, which is compatible with EU standards, will replace the retail price index and cost of living index. In

this issue of the Bulletin, we provide an explanation of the methodology of the new index. In future issues, we will comment on movements in the index.

In the fourth quarter, the Croatian National bank continued to implement restrictive monetary policy. Although the CNB created some HRK 2.574m by purchasing USD 400m from the government (most of the proceeds from the sale of 25% of the shares of the national oil company INA), the money created was withdrawn in two ways: first, by increasing the percentage of the reserve requirement on foreign exchange liabilities that must be held in kuna from 35% to 42%, and second, by net sales of EUR 70.6m to commercial banks in four auctions held between 19 November 2003 and 8 January 2004.

In keeping with this, the growth of monetary aggregates decreased substantially in 2003. M1 growth fell to 9.8%, sharply down from 2002's 30.2%. M4, the broadest monetary aggregate, grew 10.8%. However, the monetary base M0 grew rapidly, some 32.8%. This was a direct result of the increase in the kuna part of the foreign exchange reserve requirement described above, and does not indicate expansionary monetary policy.

Another indication of the stance of monetary policy can be found in the behavior of interest rates. Money market rates, which had jumped substantially in August after the CNB increased the kuna portion of the foreign exchange reserve requirement from 25% to 35%, fell in September and October. They remained at a low level in November, but then rose in December, in part reflecting the central bank's measures and in part reflecting usual seasonal increases in demand for kuna. Furthermore, interest rates on Ministry of Finance Treasury bills, which increased strongly in the third quarter, ended the year at levels roughly 2 percentage points higher than in the first half of 2003, despite modest decreases in November and December.

Restrictive monetary policy, including the central bank's decision to require banks that showed loan growth above 4% in a given quarter to buy central bank securities with very low yields, resulted in a substantial decrease in the rate of growth of bank lending. Bank placements to the non-bank sector grew 14.6% in 2003, compared to 30.4% in 2002 and 25.5% in 2001.

The motivations for the central bank's measures to restrict loan growth were the increased current account deficit and external debt of the country. While the current account deficit did improve in 2003, falling from 8.5% in 2002 to an estimated level of about 7.2% in 2003, this improvement does not appear to be the result of the slower loan growth. Merchandise imports continued to grow strongly, and the merchandise trade deficit grew by some 19.1%. The persistence of import growth in the face of slower loan growth can to some extent be explained by increased use of alternative forms of credit, such as leasing. In any case, there are few signs that import growth is slowing down.

Improvement in the current account resulted mainly from exceptionally rapid growth in services exports. This growth continued in the fourth quarter, but, due to the relative unimportance of this quarter in total tourist activity, did not make a major contribution to the year's totals. Also, mer-

chandise imports showed some signs of improvement. Seasonally adjusted total merchandise exports in constant U.S. dollars grew 10.5% in 2003, as against 2.0% in 2002.

Croatia's external debt grew substantially in 2003, rising from USD 15.5bn in 2002 to some USD 23.7bn in 2003. The debt grew USD 3.7bn in the fourth quarter alone. It is important to note that a large part of the increase in the debt, especially in the fourth quarter, occurred due to the weakening of the U.S. dollar, and not because of particular transactions. During 2003, the banking sector and foreign direct investment sectors showed the most rapid growth in external debt, 84.5% and 71.9% respectively. Banks' share of the external debt has risen from 20.3% in 2001 to 31.5% in 2003. The government's share in the external debt has actually fallen from 45.4% in 2001 to 35.6% in 2003, suggesting that the external debt is more and more becoming a private sector phenomenon.

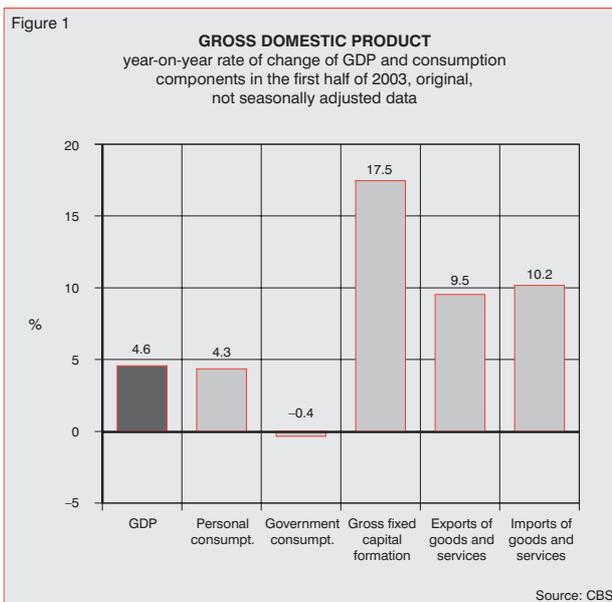
Nonetheless, if Croatia is to control the growth of its external debt, the government must limit its foreign borrowing. Results from 2003 suggest that more must be done in this respect. According to preliminary data from the Ministry of Finance, the deficit of consolidated general government was 5.1% of GDP in 2003, approximately 0.4% of GDP higher than planned. The deficit was partly funded by strong privatization proceeds, including the privatization of INA. However, approximately HRK 5.5bn of financing came from other sources, and much of this in fact was foreign borrowing.

Government revenues in 2003 appear to have been very close to planned. The larger than anticipated general government budget deficit resulted from higher expenditures. Total expenditures of central government amounted to HRK 86.6bn, 7.4% more than in the year before. Total expenditures of central government, actually were within the planned limits, so that the overruns clearly come from local government.

Total general government debt grew HRK 9.2bn in 2003, and amounted to 44% of expected 2003 GDP. If government guarantees are added, the total rises to 52.3% of GDP. Growth in domestic government debt was HRK 3.3bn, 14% less than the growth the year before, while growth in foreign government debt was HRK 6.1bn, 131% more than the growth the year before. Thus it is clear that financing in 2003 was heavily weighted to foreign sources. This is certainly something that needs to be substantially changed in 2004.

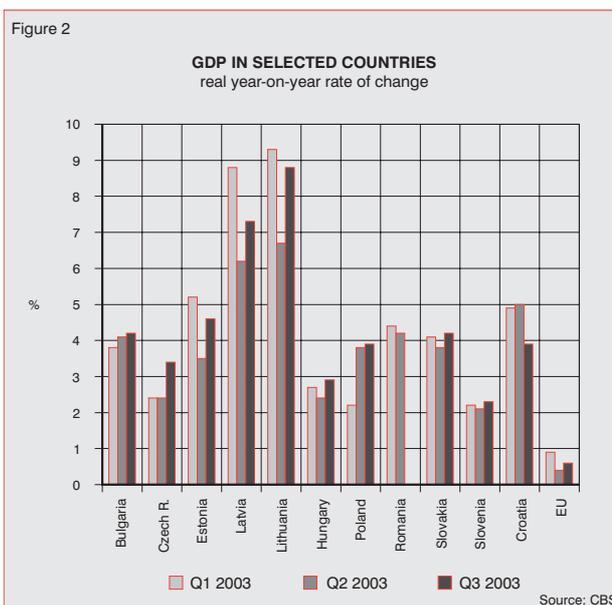
## Demand

Economic activity slowed down a little in 2003 compared with the previous year. In the first half of 2003, real GDP rose by 5.0% relative to the same period in 2002, which slowed the growth from the second half of 2002. A further slowdown was recorded in the third quarter of 2003, when the annual GDP growth rate dropped to 3.9%. In the first three quarters of 2003, total gross domestic product was 4.6% higher than in the same period 2002. The available economic indicators point to a continuation of the downward



trend in the fourth quarter of 2003.

The data on economic developments in the neighbouring countries show an upturn in economic activity in the third quarter compared with the previous periods. The European Union recorded a 0.4% growth of GDP in the third quarter compared with the second quarter and, according to the provisional estimates by Eurostat, the same quarterly growth rate is expected in the fourth quarter. Equal quarterly developments were observed in EMU countries, but with somewhat lower growth rates at the annual level. Thus, the third and fourth quarters saw a 0.6% and 0.9% growth respectively in EU countries, and a 0.3% and 0.6% respectively in EMU member states. A heightened economic activity in the Western European countries stimulated the growth in the countries from the current wave of accession and EU candidate countries. Like in the first half of the year, the strongest growth was recorded in the Baltic countries, particularly in Latvia and Lithuania, where the annual growth rates exceeded 7%. In the first three quarters of 2003, real GDP in

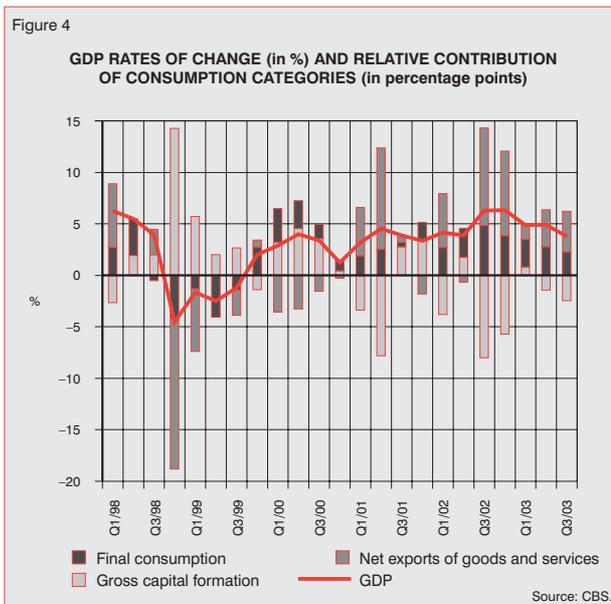


Bulgaria, Romania and Slovakia grew at an annual rate of approximately 4%. In contrast to this, GDP growth in Slovenia, Hungary, Czech Republic and Poland barely exceeded 2%. However, Poland and Czech Republic saw a recovery in the second and third quarters respectively.

### Foreign Demand

According to the quarterly GDP estimate for the first three quarters of 2003, net foreign demand made a negative contribution to GDP growth. A pronouncedly negative impact of foreign demand on GDP formation was recorded in the second quarter, while in the first and third quarters this impact was only slightly negative. However, these trends do not fully correspond with the developments in the balance of payments, which were positive according to this source, particularly in the second and third quarters owing to exceptionally good results in tourism.

In the first quarter of 2003, exports of goods and services rose by 14.3% in real terms compared with the same period in 2002, with the exports of goods growing faster than the exports of services. In the second quarter of 2003, according to the quarterly GDP estimate, real growth declined to 8.1%. This is attributable to stagnant exports of goods paralleled with a strong growth in exports of services, which was spurred by increased revenues from tourism and transport services. These developments were less intensive than those in the balance of payments, owing to a serious underestimation of revenues from tourism in the quarterly GDP estimate, which are established through studies for the purpose of balance of payments compilation. The same approach, i.e. underestimation of revenues from tourism compared with the balance of payments data, was employed in the third quarter. Then, the real growth of goods and services exports in the quarterly GDP estimate was assessed at no more than 10.2%, although it should have been much stronger, judging by the balance of payments data. The preliminary balance of payments data for the fourth quarter point to a slower growth of exports of goods and services compared with the



second and third quarters. Given the moderate share of revenues from tourism in total exports of goods and services in the fourth quarter, it is possible that the quarterly GDP calculation for that quarter will include the original data on tourism revenues. The quarterly GDP estimate for the fourth quarter could therefore show that there was no decline in exports in that quarter, as goods exports rose and services exports fell.

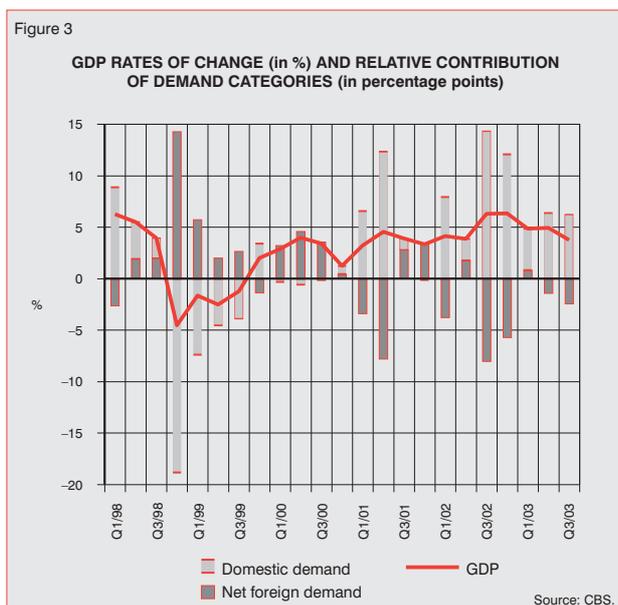
In 2003, imports of goods and services continued to follow the strong upward trend from the second half of 2002. According to the quarterly GDP estimate, the real growth rate of imports of goods and services was 10.3%, 9.1% and 11.1% in the first, second and third quarters of 2003 respectively. These developments arose from a particularly strong growth of goods imports and a slowdown in services imports.

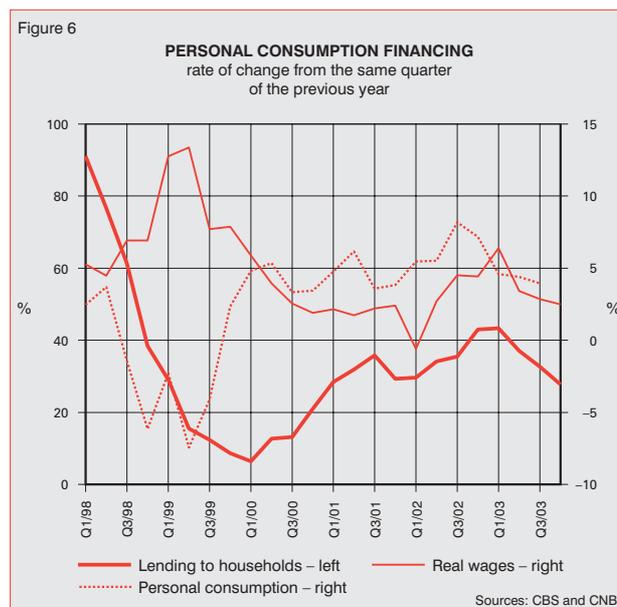
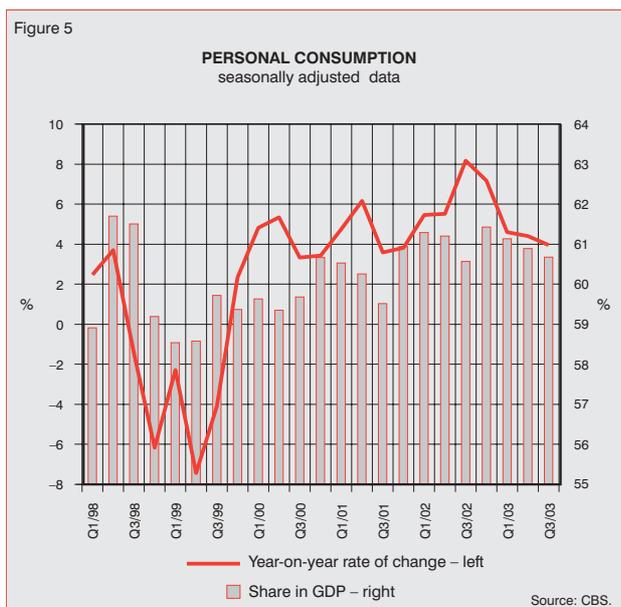
### Domestic Demand

While domestic demand was the primary source of GDP formation in 2003, its impact weakened considerably compared with the last year's developments. However, a positive change was perceived in gross fixed capital formation, which was the main source of GDP growth in 2003. Contrary to this, the contribution of gross capital formation to GDP growth was smaller than in 2002. This was mainly the consequence of a decrease in the change of inventories, which includes a statistical discrepancy. The contribution of final consumption to GDP growth also decreased. This was the result of a slowdown in personal consumption paralleled with a very slight decline in government consumption. As personal consumption represents the most important category of GDP formation, its slowdown, though not sharp, strongly contributed to the decline in GDP growth.

### Personal Consumption

A slowdown in personal consumption was one of the main characteristics of domestic demand trends in 2003. The





strongest growth of personal consumption was recorded in the first quarter, but, given its annual rate of 4.9%, it was still much weaker than in the previous year. The downward trend continued into the second quarter, and strengthened additionally in the third quarter, so the annual growth rate fell to 3.9%. As a result of such developments, the cumulative annual growth rate of personal consumption was 4.3%, which significantly weakened the impact of personal consumption to GDP formation.

The slowdown in domestic demand partially contributed to an only slight decline in consumer goods imports. This was paralleled with a sharp increase in capital goods imports, mainly owing to a rise in ship imports. Thus, following a boom in 2002, in 2003 the imports of durable consumer goods increased nominally by 9.4% and the imports of non-durable consumer goods by 8.1% (expressed in kunas). The imports of durable consumer goods declined markedly compared with the previous year. A slowdown was also observed in the purchase of passenger vehicles. The imports of road vehicles have trended downwards since mid-2003, following their pronounced growth at the beginning of the year, which was even stronger than in the previous year.

The available personal consumption indicators for the fourth quarter of 2003 point to a continuing mild increase in personal consumption. Thus, the retail trade turnover index shows a slight upturn in personal consumption following stagnation in the third quarter. In the fourth quarter, the real retail trade turnover index was 1.5% higher compared with the same period in 2002, which represents a slight increase relative to the annual growth rate of 0.3% in the third quarter. Such developments mainly resulted from increased turnover in December before the Christmas holidays, while the trends in October and November approximated those in the previous months, showing an only slightly growing or stagnant turnover.

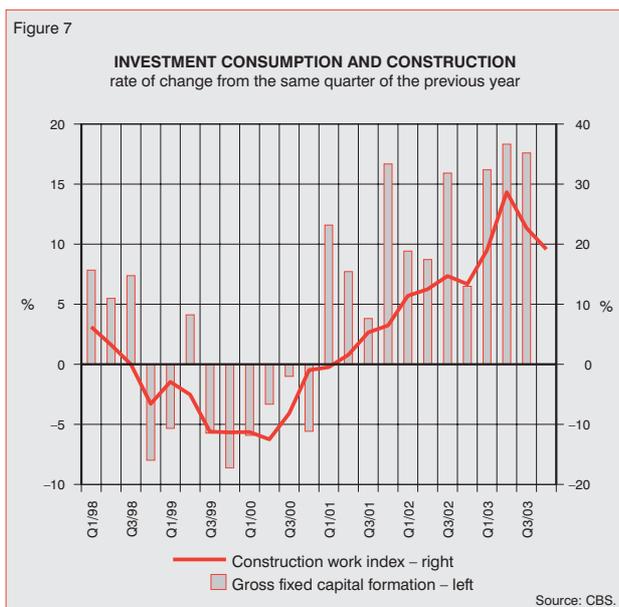
On the other hand, the developments in all sources of personal consumption financing point to a slowdown in personal consumption. Thus, the fourth quarter saw a continuation of the decline in household crediting that started in the

second quarter of 2003 and continued at an increasingly high rate. A similar trend was observed in regular sources of financing where real net wages declined. The real annual growth rate of net wages paid dropped from 6.4% in the first quarter of 2003 to 3.4% in the second, 2.9% in the third and 2.4% in the fourth quarter. No significant increase was recorded in government transfers to households either. They grew at the rate of 4.3% in nominal terms compared with the previous year, i.e. only slightly faster than inflation.

### Investment Consumption

An exceptionally strong growth of investment consumption in 2003 made the greatest impact on the total economic growth. Thus, according to the quarterly GDP estimate for the first three quarters of 2003, the strong gross fixed capital formation participated with 4.2% in the 4.6% growth of GDP. The 17.5% annual rise in investment consumption in the specified period was mainly the result of a heightened construction activity. The strongest impetus was provided by a substantial investment in road infrastructure, i.e. the project based on government incentive, which represents government investment.

In the first three quarters of 2003, gross fixed capital formation grew at approximately the same rate, but the largest increase was recorded in the second quarter, 18.3% at the annual level. In March, owing to more favourable weather conditions, road construction activities heightened and continued even more intensely in the following months. This was aimed at opening to traffic some motorway sections toward the Adriatic coast before the beginning of the main tourist season. Therefore, construction activity peaked at the end of the second quarter. This was followed by a mild slowdown in July compared with the exceptionally strong trends in the previous period. The downturn continued into the autumn and winter months, but even then the level of construction activity was much higher than in the same period of 2002. Thus, in the first eleven months of 2003, the index of the total volume of construction projects rose by 22.6%



compared with the same period in 2002, with slower growth rates recorded in the first and fourth quarters.

### Government Consumption

The main characteristic of government consumption in the period from 2000 to 2003 was a continuing decrease in current government expenditures on services rendered to citizens. This trend continued in 2003, but at a slower pace than in the previous year. According to the quarterly GDP estimate, in the first three quarters of 2003, government expenditures on goods and services decreased by 0.4% in real terms compared with the same period in 2002. In this connection, it is estimated that government consumption rose a little in the second quarter, but it fell in the first and third quarters.

According to the Ministry of Finance data, in the first nine months, the expenditures of the consolidated central government on wages and other purchases of goods and services rose by 3.3% in nominal terms compared with the same period in 2002. This corresponds with the estimated mild decrease in government consumption in real terms. A strong growth was recorded in wages, but it did not result from the rise in the number of employees, but from growing expenditures on severance payments and other benefits to the employees who prepare to leave or have already left government administration. Contrary to this, expenditures on other purchases of goods and services continued to decrease.

The preliminary Ministry of Finance data on expenditure outturn in the fourth quarter of 2003 point to a continuation of the described developments from the previous part of the year. Thus, wage bill rose by more than 10% in nominal terms. However, given the stagnant number of employees, this does not represent a real growth of government consumption. Government expenditures on goods and services continued to decline. Thus, during 2003, expenditures on goods and services declined by 1.2% in nominal terms, which points to an even sharper decrease in real terms, while nominal expenditures on wages grew faster. Looking at these two categories as a whole, in 2003, the expenditures of

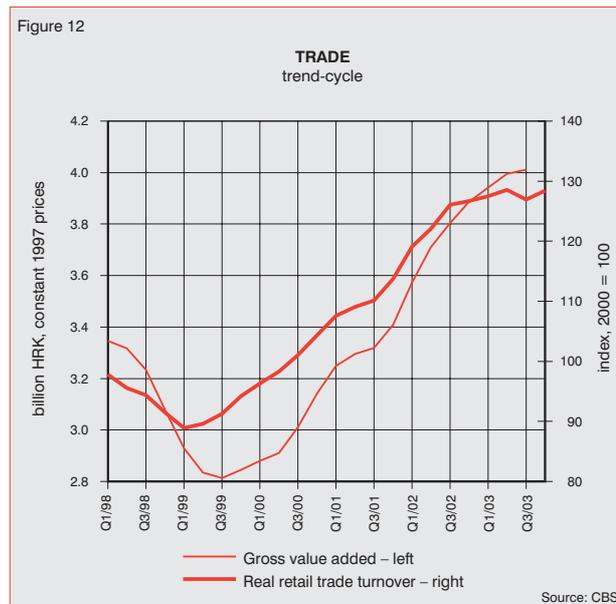
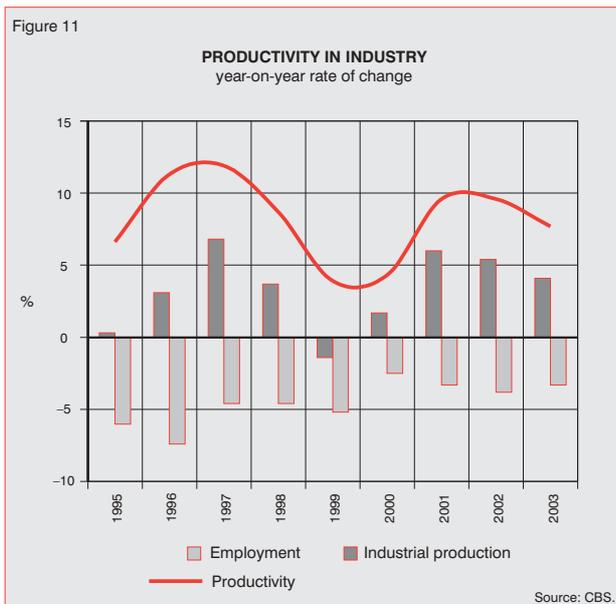
the consolidated general government on goods and services rose by 4.4% in nominal terms. This points to their mild decline in real terms (taking into account the growth in prices and wage bill, which does not result from increased labour productivity measured by the number of employees).

### Output

According to the quarterly GDP estimate made by the production method, gross value added rose by 5.2% in real terms in the first three quarters of 2003 compared with the same period in the previous year. The strongest growth, 5.8% at the annual level, was recorded in the second quarter while the real annual growth rate in the first and third quarters was 5.0%. However, gross domestic product grew slower than gross value added, at the rates of 5.0% and 3.9% in the second and third quarters respectively. This is attributable to a slower increase in taxes on products reduced by government subsidies. According to the production method, gross domestic product is estimated as a total of gross value added realised in all activities increased by taxes reduced by subsidies. As a result of a slower growth of the specified category, which was the consequence of a slower growth of taxes on products and a faster growth of subsidies, GDP grew at a slower pace than gross value added.

In the first three quarters of 2003, the strongest growth of gross value added was recorded in construction with a cumulative growth rate of 20.7%. Apart from the exceptionally strong construction, several other activities recorded an above-average increase in gross value added. Some of them grew faster than in 2002 (hotels and restaurants, transport, storage and communications and financial intermediation), while trade, despite its strong growth, still grew considerably slower than in the previous year. The two-year stagnation in gross value added in public and social activities continued. Agriculture recorded a sharp decline in gross value added, particularly in the second and third quarters of 2003 due to a long draught.





a continued restructuring of business entities, which resulted in reduced employment. Thus, employment in overall industry fell by approximately 3% in 2003 compared with the previous year. These developments led to a 7.7% increase in labor productivity during 2003. A particularly strong growth of labor productivity was recorded in manufacture of tobacco products, as well as radio, television and communications equipment and apparatus, which was mainly the result of a reduced number of employees. In contrast to this, a sharp rise in labor productivity in publishing and printing as well as manufacture of fabricated metal products approximated the exceptionally strong growth of production, and was therefore not the consequence of a decline in employment.

### Trade

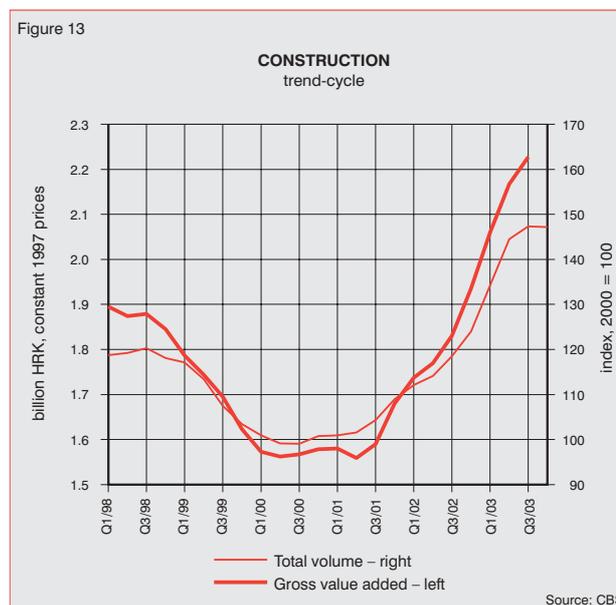
A slowdown in personal consumption in 2003 contributed to a decrease in trade turnover. In the last few years, trade turnover grew very fast owing to the expansion of numerous chains of stores throughout the country. A heavier competition resulted in improved services and reduced sales prices, which stimulated the growth of consumption. However, the effects of these developments are wearing off. In the first three quarters of 2003, gross value added in overall trade rose by 7.9% in real terms compared with the same period in 2002, while in the previous years gross value added in trade grew at annual rates exceeding 10.0%. However, it should be emphasized that the recorded growth rate of gross value added is still very high, above the average growth rate of the total gross value added.

Gross value added has gradually slowed down since the beginning of the year. According to the latest available data, the lowest annual growth rate of gross value added (6.1%) was recorded in the third quarter. Similar trends can be observed in trade turnover, which has also slowed down since the beginning of the year. Thus, the overall trade turnover rose by 3.9% in real terms in 2003 compared with the previous year. The growth was stronger in the first half of the

year, while in the second half of the year turnover declined in real terms. A growth of turnover was only recorded in December, owing to the big Christmas shopping, when it reached the annual rate of 2.5%. Similar developments were recorded in retail trade, which rose at a somewhat higher annual rate of 3.8%.

### Construction

Construction was the strongest growing economic activity in 2003. It is heavily dependent on seasonal factors, as the number of completed projects is subject to weather conditions. Therefore, the strongest activity is usually recorded in the second and third quarters. Thus, in the second and third quarters of 2003, the index of construction works, measuring the working hours of construction workers at building sites, rose at exceptionally high annual rates of 28.7% and 22.7% respectively. Similar trends, with the strongest growth in the second quarter, were observed in gross value



added. However, it grew at a somewhat slower pace, so in the first nine months of 2003, its real growth rate reached a high 20.7%, while the index of construction works rose by 23.4%. The developments in the index of construction works in October and November suggest that even in these months, which are less favorable for construction, the high growth of activity continued at the annual rates of 20.2% and 18.1% respectively. These rates are, of course, somewhat lower than in the summer months but they are still much above the rates in other economic branches.

Such a strong growth of activity in construction was mainly the result of a large investment in road infrastructure, which has been put high on the Government agenda. In 2003, capital expenditures of government agencies for the construction and maintenance of roads and motorways rose by over 40% compared with the previous year. This was paralleled with a change in the structure of overall construction works, i.e. the construction of buildings decreased in relative terms, while the share of other projects, mainly roads increased.

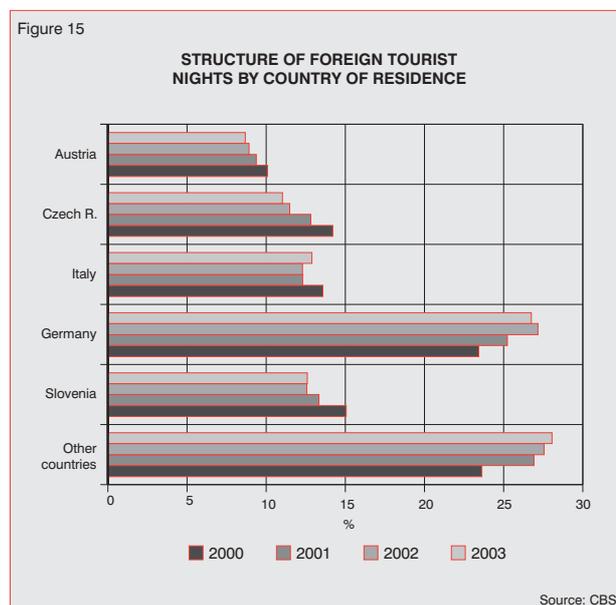
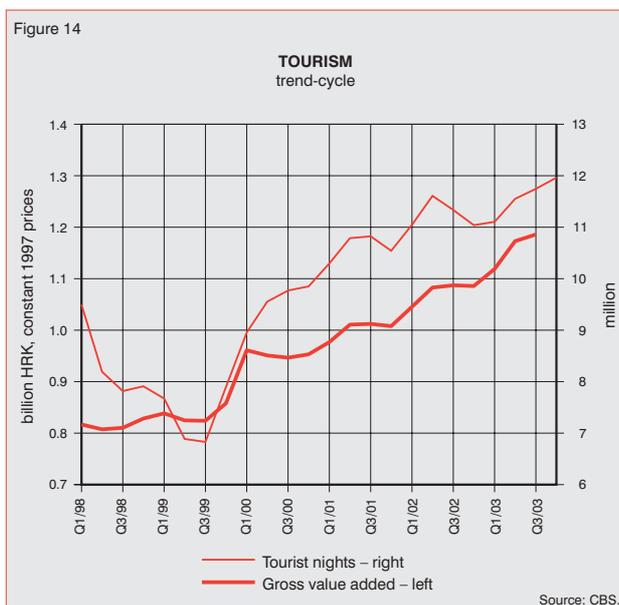
### Tourism

In 2003, tourism grew considerably. According to the GDP estimate made by the production method, gross value added in hotels and restaurants, which account for the largest share in overall tourism, rose by 9.3% in real terms over the first three quarters of 2003 compared with the same period in 2002. This makes tourism the second fastest growing activity to construction. Despite different physical indicators, the growth of gross value added was equally strong in both the second and third quarters. Thus, the annual growth rate of tourist nights was 10.0% in the second quarter, and only 3.0% in the third quarter. A higher growth, at the rate of 9.9%, was again recorded in the fourth quarter compared with the same period in 2002. However, given the relatively small significance of the last quarter of a year for the total results in tourism, this growth had little influence on the annual outturns in tourism. Over 2003, tourist nights rose by

4.3% and tourist arrivals by 6.7% compared with 2002.

The slower growth of tourist nights in the third quarter resulted from limited accommodation facilities and their high occupancy rate, which can only be compensated by improving the quality of services. Apart from this, 2003 also saw a sharp rise in tourist services prices, which caused a change in the structure of tourists. The most important result of these developments was an increase in the number of tourists from less represented countries, which was a continuation of a diversified-structure-of-tourists trend perceived in the last few years. Tourists from Germany continue to be the most significant group of foreign tourists, participating with one fourth in the total number of tourist nights. However, owing to an only slight rise in their nights, their share in total tourist nights decreased compared with 2002. As already mentioned, the sharpest rise was observed in the number of tourists from less represented countries. Thus, the largest contribution to a 4.1% growth of foreign tourist nights in 2003 was made by tourists from Italy (9.0%), the Netherlands (24.3%) and France (64.7%). Germany was the last with a 2.5% growth. It can be seen that, despite a small share of tourists from France and the Netherlands in the total number of tourists, a particularly strong growth of their nights made a large contribution to the increase in the total number of tourist nights. Compared with the same period in 2002, nights stayed by tourists from Poland fell sharply, while the fall in the nights of tourists from Slovakia was less serious and the nights of tourists from the Czech Republic stagnated.

In 2003, different trends were perceived in the manner of booking and the structure of accommodation facilities. Thus, the nights of tourists who arrived in Croatia individually rose significantly, while the nights of tourists whose arrivals were organized by travel agencies stagnated at the level from 2002. As concerns the structure of accommodation facilities, nights stayed in hotels stagnated at the level from 2002, while nights stayed in private rooms, apartments and vacation houses rose significantly. This can be accounted for by a growth in the number of individual arrivals. Nights



stayed in camps, which, like the previous two categories, participated with one fourth in the total number of nights, rose at the average rate for all accommodation facilities.

## Transport and Communications

In 2003, transport, storage and communications saw a growth of activity compared with the previous year. In the first three quarters of 2003, gross value added rose by 7.3% relative to the same period in 2002, which confirms the propulsiveness of this activity. The growth trend accelerated from the beginning of the year, so in the third quarter gross value added reached its peak in 2003. Indicators for individual components of this activity point to a continuation of a strong growth in the fourth quarter.

For several consecutive years, the sharpest rise has been observed in telecommunications. This is the result of a heavier competition, an increased number of users and new services, particularly in mobile network. Similar developments were observed in 2003, when minutes spent in mobile network rose by 27.7% compared with the previous year, with an above-average growth recorded in the fourth quarter. Minutes spent in fixed network also grew but much slower than in mobile network.

As concerns transport, different trends were observed in the individual types of transport in 2003. Thus, compared with 2002, transport of passengers declined while transport of goods went up. However, despite a 1.7% fall in the number of transported passengers, the number of kilometers passed by passengers slightly increased. The number of passengers only went up only in less significant types of transport – sea and air transport. Road transport, which accounts for the largest number of transported passengers, stagnated at the level from 2002, while railroad transport, which accounts for the second largest number of transported passengers, recorded a 7.5% decline in the number of transported passengers. In contrast to this, transport of goods went up resulting in a 11.1% increase in the quantity of transported goods (in tons) compared with 2002, with a much slower

growth in the number of tons/kilometers. An upward trend was observed in all types of goods transport, particularly in the most significant ones (railroad, sea and air transport).

## Labour Market

The downward trend in registered unemployment that started at end-2002, stopped in the last quarter of 2003. However, despite the change in the registered unemployment trend there is no indication of a trend reversal in the labour market. According to the preliminary CBS data, the slight upturn in employment, which started almost three years ago, continues. It can therefore be assumed that the registered unemployment dynamics from the last quarter of 2003 resulted from wearing of the effect of the employment intermediation reform, which had a decisive impact on the registered unemployment dynamics over the last year. A slowdown in the labour market is reflected in wage dynamics, as wages continued to stagnate. In addition, due to the lessened base effects of the wage growth from the second half of 2002, the annual growth rate of average real gross wage decreased to 1.3% in the last quarter of 2003.

### Unemployment and Employment

The last quarter of 2003 and the beginning of 2004 saw a continuation of the rise in inflows into the CEI register that started in September 2003. Over the last three months of 2003, the number of the newly registered with the CEI totalled 73,000, almost 25% more than in the same period in 2002. An increase was recorded in all categories of the newly registered with the CEI, but mostly in the number of inactive persons with working experience whose share in the total number of the newly registered increased by two thirds in the last quarter of 2003 compared with the same quarter of 2002. Among the possible reasons for a larger inflow of inactive persons into the CEI register are: an attempt to implement the existing employment incentives prior to their significant change, which is expected by the end of April 2004 and a more massive inclusion in the labour force of inactive persons, owing to encouraging signs of a decline in registered unemployment over the last year. Furthermore, it is possible that unemployed persons register with the CEI less promptly, as employers tend to fill job vacancies without the CEI intermediation. This can account for the change in the structure of inflows but not their overall increase.

Outflows from the CEI register started to decline in the fourth quarter of 2003 and early 2004 following their continuing growth over the previous year. Thus, outflows from the register dropped one tenth in the last quarter of 2003 compared with the same period in 2002. The reduced outflows from the CEI register can be attributed to a continuing downturn in outflows from the register to employment as a result of job-seeking outside the CEI and the return of outflows due to clearing from the records to the level recorded before late 2002, when the introduction of new measures to activate unemployed persons increased clearing from the records.

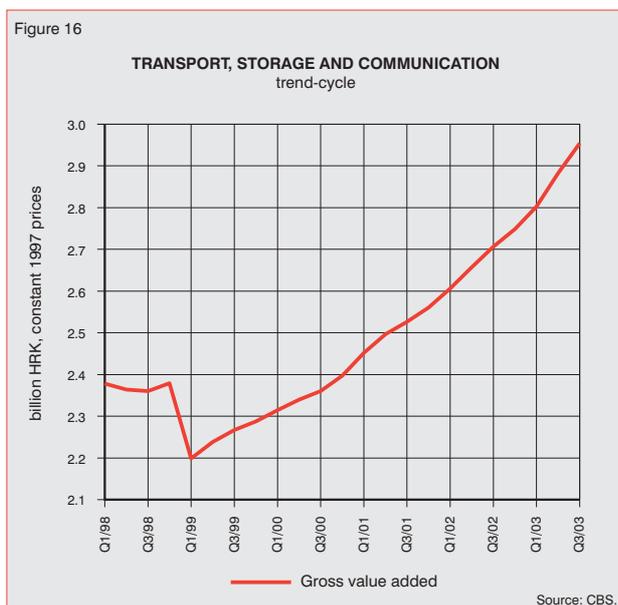


Figure 17

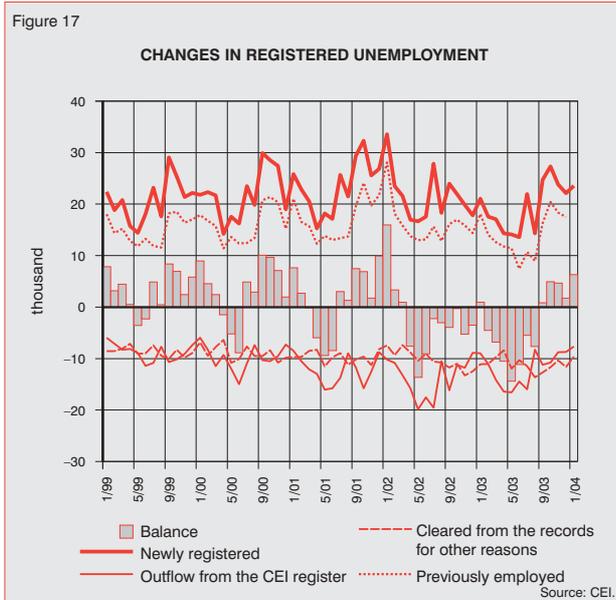
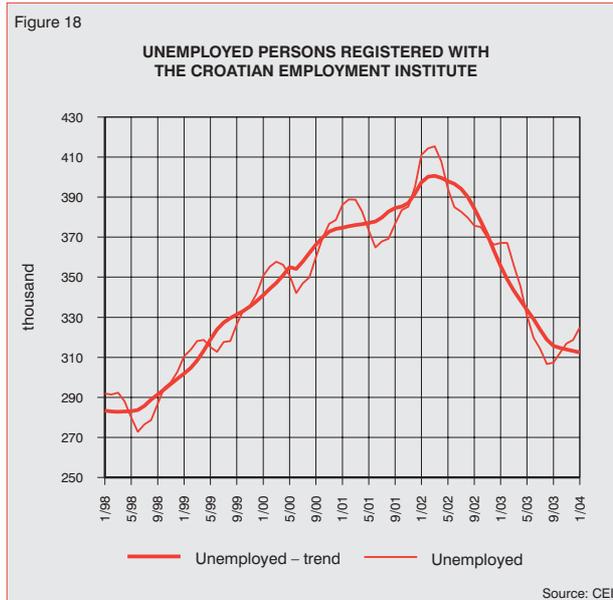


Figure 18



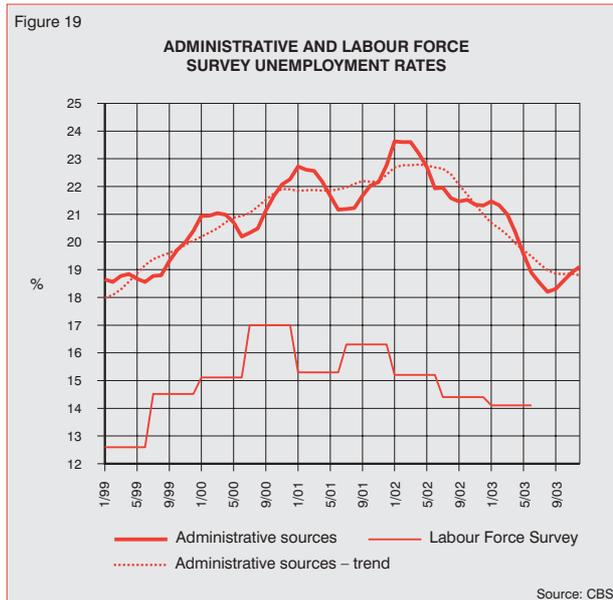
As a result of a rise in inflows into and a fall in outflows from the CEI register registered unemployment grew by a total of 11,000 (3.7%) during the last three quarters of 2003. The upward trend continued in January 2004, when registered unemployment increased by 6,000 (2.0%). Until the end of 2002, i.e. the entering into force of the amendments to the Law on Employment Intermediation and Rights During Unemployment, registered unemployment grew due to a seasonally induced increase in inflows and decrease in outflows that are typical of year-end. Consequently, the growth of registered unemployment in the last quarter of 2003 could be attributed to the reestablishment of “normal” flows in the labour market after wearing off the effects of the institutional reform, which had reduced the inflows into and outflows from the CEI register. However, there is a slight suspicion about this interpretation, as in the last quarter of 2003, inflows into the register rose due to an increase in the number of the newly registered from unemployment, while outflows from the register to employment declined to a level lower than was usual in the previous years. It is therefore assumable that in the last quarter of 2003, the employment intermediation reform influenced both the inflows into and outflows from the CEI register and registered unemployment dynamics. In view of this, conclusions about the correlation between registered unemployment and economic trends should still be made with caution.

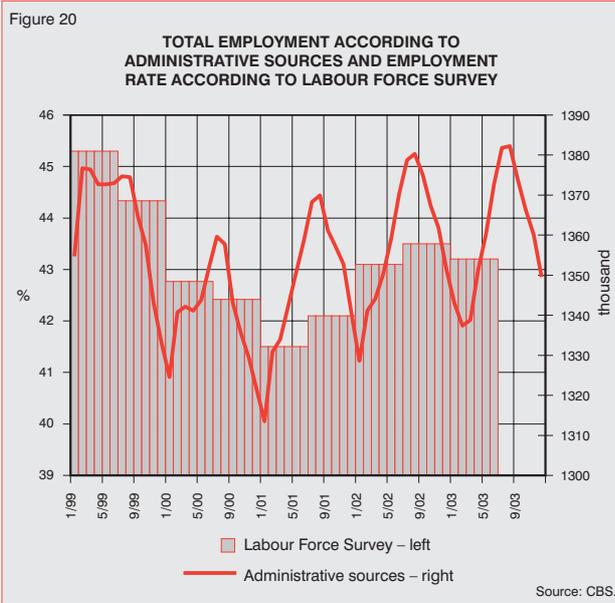
The registered unemployment rate also increased due to a rise in the number of persons registered with the CEI. As a result of this, the beginning of the fourth quarter 2003 saw a slowdown and stagnation in registered unemployment. However, while registered unemployment rate rose by 0.8 percentage points over the last quarter and reached 19.1% at the end of 2003, it was still 2.2 percentage points lower than in late 2002, due to its decline over the first three quarters. The Labour Force Survey results for the second half of 2003, which will show whether the downward trend in unemployment really slowed or was just the result of wearing off the statistical effects of the reform, will only be available in May 2004.

According to the preliminary administrative indicators, total employment in the second half of 2003 almost equalled its level from the same period in 2002. The preliminary CBS data suggest that the number of employed persons dropped by 2,000 (0.1%) at the end of 2003 compared with end-2002. However, given the bias in the assessment of preliminary employment indicators in the previous years, a comparison between these employment indicators and the preliminary data for the previous year supports the assumption that the annual growth rate of employment at end-2003 approximated the rate from the previous two years, which was around 1%. As already mentioned, the Labour Force Survey indicators of employment, which usually reflect employment dynamics more realistically, will not be available before May.

The last quarter of 2003 saw a continuation of the trends observed in individual employment components over the last few years. Employment in crafts and trades and free lances continued to grow and increased by 12,000 (5.2%) at the

Figure 19





end of 2003 compared with end-2002. Contrary to this, employment in legal persons, reflected in the preliminary CBS data, dropped by 6,000 (0.6%) as a result of the before mentioned estimation bias. It is worth noting that total employment dynamics was strongly influenced by a continuing decline in the number of individual farmers insured with the CPII. At end-2003, the number of individual farmers who paid pension insurance contributions stood at 59,000, which is about 8,000 (11.9%) less than a year before. Given that these figures do not necessarily relate to persons who really terminated their agricultural activities and excluding the impact of agriculture on total employment for statistical purposes, the real growth of employment in 2003 could even be 0.5 percentage points higher than the estimated total employment growth.

In the last quarter of 2003, the decline in labour force observed during the year slowed owing to a growth in registered unemployment. As a result of the fall in registered unemployment in 2003, active population decreased by 49,000

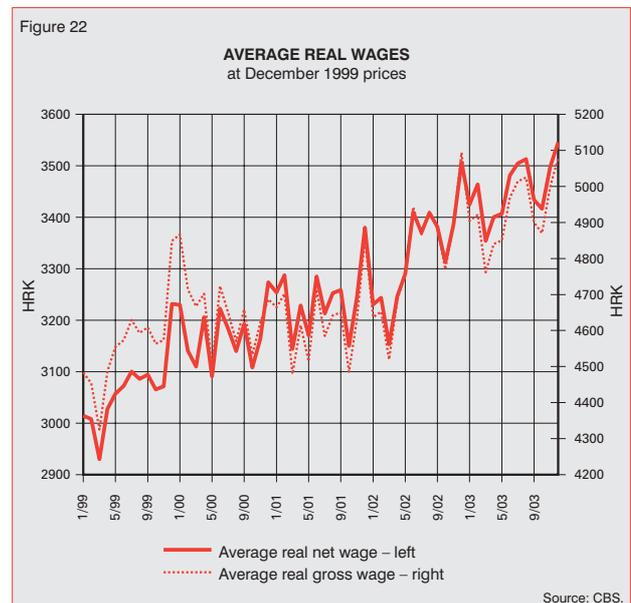
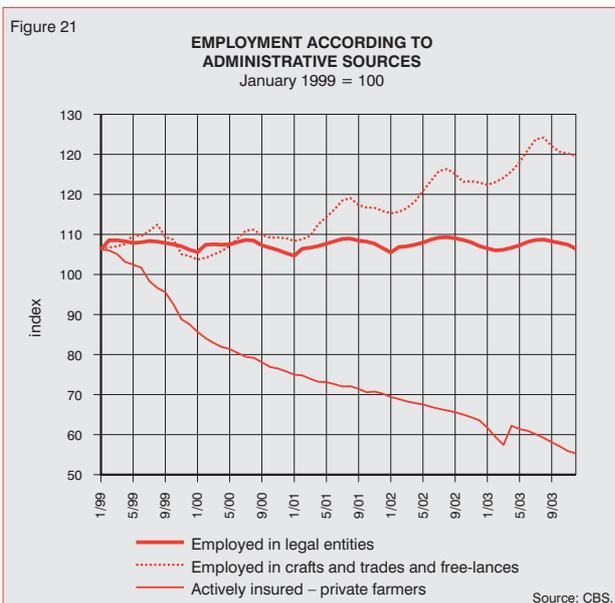
(2.9%) at the end of that year compared with end-2002. However, it should be born in mind that the labour force dynamics results from the developments in total employment and registered unemployment. Therefore, any biases in the assessment of these two indicators affect both the size of and trends in labour force.

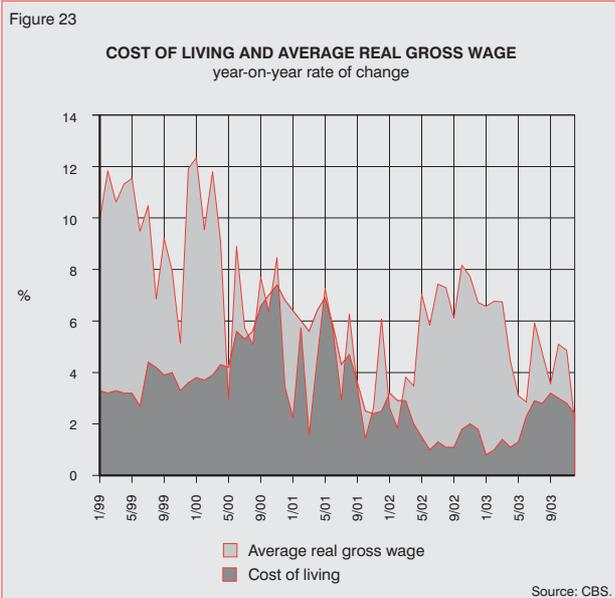
### Wages and Labour Costs

Stagnation in average real gross wage continued into the fourth quarter of 2003. As the slowdown in average real gross wage started as early as end-2002, the base effects of the mid-2002 increase in labour costs on the annual growth rate completely disappeared in that period. Thus, in the third quarter, the annual growth rate of average real gross wage stood at 1.3%, which was partly attributable to its decline at an annual rate of 0.3% in December 2003. Owing to a reduced tax burden on wages in early 2003, the average real net wage continued to grow faster than gross wage in the last quarter, i.e. at the rate of 2.5%.

Owing to the base effects of the wage growth in mid-2002, real wages grew at a somewhat faster pace in 2003 compared with the real wage growth in the last quarter of 2003. Thus, average gross wage rose by 2.6% and average net wage by 3.8%. However, the growth rate of average gross wage was 1.2 percentage points lower in 2003 than in 2002, despite the base effects on the annual growth rate in 2003. Apart from reduced tax burden, which provided a basis for a net wage growth without raising labour costs in early 2003, the stagnation of real gross wage was also the result of a somewhat faster growth of the cost of living index in the second half of 2003 that was not paralleled with a faster growth of nominal wages.

Signs of a slowdown were noticed in almost all activities, while a stronger growth of wages in the fourth quarter of 2003 compared with the previous quarter was only recorded in fishery, financial intermediation, education and other public, social and individual services. A slowdown in wages is also reflected in lower year-on-year rates of change in

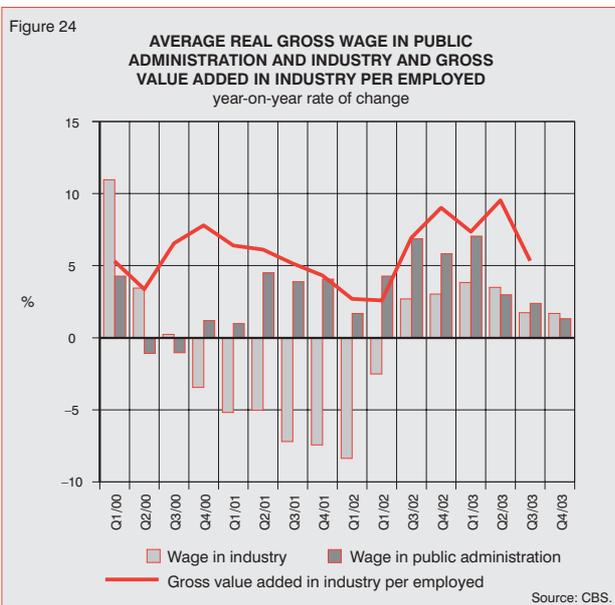




## Prices

The downward trend in the year-on-year growth rate of retail prices, which marked 2001 and 2002, continued into 2003. The average year-on-year rate of change of retail prices stood at 1.5% in 2003. Compared with 2002 and 2001, it resulted in a 0.7 percentage points and 3.4 percentage points fall in the average year-on-year inflation rate. The year-on-year rate of change of the RPI went down from 2.6% in December 2001 to 2.3% in December 2002. According to the CBS data, it amounted to 1.8% in December 2003. The fall in the year-on-year rate of change of non-food industrial products prices (from 2.6% in 2002 to 1.0% in 2003), stimulated by the decline in the year-on-year rate of change in the prices of clothes, footwear, electricity and refined petroleum products, contributed most to the decrease in the total year-on-year retail price inflation rate in 2003. A somewhat lower contribution to the decrease in the total year-on-year rate of change of retail prices came from the fall in the year-on-year rate of change of the prices of beverages and services at end-2003 compared with end-2002. The decrease in the year-on-year rate of change of the prices of the above mentioned RPI components made a stronger impact on the movements in the total year-on-year inflation rate than the increase in the year-on-year rate of change of agricultural products prices (from -7.9% at end-2002 to 17.1% at end-2003). A considerable annual growth of agricultural products prices was mainly due to adverse weather conditions (draught).

Compared with December 2002, other domestic price movement indicators grew less than 2.0% in December 2003. As a result, the year-on-year core inflation rate was 1.2% in December 2003, which corresponds to the rate registered in December 2002. The average year-on-year core inflation rate dropped from 1.1% in 2002 to 0.7% in 2003. In addition, the year-on-year rate of change of producer prices of industrial products was 1.0% in December 2003, down 1.3 percentage points compared with end-2002. This



manufacturing for that period.

In the third quarter of 2003, gross value added per employed in industry grew slower than in the previous period. A further decrease will probably result from lower growth rates of industrial production in the last quarter of that year. However, the wage slowdown preceded a slowdown in labour productivity in industry and it was more pronounced than the growth of productivity. In the last quarter, wages in industry rose at a lower annual rate, 1.3% in real terms. This was partly attributable to a consistent policy towards a moderate wage growth in the public sector, which was pursued in the pre-election period. Thus, in the second half of the year, the average real gross wage grew at a steady annual rate of 1.7%.

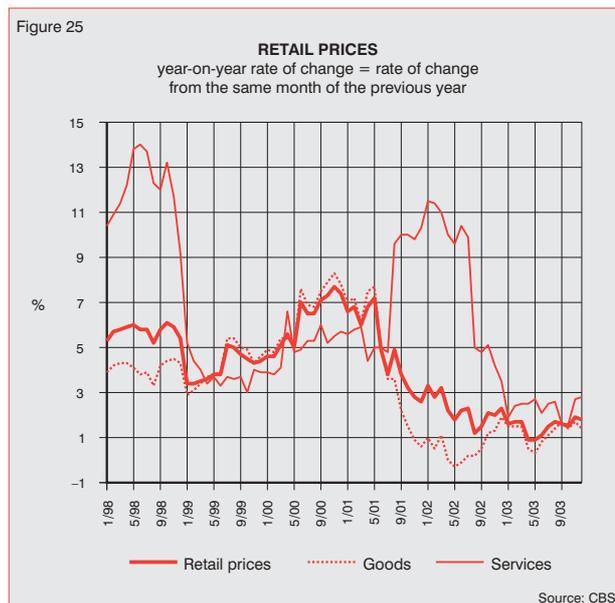
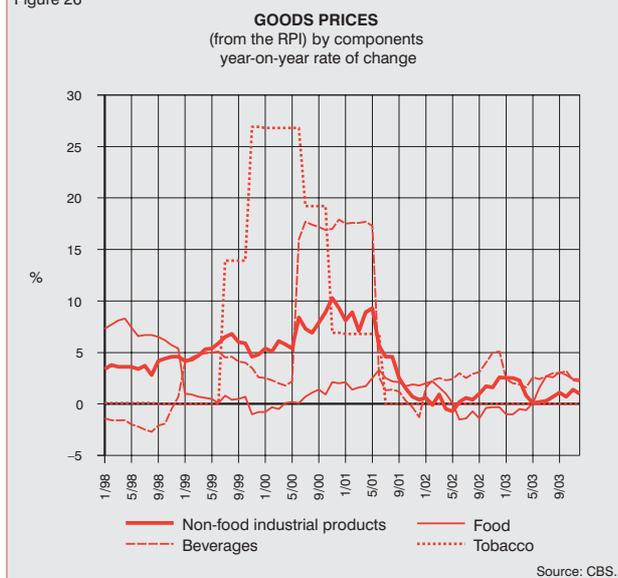


Figure 26



shows that pressures from this source on the growth of retail prices were subdued.

The policy of maintaining stability in the nominal exchange rate of the kuna against the euro, the main anchor for domestic inflationary expectations, is one of the key prerequisites for achieving price stability. The central bank was successful in implementing this exchange rate policy in 2003 and the nominal depreciation of the average daily exchange rate of the kuna against the euro was only 2.1% in 2003 compared with 2002. Moreover, the low inflation rate achieved in 2003 resulted from a significant appreciation of the average daily kuna/US dollar exchange rate of 14.8% which, on one hand, alleviated the pronounced growth in the prices of crude oil and other raw materials in the world market and, on the other, decreased the import prices of final products that are paid for in US dollars.

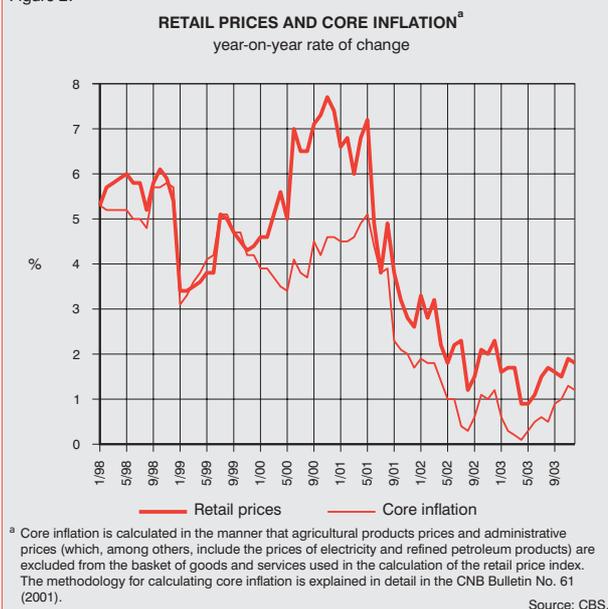
The average daily price of crude oil in the world market rose to USD 28.9 per barrel in 2003, a significant increase of 15.9% compared with the price of USD 24.9 per barrel in 2002. The growth in crude oil prices resulted from rising uncertainty brought about by political tensions in the world and expectations related to the US military intervention in Iraq. Following a short duration of the Iraq war and a short-term fall in crude oil prices, oil prices started to grow again in the world market due to the news on slow recovery of crude oil production in Iraq and the reports on lower-than-usual OECD stocks of oil and refined petroleum products (especially in the USA), which in turn created expectations of a growing demand in order to replenish the supplies. However, due to the appreciation of the kuna/US dollar exchange rate, the average daily price of crude oil in the world market, expressed in kunas, fell by 0.7% in 2003, or from 195.2 kuna in 2002 to 193.9 kuna in 2003. Accordingly, the growth in crude oil prices in the world market did not trigger a rise in the prices of refined petroleum products in the domestic market. Raw materials prices, measured by the movements in the HWWA index (excluding energy) and expressed in US dollars, grew by 14.1% in 2003. The dollar price of agricultural raw materials grew on account of re-

duced supply, brought about by unfavorable weather conditions, while the price of non-ferrous metals grew on account of increased demand (China's demand especially), stimulated by a reviving world economy. Expressed in euros, the average year-on-year rate of change of raw materials prices in the world market was negative in 2003 and stood at -4.6%. In addition, total imported pressures on the growth of domestic retail prices were mild in 2003, taking into account the low and diminishing year-on-year rate of growth of producer prices in the eurozone (it fell by 0.6 percentage points, from 1.6% in December 2002 to only 1.0% in December 2003).

The strong competition in the domestic retail trade, induced by the growing number of domestic chain stores and opening of numerous foreign-owned hypermarkets, and fiercer competition between domestic and imported products, brought about by foreign trade liberalization, were the factors which, like in previous years, restrained the pressures on the growth of domestic retail prices. The low year-on-year core inflation rate in 2003, which fluctuated between a minimum of 0.1% in April to a maximum of 1.3% in November, shows that, though on a slight upward trend, pressures from the demand side were subdued in the domestic market. The stability of domestic demand was largely influenced by the policy of moderate wage growth in the government and business sector in 2003 when the average monthly net wage grew by 6.0% in nominal terms compared with 2002.

The above stated factors, which have contributed to the establishment of price stability, marked 2002 and 2003. In addition, the domestic price stability in 2003 was influenced by an additional factor – a slow growth in administrative prices. The year-on-year rate of change of administrative prices fell from 7.5% in December 2002 to 2.3% in December 2003. Compared with 2002, the reduced contribution of administrative prices to the overall year-on-year inflation rate in 2003 was to a large extent the result of the fall in the year-on-year rate of change of the price of refined petroleum products, from 6.4% in December 2002 to 0.9% in Decem-

Figure 27



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

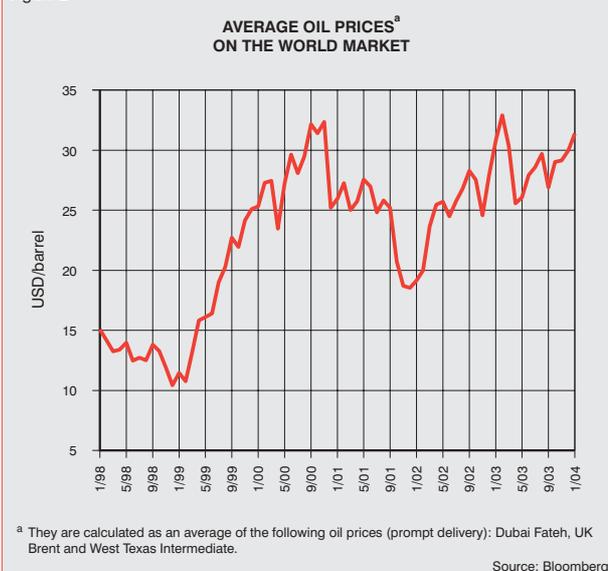
Source: CBS.

ber 2003 and the price of electricity, from 4.2% to -0.6%. The fall in the year-on-year rate of change of administrative prices can in part be attributed to the fact that 2003 was an election year and to the fact that the fulfilment of requests for an increase in certain administrative prices was probably postponed to 2004. As a result, the beginning of 2004 saw an increase in the price of bottled gas (January) and car inspection (February). In addition, INA announced a 10-15% increase in gas prices beginning on 1 April 2004, pending the approval by the Croatian Energy Regulation Council.

The monthly rates of change of the RPI fluctuated significantly in the fourth quarter of 2003. Standing at 0.3%, the monthly growth in retail prices was most pronounced in October. With the strong monthly growth in the price of clothes and the fall in the prices of agricultural products and refined petroleum products, the prices of goods from the RPI grew by 0.2% in October, which was significantly less compared with September when they grew by 0.6%. Although stagnant in September, services prices grew by 0.3% on average in October, mainly due to an increase in the prices of financial services (insurance) and transport services (airplane tickets). With the monthly growth in retail prices of 0.3%, the year-on-year inflation rate fell from 1.6% at the end of the third quarter of 2003 to 1.5% in October due to the impact of the base period. In November, with a mild increase in the total RPI of 0.1% (goods 0.1%, services 0.2%), the year-on-year retail price inflation rate grew by 0.4 percentage points, reaching the level of 1.9%. This increase was brought about by the impact of the base period, i.e. by the monthly fall in retail prices of 0.3% at end-November 2002. In December 2003 retail prices remained at almost the same level as in November, while the year-on-year inflation rate measured by the movements in the total RPI fell from 1.9% in November to 1.8% in December due to the impact of the base period.

Notwithstanding the upward trend in the prices of crude oil in the fourth quarter of 2003 (from USD 26.9 per barrel

Figure 29



at the end of the third quarter to USD 30.0 per barrel at the end of the fourth quarter), the prices of liquid fuels and lubricant fell by 1.2% on average in the domestic market compared with the previous month and remained unchanged in November and October on account of the depreciation of the kuna against the US. The growth in crude oil prices in the fourth quarter was influenced by the following factors: i) tight OECD stocks of oil and refined petroleum products, ii) duration of heating season in the northern hemisphere, iii) loss of purchasing power of OPEC members in the markets where goods and services are paid for in currencies that have significantly appreciated against the US dollar, and iv) revival of world economic activity. In the fourth quarter of 2003, raw materials prices in the world market (excluding energy and expressed in US dollars), measured by the HWWA index, grew by a total of 10.3% (December 2003 to

Figure 28

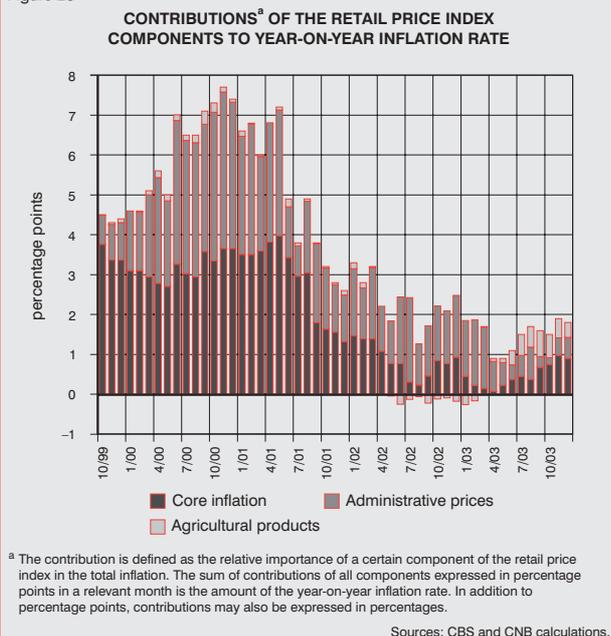
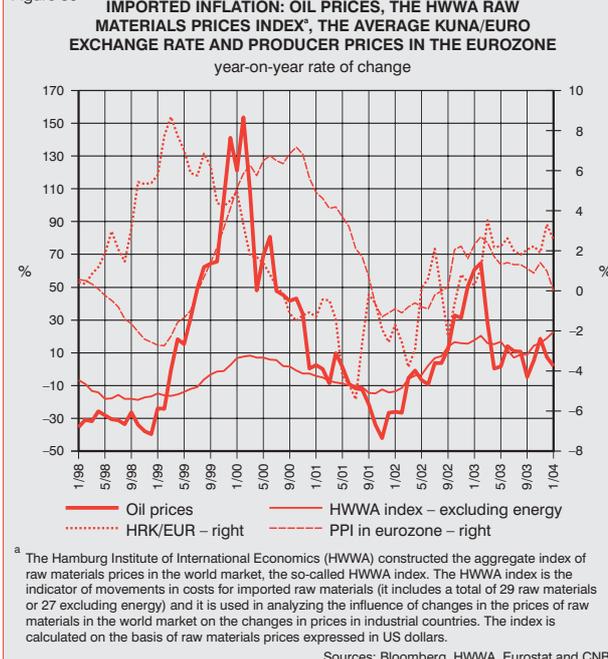


Figure 30



### Box 1: The Main Characteristics of the New Inflation Indicator in Croatia – Consumer Price Index and Movements in Consumer Prices in January 2004

The CBS started to publish the consumer price index (CPI) in February 2004. The CPI is the main domestic measure of inflation in Croatia. It measures the change in the prices of goods and services between the two time periods. The new indicator of price movements was compiled in accordance with the methodological principles laid down by the ILO and Eurostat, and can therefore be used in international comparisons of inflation. The First Release published by the CBS on 17 February contained the data on the CPI movements in January 2004 and the time series for the CPI from January 2001 onwards. The time series show the retrograde monthly changes in prices in relation to the weight reference period (2001 = 100). As expected following the introduction of the new index, the CBS has stopped publishing the retail price index (RPI) and the cost of living index whose calculation methodologies have not been adequately harmonised with internationally accepted standards.

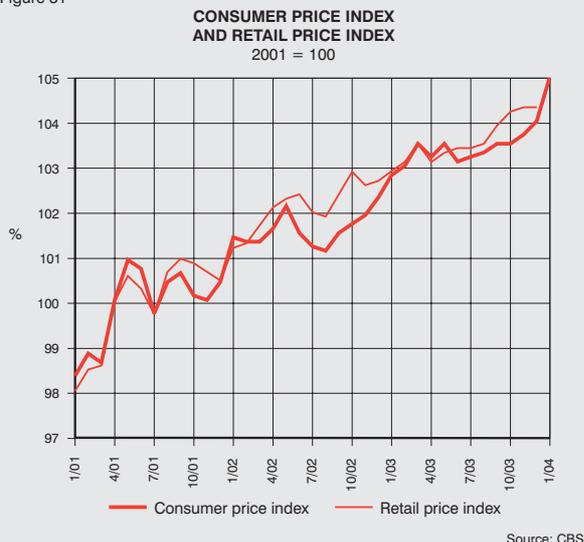
The CPI and RPI employ different methodological approaches. Inter alia, this is reflected in different methods for calculating the weights for individual groups of products, formula selection, adjustments for the changes in the quality and the treatment of seasonal products. The shares (weights) assigned to individual groups of products in the CPI depict the structure of individual consumption expenditures of households within the domestic territory. The most important data source for calculating the weights was the household budget survey conducted in 2001 by the CBS. This source of data was supplemented by the data on the trade turnover (alcoholic drinks and beverages) and the data from the FINA's annual reports on insurance companies. The calculation of weights for individual groups of products in the RPI was based on the data on the structure

of retail trade turnover. The RPI was calculated according to the Laspeyres formula. Since this formula used the plain and weighted arithmetical means, the RPI was biased to showing higher values. In order to minimize the possibility of such bias, the CPI uses the geometric mean to aggregate the prices at the most basic level.<sup>1</sup> In addition, the calculation of the RPI included the overall change in price and neglected the adjustment for changes in the quality of product due to, for example, technological improvements. As a result, the index overestimated the growth in prices. The calculation of the CPI therefore includes the procedures for the assessment of the influence of the change in the quality on the total change in the price of product. Moreover, the calculation of the RPI provided for the forwarding of the last recorded price of the seasonal product in the month in which the product was not present on the market, whereas the weights for seasonal products remained unchanged during the year. However, the CPI called for different treatment of seasonal products. The method which largely avoids a possible leap in price in the month in which seasonal products are again offered on the market has been used in the construction of the CPI. Under this method, in periods when seasonal products are not present in the market their prices are overestimated (imputed) on the basis of price movements in other products within the same basic aggregate. In this way, the weights for these products are implicitly increased in months in which seasonal products are not offered. The method of forwarding of the last recorded price of the seasonal product in the month in which the product is not present on the market is used only in those cases when a basic aggregate does not include a product offered throughout a year.

In Croatia, the representative basket used in the calculation of the CPI consists of about 540 different items (goods and services). Pricing takes place in nine cities and towns (Zagreb, Slavonski Brod, Osijek, Sisak, Rijeka, Pula, Split, Dubrovnik and Varaždin), sampled on the basis of the size of population and representativeness for the specific statistical region. All goods and services bought by the households for the purpose of final consumption are included in the CPI. The neutral consumption and imputed rents are not covered by the index. Expenditures on dwelling and land and other gross fixed capital formation, and expenditures on lotteries and gambling and life insurance are also not included in the index. Price measurement in the market is undertaken with respect to those products whose prices include all taxes paid by consumers and all subsidies. The coverage of goods and services is reviewed regularly in order to insure the representativeness of the basket with respect to the consumer tastes and purchasing practice. A product has to be included in the calculation of the index once its expenditure share exceeds 1/1000 of the total expenditures of the reference population.

The total basket of goods and services is divided into

Figure 31

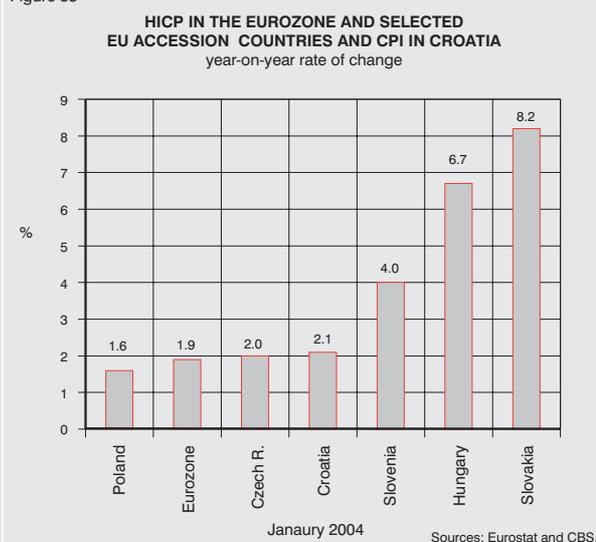


<sup>1</sup> The lowest level of aggregation in the consumption categories to which a weight is assigned. Internal weights are not assigned to their components.

Figure 32



Figure 33



twelve major groups in accordance with the COICOP (Classification of Individual Consumption by Purpose). The first step in the calculation of the CPI is the calculation of the basic aggregate index. The calculated basic aggregate index shows the ratio between the mean values of prices in the current period and the mean values of prices in the price-reference period, and the geometric mean is, as stated above, used as the measure of the mean value. Following this, the CPI is calculated by using the formula for the weighted arithmetic mean of the index at the lowest level of aggregation. The CPI, as a measure of changes in prices in a relevant month, is published on the 15<sup>th</sup> day of the next month.

The year-on-year inflation rate measured by movements in total CPI stood at 2.1% in January 2004 (goods 2.1%, services 2.4%). With a significant share of 33.0% in the CPI and the growth in prices of 4.9% on the annual level, food and non-alcoholic beverages contributed most to the CPI growth of 1.6 percentage points in January 2004 compared with the same month in 2003. Health, with the growth in prices of 5.5%, contributed less to the growth in the CPI in January (0.2 percentage points). In the same months, the contribution of alcoholic drinks, housing, transport, recreation and catering services stood at 0.1 re-

spectively. With a 2.5% fall in their prices and a 8.3% share in the CPI, clothing and footwear contributed -0.2 percentage points to the decrease in the year-on-year rate of consumer price inflation. According to the CBS data, the CPI excluding the prices of energy<sup>2</sup> and food (which account for 42.8% in the total basket of goods) grew by a mere 1.2% year-on-year in January 2004.

The Eurostat's methodology underlying the construction of the HICP was greatly used by the CBS in the compilation of the CPI. The domestic CPI differs from the HICP only in regard to few segments. The Eurostat's guideline on the inclusion of non-residents' consumption on the domestic territory, when that consumption is significant, and the institutional households' consumption (e.g. old people's homes) in the index coverage is not incorporated in the CPI methodology in Croatia.

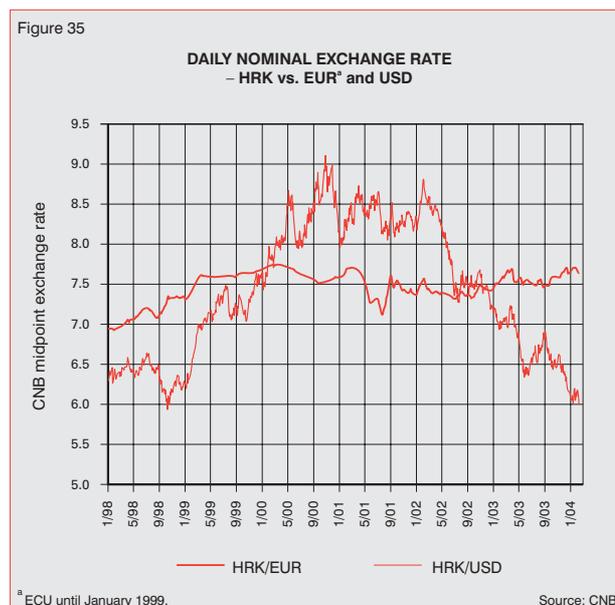
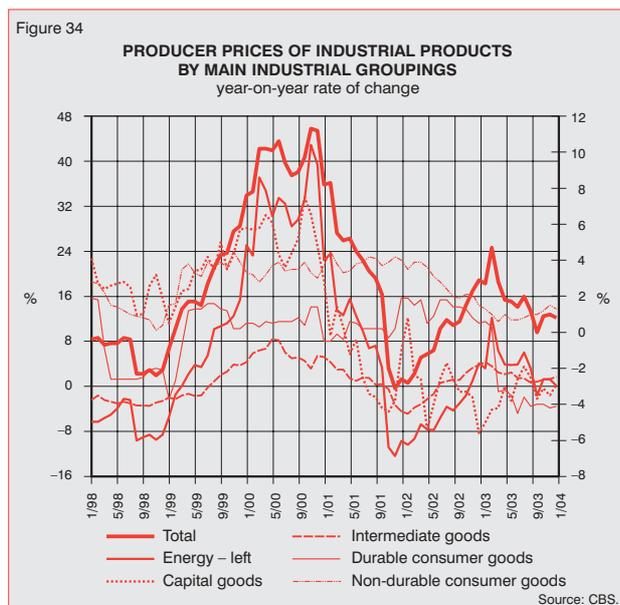
In Croatia, the year-on-year inflation rate, measured by the movements in the CPI, was below 2.5% since April 2002, which is an indicator of extraordinary good macroeconomic performance. In January 2004, the year-on-year inflation rate was only 0.2 percentage points higher than the average inflation rate in the eurozone and much lower than the inflation rate registered in some EU accession countries (e.g. Slovenia, Hungary and Slovakia).

September 2003). The year-on-year rate of growth of raw materials prices went up from 8.9% at the end of the third quarter to 18.8% at the end of the fourth quarter. Concurrently, the year-on-year rate of change of the raw materials prices index (energy excluded and expressed in euros) grew at a more restrained pace, from -4.8% at end-September to 1.6% in December 2003. Moreover, the year-on-year rate of change of producer prices in the eurozone fell slightly, from 1.1% in September to 1.0% in December 2003. Overall, one can state that there was no considerable increase in imported pressures in the fourth quarter of 2003.

The downward trend in the year-on-year rate of change of domestic producer prices that started at the beginning of the second quarter of 2003 continued into the fourth quarter

of 2003 and the year-on-year rate of change of producer prices fell from 1.2% in September to only 1.0% in December. The fall in the year-on-year rate of change of energy producer prices was especially pronounced (from 3.2% in September to 1.3% in December). The year-on-year rate of change of capital goods prices decreased from -2.5% in September to -3.5% in December, while the year-on-year rate of change of intermediate goods prices grew slightly, from 0.7% in September to 1.3% in December. The year-on-year rates of change of the prices of durable and non-dura-

<sup>2</sup> Energy includes the following groups of products: electricity, gas, liquid and solid fuels, heating of dwellings and fuels and lubricants. Energy accounts for a 12.5% share in the CPI basket.



ble consumer goods were low and stood at  $-4.2\%$  and  $1.5\%$  respectively in December 2003. This suggests that pressures from this source on the growth of domestic retail prices were mild.

## Exchange Rate

Marked by common seasonal fluctuations, the kuna/euro exchange rate movements were stable in 2003. The average daily exchange rate of the kuna against the euro was 7.56 in 2003, down 2.1% in nominal terms compared with the rate of 7.41 registered in 2002. The daily exchange rate of the kuna against the euro fluctuated between a minimum of 7.44 and a maximum of 7.71 or within a relatively narrow band between  $-1.6\%$  and  $1.9\%$  of the average daily exchange rate recorded in 2003. The kuna/euro exchange rate recorded at year-end grew from 7.44 in 2002 to 7.65 in 2003, accounting for a nominal depreciation of the kuna totalling 2.8% (31 December 2003 to 31 December 2002).

The central bank intervened nine times<sup>3</sup> in 2003, selling a total of USD 379.6m (net) to banks and withdrawing HRK 2.7bn. Strong foreign capital inflows to the government sector in 2003 were, to a large part, generated by borrowings (eurobonds, Samurai bonds, the second tranche of the SAL) and the privatisation of INA, and, to a small part, by the succession. With a view to preventing the build-up of appreciation pressures on the kuna in the domestic foreign exchange market, the central bank purchased USD 559.6m (net) directly from the MoF in 2003 and created a total of 3.7bn in kuna liquidity. Compared to HRK 4.8bn (net) in 2002, the CNB created a total of HRK 965m (net) via transactions in the foreign exchange market in 2003. This was a considerable decline, indicating tighter monetary conditions in 2003.

Owing to a seasonal increase in demand for foreign exchange, the fourth quarter of 2003 was mostly marked by depreciation pressures in the domestic foreign exchange market. In the fourth quarter of 2003, the kuna nominally depreciated against the euro by 1.0%, and the euro strength-

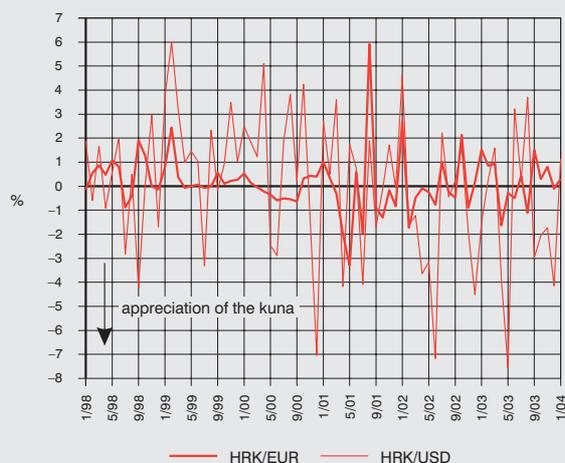
ened from HRK 7.57/EUR on 30 September to HRK 7.65/EUR on 31 December 2003. The CNB responded by selling a total of EUR 38.6m (net) to banks at three foreign exchange auctions held in the fourth quarter. At the first two auctions, it auctioned foreign exchange to the amount of EUR 123.1m. Of this amount, EUR 60.0m were sold at the auction held on 19 November and EUR 63.1m at the auction held on 9 December. Following the last foreign exchange auction, the required stability of the kuna/euro exchange rate was not achieved and the kuna/euro exchange rate reversed its trend prompting the monetary authority to intervene again by purchasing, for the first time in 2003, foreign exchange from banks. At the auction held on 22 December, the central bank purchased a total of EUR 84.5m. In addition, the CNB purchased a substantial amount of USD 400.0m of INA privatization receipts, which in the total amount of USD 505.0m were deposited in the government's account in early November 2003 (USD 200.0m on 11 November and USD 100.0m on 1 December and 18 December respectively).

Depreciation pressures, common for the beginning of the year, resulted from the increase in demand for foreign exchange required for the external debt servicing and the settlement of short-term external liabilities of enterprises. Registered in the first half of January, these pressures were mild in the current year. The nominal exchange rate of the kuna against the euro weakened by a mere 0.3% in January 2004, from HRK 7.65/EUR on 31 December 2003 to HRK 7.67/EUR on 31 January 2004. In this period, the central bank intervened only once in the foreign exchange market (at the beginning of the month when depreciation pressures on the domestic currency were most pronounced) and sold a total of EUR 33.0m to banks at the auction held on 8 January. The government used the remaining portion of foreign exchange receipts generated in 2003 to meet its January external liabilities of USD 128.5m (to a large extent, they included liabilities to the London and Paris Club) and thus

<sup>3</sup> Eight foreign exchange sales and one foreign exchange purchase.

Figure 36

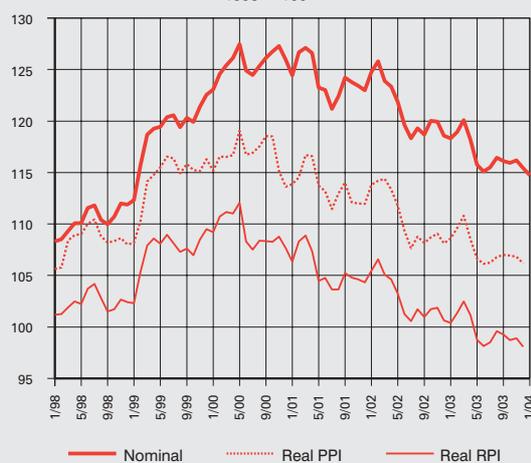
**RATES OF CHANGE OF THE NOMINAL EXCHANGE RATE – HRK vs. EUR and USD**  
month-on-month, CNB midpoint exchange rate



Source: CNB.

Figure 37

**INDICES<sup>a</sup> OF THE NOMINAL AND REAL EFFECTIVE KUNA EXCHANGE RATE WITH RETAIL AND PRODUCER PRICES**  
1995 = 100



<sup>a</sup> The fall of index denotes appreciation of the kuna.

Source: CNB.

made no contribution to the strengthening of depreciation pressures in the domestic foreign exchange market. In addition, it purchased a substantial amount of foreign exchange (EUR 44.1m), required for the external debt servicing, directly from the central bank (EUR 17.4m on 11 February, EUR 3.7m on 17 February and EUR 23.1m on 24 February). The second half of January and February<sup>4</sup> saw a pronounced appreciation of the exchange rate of the kuna against the euro. In this period, the domestic currency strengthened by 1.0% in nominal terms and the euro value fell to 7.64 kuna on 23 February, from 7.72 kuna on 17 January. The appreciation of the exchange rate of the kuna against the euro was especially pronounced in the days before the issuance of government bonds which, in the kuna equivalent of EUR 200.0m, were placed on the domestic market on 10 February.

The appreciation trend of the kuna against the US dollar, which marked 2002, continued into 2003. On account of the depreciation of the US dollar against the euro in the world foreign exchange market, the appreciation of the nominal exchange rate of the kuna against the US dollar was also pronounced in 2003. Compared with the average daily exchange rate of HRK 7.86/USD in 2002, the average daily exchange rate of HRK 6.70/USD in 2003 strengthened by 14.8%. The exchange rate of the kuna against the US dollar fluctuated significantly due to a pronounced volatility in the exchange rate of the US dollar against the euro and moved within a wide range of -8.7% to 8.1% relative to the average daily exchange rate in 2003. The kuna/US dollar exchange rate at year-end slid to 6.12 on 31 December 2003, from 7.14 on 31 December 2002, accounting for a nominal appreciation of the kuna totalling 14.4%. As a result, the kuna/US dollar exchange rate strengthened by a total of 26.8% in the last two years, and the value of the US dollar fell from 8.36 kuna on 31 December 2001 to 6.12 kuna on 31 December 2003.

<sup>4</sup> The data on the kuna/euro exchange rate trends include the rates till 23 February 2004 inclusive.

As a result of its slight depreciation against the euro (1.0%) and strong appreciation against the US dollar (7.7%), the kuna strengthened by 1.8% in nominal terms during the fourth quarter of 2003 (31 December to 30 September) against the basket of currencies in which the euro and the dollar account for the largest shares, 66.0% and 31.0% respectively.<sup>5</sup> With a pronounced appreciation of the kuna against the US dollar of 1.3%<sup>6</sup> and the stable exchange rate of the kuna against the euro, the index of the nominal effective kuna exchange rate continued to appreciate in the first half of the first quarter of 2004 and reached 0.4% (23 February 2004 to 31 December 2003).

The index of the nominal effective kuna exchange rate appreciated by 2.7% in 2003 (December 2003 to December 2002), down 0.6 percentage points compared with 2002. Due to a somewhat slower growth in retail prices, and especially producer prices, in the country than abroad, the index of the real effective kuna exchange rate appreciated less than the nominal effective kuna exchange rate in 2003. The real effective kuna exchange rate, deflated by retail and producer prices, appreciated by 2.5%<sup>7</sup> and 1.8%<sup>8</sup> respectively in 2003.

<sup>5</sup> The remaining 3.0% is accounted for by the pound sterling, the Swiss franc and the Slovene tolar. In the fourth quarter of 2003, the kuna strengthened by 0.7% against the pound sterling and 0.3% against the Swiss franc, while it weakened by 0.4% against the Slovene tolar.

<sup>6</sup> In this period, the kuna strengthened by 1.0% against the Swiss franc and 0.36% against the Slovene tolar, while it weakened by 4.8% against the pound sterling.

<sup>7</sup> A decrease of 1 percentage point compared with the appreciation of the real effective kuna exchange rate (retail prices) in 2002.

<sup>8</sup> A decrease of 0.6 percentage points compared with the appreciation of the real effective kuna exchange rate (producer prices) in 2002.

# Monetary Policy and Instruments

## Monetary Environment

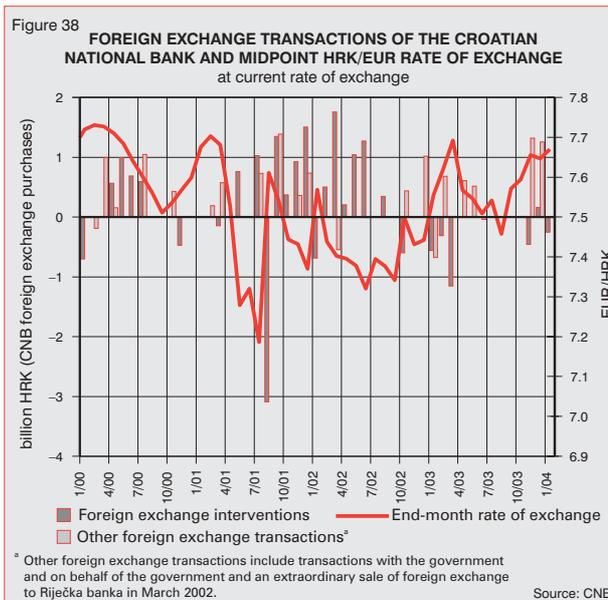
Price stability, the primary objective of the Croatian National Bank was again accomplished in 2003. As shown by the new consumer price index, prices in 2003 increased by 1.8% on average, compared with 2002 (the old indices, which will not be calculated in the future, showed an average increase in retail prices and cost of living of 1.5% and 2.1%, respectively). Consumer prices increased by 2.1% in January 2004, compared with January 2003. The major factors contributing to price stability were low inflation in the neighbouring area (the eurozone) and the stability of the exchange rate of the kuna against the euro which weakened by 2.1% on average.

Current account deficit was again large in 2003. Despite a mild slowdown in the credit activities of banks and the fact that the growth of bank placements to the non-banking sector declined by one half in 2003 as a result of monetary policy measures introduced in that year, credit growth still amounted to a high 14.6% in 2003. Total placements to the business sector grew even more because of the heightened leasing activities and the business sector's direct borrowing abroad. The government also continued to borrow abroad, in addition to generating large, privatisation-related, foreign currency inflows. All this led to large inflows of foreign capital and foreign debt growth. CNB's monetary policy cannot be expected to stop such developments on its own or to improve the external imbalance as reflected in the balance of payments deficit. The government on its parts would need to lend its support to central bank measures by reducing its foreign borrowing and by discouraging the consumption of imported goods.

The Council of the Croatian National Bank adopted several measures in December 2003, effective as of the beginning of 2004 that should provide the basis for its monetary policy in 2004. These measures are described in more detail in Box 2.

## Uses of Monetary Policy Instruments

Following their absence in the third quarter, *foreign exchange transactions* of the Croatian National Bank intensified in the fourth quarter. The purchase from the government of USD 400m arising from INA privatisation can be singled out as the most significant transaction during that period. The purchase, involving three individual transactions, on 11 November (USD 200m), on 1 December (USD 100m) and on 18 December (USD 100m), created a total of HRK 2,574m. To set off the monetary effect of these transactions, the CNB decided to raise the kuna part of reserve requirements against foreign liabilities from 35% to 42%. As measures to neutralise the created kuna liquidity failed to provide full sterilisation, kuna liquidity suddenly increased and affected the foreign exchange market. The central bank



responded by intervening in the foreign exchange market. On 19 November, the central bank sold to the banks EUR 60m, withdrawing HRK 458m and on 9 December it sold to the banks additional EUR 63.1m, thus withdrawing HRK 486m from the system. The ensuing lack of liquidity and the appreciation of the exchange rate prompted the CNB to intervene in the foreign exchange market once again, on 22 December, this time in the opposite direction, by purchasing from the banks EUR 84.5m, and creating HRK 646m. The period of central bank interventions ended on 8 January 2004, when the central bank sold to banks EUR 33m, and withdrew HRK 254m from the system. All foreign exchange interventions were made in the form of auctions held at a uniform exchange rate.

The above-mentioned transactions created a net effect of a high HRK 2,276m in kuna liquidity in the fourth quarter, in contrast with the rest of the year. Such a large creation of the kuna through foreign currency purchases hadn't been recorded since the second quarter of 2002. However, on an annual level, foreign exchange transactions in 2003 created much less kuna than in the previous years. While the net effect of foreign exchange transactions in 2003 was HRK 965m, in 2000 it was HRK 3,359m, in 2001 it was HRK 7,297m and in 2002 it was HRK 4,757m.

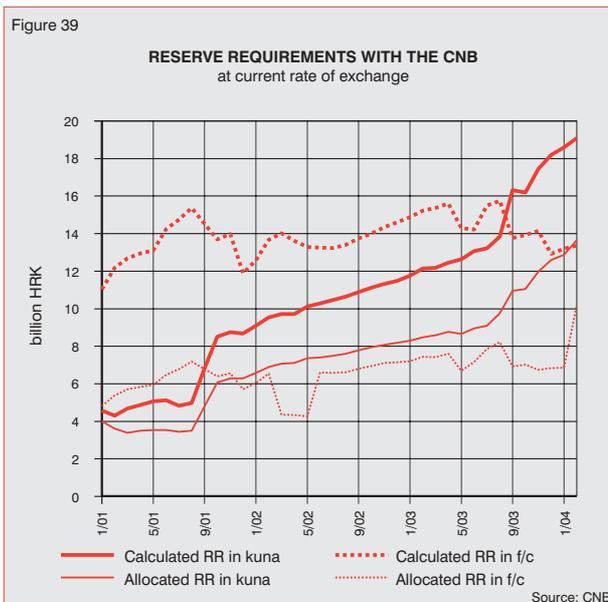
To neutralise the liquidity created through large foreign currency purchases from the government in the fourth quarter, the CNB raised the *reserve requirements* in kuna by increasing the share of reserve requirements against foreign liabilities that has to be met in kuna (leaving the general reserve requirements rate unchanged at 19%). The CNB first introduced the obligation for banks to set aside a share of their reserve requirements against foreign liabilities in kuna in September 2001. Initially set at 25%, which the banks had to meet gradually, the share of reserve requirements was raised to 35% in September 2003. In the fourth quarter of 2003, the central bank decided to raise again the kuna share of reserve requirements against foreign liabilities, from 35% to 40% and additionally to 42% in December. The effect of the increase in the kuna allocation was seen in the increased

amount of calculated reserve requirements in kuna during the observed periods, as shown in Figure 39 (bold red line). The total effect of the change in the prescribed allocation in the fourth quarter was an increase of HRK 1,560m in kuna reserve requirements.

The increase in reserve requirements in 2003 was due to increased calculation base. The kuna base grew faster than the foreign currency base, resulting in a larger growth of kuna reserve requirements. While the kuna base rose by HRK 11.6bn or 33.4%, the foreign currency base rose by HRK 14.8bn or 14.4% in 2003. The calculated reserve requirements in kuna rose by HRK 2.2bn because of the increase in the kuna base while their additional increase of HRK 4.5bn was due to the increase in the foreign currency base and the increase in the share of calculated reserve requirements against foreign liabilities that has to be met in kuna (from 25% to 42%). Overall, reserve requirements in kuna increased by a total of HRK 6.7bn or 58.3% in 2003. By quarters, they increased by HRK 694m in the first quarter, HRK 886m in the second quarter, and HRK 3,251m and HRK 1,870m in the third and the fourth quarters, respectively. Reserve requirements in kuna continued their growth into 2004, having increased by additional HRK 898m in the first two months of the year, due to the increase in the calculation base. The calculated kuna reserve requirements in February were HRK 19,089m, of which HRK 9,411m were calculated on the basis of the kuna base and HRK 9,677m were calculated on the basis of the foreign currency base.

As a result of the increase in that part of reserve requirements that has to be met in kuna, the share of reserve requirements against foreign liabilities that has to be met in foreign currency fell from 75% to 65% in September 2003, to 60% in November and finally, to 58% in December. Thus, following their increase of HRK 769m in the first quarter of 2003, the calculated foreign currency reserve requirements declined in the second quarter by HRK 1,147m, reflecting a decline in their base, and by additional HRK 451m and HRK 850m in the third and the fourth quarters, respectively, as a result of the change in the share of allocation. Overall, the calculated reserve requirements in foreign currency fell by HRK 1,679m in 2003. However, the banks needed the freed foreign currency to maintain their minimum foreign currency liquidity. The trend of decline in calculated foreign currency reserve requirements was halted at the beginning of 2004. In the first two months of 2004, foreign currency reserve requirements rose by HRK 439m as a result of the increase in the foreign currency base.

As described in more detail in Box 2, the minimum calculated reserve requirements that banks have to allocate into a special account with the CNB were raised in February 2004, following the entry into force of a central bank decision prescribing the increase. Under this decision, the share of reserve requirements that banks have to allocate to a special account with the CNB, has been raised from the previous minimum of 40% to 60% for kuna reserve requirements and foreign currency deposits and to 100% for foreign currency funds of non-residents and foreign currency funds received from legal persons in special relationship with a bank. As shown in Figure 39, this decision impacted the most the allo-

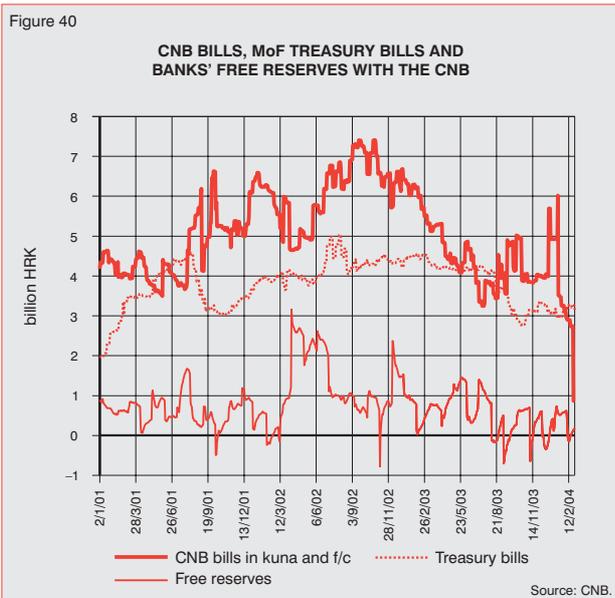


ated reserve requirements in foreign currency (dotted red line) which increased in February by HRK 3,338m (kuna countervalue) or 48.8%. This measure did not have such an impact on allocated reserve requirements in kuna, as banks tended to allocate to the special account with the CNB much larger kuna amounts than necessary.

After all last CNB bills in kuna subscribed at an auction on 10 September 2003, fell due early in the fourth quarter, there were no new issues of CNB bills. As regular weekly CNB bills auctions have been discontinued since early 2004, and now only occasional issues of CNB bills in kuna can be expected, this instrument will no longer be used as an instrument for surplus liquidity sterilisation, that was common before. The removal of CNB bills in kuna marked the entire 2003, and the funds created therefrom provided the main source of liquidity for banks. From HRK 4,986m in early 2003, CNB bills in kuna declined by HRK 1,115m in the first quarter, HRK 1,212 in the second quarter and HRK 2,555m in the third quarter. The remaining HRK 105m in kuna CNB bills were redeemed in October.

Unlike kuna, the subscription of CNB bills in foreign currency increased considerably in 2003, particularly in August and September. Foreign currency CNB bills subscriptions increased by HRK 181m in the first quarter, HRK 162m in the second quarter and by as much as HRK 2,556m in the third quarter. Their upward trend continued into the fourth quarter when they increased by additional HRK 795m. The reason for this large increase in foreign currency CNB bills subscriptions lay largely in their value as collateral for Lombard loans, after CNB bills in kuna became unavailable. At the end of 2003, foreign currency CNB bills stood at HRK 4,920m, which is an increase of HRK 3,694m, compared with end-2002. Foreign currency CNB bills have been discontinued since the beginning of 2004, and the existing CNB bills fall due for redemption in the first quarter of 2004. With one third having fallen due until end-January, their outstanding balance now stands at HRK 3,255m.

Kuna CNB bills redemptions, together with a modest contribution to kuna liquidity provided by CNB's foreign ex-



change transactions, could not ensure sufficient liquidity. As a result, since August 2003, several banks have had to turn to the Lombard facility to meet their kuna reserve requirements. The average daily balance of Lombard loans was HRK 168m in the third quarter (with the exception of July when there were no uses of the facility), and HRK 233m in the fourth quarter. The beginning of 2004 saw restrictions in the use of Lombard loans. From the previous 15 days as the maximum number of days for their use in a month, the number has been reduced to a maximum of 5 business days in a month. The effect of this measure was felt already in January, when one bank used up the maximum during the month, with the same happening in February. The absence of CNB bills presented another difficulty for banks as they lost the instrument they could use as collateral for the Lombard loans. However, the loss of this collateral did not boost subscriptions of T-bills of the Ministry of Finance, the other available form of collateral available to banks for Lombard loans but reduced additionally the availability of Lombard loans at the beginning of 2004.

**Reserve Money and International Reserves**

Monetary policy operations described above caused a continued rapid growth in *reserve money (M0)* in 2003. The annual growth rate of M0 in 2003 was 32.8%, which is a slight increase compared with 2002 (29.3%), but a significant slowdown compared with 2001, when M0 grew by a high 51.9%. In 2003, M0 grew the least (seasonally adjusted values) in the first quarter as a result of increasing CNB engagement in foreign currency sales and the ensuing withdrawal of the kuna from the system. M0's growth picked up in the second quarter, but grew the most in the third quarter as a result of the increased kuna share of reserve requirements and kuna CNB bills redemptions. M0's growth continued into the fourth quarter, as a result of a further increase in the share of reserve requirements that has to be allocated in kuna. Reserve money fell in nominal terms in January 2004, as usual for the season, following a decline in the currency in circulation. However, its seasonally adjusted

value continued to grow. At end-January 2004, M0 stood at HRK 29.4bn, which is an increase of 35.8%, compared with end-January 2003.

However, high growth rates of reserve money do not necessarily imply an expansive monetary policy. Rather, they can be attributed to changes in the instruments of monetary policy in 2003 when the funds, previously held in kuna CNB bills, had to be channelled into kuna reserve requirements as a result of the increased allocation of reserve requirements against foreign liabilities that has to be met in kuna and unlike CNB bills, accounts in which kuna reserve requirements are held constitute reserve money aggregates. Reserve money's growth in 2003, on the annual level, received additional impetus through the increased use of the Lombard facility on 31 December 2003, of HRK 954m. The average level of reserve money in 2003 increased by 20.2%, compared with 2002.

Looking at the structure of reserve money, bank deposits with the CNB, its largest component, increased the most in 2003 (HRK 6,220m or a high 51.4%). Of that, reserve requirements allocated in kuna rose by HRK 4,418m or a high 54.0%, funds in the settlement accounts, used for payment transactions and for meeting the reserve requirements, increased by HRK 1,693m or 43.1%. Compulsory purchases of CNB bills stood at HRK 109.4m at end-December, indicating that banks had adjusted their policies to the relevant CNB measure. After its twofold increase in 2002, cash in vaults, also included in the reserve requirements maintenance, rose by HRK 468m or 36.6% in 2003. At the same time, currency in circulation rose by HRK 892m or 9.2%.

The impacts of the above-mentioned nominal decline of HRK 1,146m in reserve money in January 2004 were felt the most in the settlement accounts that fell by HRK 794m, in the seasonal fall of HRK 334m in the currency in circulation and cash in bank vaults which declined by HRK 279m. By contrast, reserve requirements set aside increased by HRK 265m during the same period.

Table 1 shows movements in reserve money, liquidity indicators and factors affecting liquidity. As shown in this ta-



Table 1: Liquidity and Factors Affecting Reserve Money Creation, quarterly averages, in million HRK

Period	Reserve money	Free reserves	Surplus kuna liquidity	Main factors affecting creation/withdrawal (balances)							
				Currency	Kuna reserve requirements	CNB bills in kuna	Government deposits in kuna	Credits to banks	Repo transactions	CNB foreign exchange transactions	
1999	Q1	9,440	191	-234	5,244	3,356	663	518	1,312	305	-1,835
	Q2	9,130	123	-801	5,237	3,197	590	508	1,569	171	924
	Q3	10,055	101	-497	5,883	3,462	890	530	1,387	67	150
	Q4	10,119	186	239	5,632	3,648	1,435	636	1,201	22	2,161
2000	Q1	9,453	107	349	5,196	3,552	1,407	476	959	47	98
	Q2	9,614	212	1,436	5,410	3,405	1,807	592	363	2	2,393
	Q3	11,519	297	2,341	6,417	4,133	2,475	862	261	-	1,639
	Q4	11,573	425	2,714	6,037	4,509	2,573	1,081	167	26	-44
2001	Q1	11,389	619	2,962	6,106	3,809	2,450	1,163	38	18	621
	Q2	12,420	586	3,034	6,816	3,506	2,641	1,513	109	98	749
	Q3	13,795	747	3,587	7,648	3,798	3,397	1,436	505	68	1,400
	Q4	16,560	573	2,800	7,500	6,099	2,288	1,492	27	17	3,889
2002	Q1	18,348	508	3,616	8,428	6,788	3,400	1,363	265	-	1,022
	Q2	21,530	2,234	5,492	9,262	7,301	3,458	678	561	-	2,505
	Q3	21,834	889	5,892	10,327	7,596	5,080	666	180	-	347
	Q4	21,800	860	6,065	9,691	8,035	5,233	992	188	-	859
2003	Q1	22,348	739	5,300	9,641	8,416	4,568	636	-	-	-2,020
	Q2	23,696	957	4,057	10,056	8,753	3,118	513	-	-	1,085
	Q3	26,081	602	1,830	11,202	14,167	1,384	497	168	-	-
	Q4	28,291	565	330	10,519	17,111	3	610	233	-	2,276
2004	January	29,668	636	590	10,436	18,504	-	617	224	-	-254

Free reserves are defined as any surplus of bank deposits with the CNB over the prescribed amount of reserve requirements that has to be maintained in accounts. Surplus kuna liquidity is defined as a sum total of banks' kuna claims against the CNB, net of their kuna liabilities towards the CNB, including the reserve requirements.

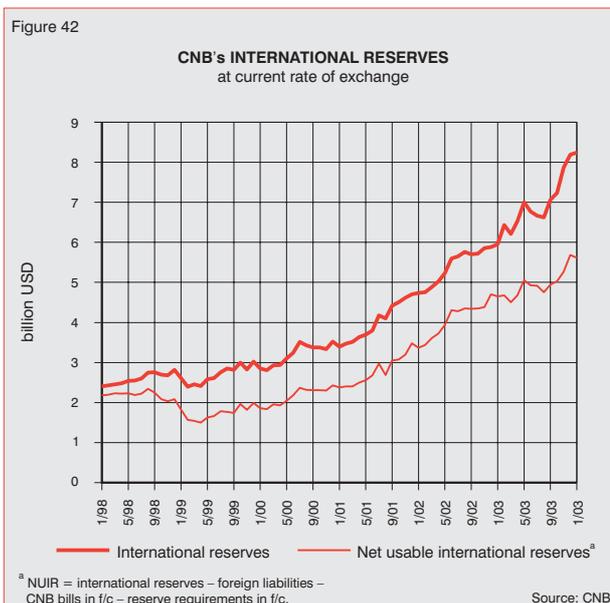
ble, the year 2003 was marked by the absence of surplus liquidity previously contained in kuna CNB bills. Although surplus liquidity improved somewhat in January following a seasonal decline in the currency in circulation, Lombard loans were still used to provide the needed liquidity.

As shown in Table 1, the average level of kuna government deposits with the CNB continued to decline in 2003. The significance of the decline in kuna government deposits lies in the way funds are transferred from the government's account, through banks, to the accounts of other sectors and vice versa, thus contributing to total banking system liquidity. After standing at HRK 636m in the first quarter, the average balance of kuna government deposits fell to HRK 513m in the second quarter and to HRK 497m in the third quarter. The sale of foreign currency arising from INA privatisation receipts raised the average level of government deposits in the fourth quarter to HRK 610m. At end-December, kuna government deposits stood at HRK 600m, comparable to their level at the end of 2002. While the average balance of kuna government deposits stood at HRK 564m in 2003, in 2002 and 2001 it stood at HRK 925m and HRK 1,401m respectively. There were no major developments in kuna government deposits in January 2004 when they averaged HRK 617m.

Government deposits in foreign currency grew in significance in 2003 after the government started depositing its foreign currency inflows with the CNB, to pre-empt any shocks caused by capital inflows on the foreign exchange market. INA privatisation receipts generated an inflow of USD 505m. While USD 400m were purchased by the CNB, the remaining amount was used for the settlement of foreign obligations. At end-2003, government foreign currency deposits stood at HRK 951m. A major share of that amount was used by the government in settlement of its foreign obligations (the London club) in January 2004, while the remaining HRK 166m were used for the same purpose at the

beginning of February.

Developments that affect the *international reserves of the Croatian National Bank* are CNB's foreign exchange transactions with banks, government's foreign exchange transactions, foreign currency reserve requirements, CNB bills in foreign currency and developments in foreign liabilities arising from international reserves investment. International reserves in the fourth quarter were mainly affected by the previously mentioned inflow of USD 505m into the government account. The November depreciation of the dollar against the euro contributed to the further growth of the dollar countervalue of international reserves in November and December despite the net sale of EUR 38.6m by the CNB to banks. At end-December 2003, total international reserves stood at USD 8,191m, which is an increase of USD 2,305m or 39.2%, compared with the beginning of the year. In kuna



terms, total international reserves at end-December were HRK 50.1bn, which is an increase of HRK 8.1bn or 19.2%, compared with the beginning of the year. Developments in foreign currency reserve requirements and foreign currency CNB bills do not affect net usable international reserves, which stood at USD 5,682m at the end of December, an increase of USD 980m over the beginning of the year.

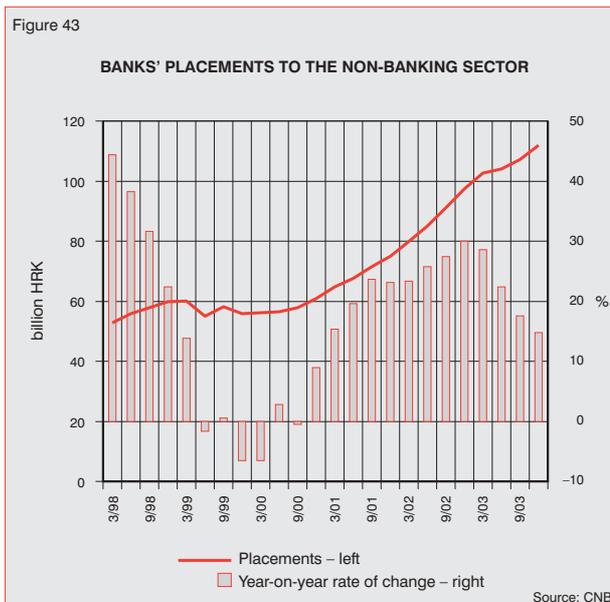
The increase in the level of international reserves of USD 51.5m in January 2004 can be attributed to international reserves management transactions that increased central bank's foreign assets and liabilities. By contrast, net foreign assets decreased during the same period because of the maturing foreign currency CNB bills, government debt repayments by means of its foreign currency deposits with the CNB, and the sale of foreign currency to banks. Following the February allocation of foreign currency reserve requirements, the account of reserve requirements in foreign currency increased considerably, lessening the impact of the absence of CNB bills in foreign currency on CNB's international reserves.

### Monetary Developments

Monetary developments in 2003 were marked by a slowdown in the growth of bank placements to the non-banking sector compared with the previous years. Foreign currency deposits recorded a mild recovery while kuna non-monetary deposits recorded a rapid growth during the same period. However, the growth in domestic sources was not sufficient to finance placements' growth, so the banks continued to rely on foreign sources of finance. Monetary policy measures introduced in early 2003, in particular, a decision on the compulsory purchase of CNB bills and a decision on the minimum required liquidity, had a large influence on the behaviour of banks in 2003.

#### Placements

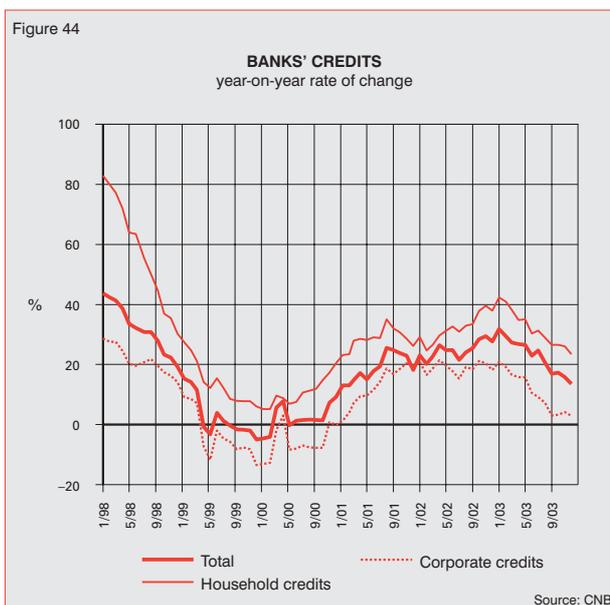
The growth of bank placements to the non-banking sector slowed down in 2003. The annual growth rate of placements in 2003 was 14.6%, which is a considerable deceleration compared with 2001 (25.5%) and 2002 (30.4%). Exchange rate effects excluded, placements grew by 13.3% in 2003. Central bank measure prescribing a compulsory purchase of CNB bills as a penalty for all banks with a placements' growth of over 16% and a slower growth of domestic sources of funds in 2003 contributed to the slowdown in bank placements' growth. Nevertheless, placements' growth in 2003 was still significant, as it was due to the high increase in the base in the previous years. Therefore, the growth of placements in absolute terms in 2003 was similar to that in 2001, or almost 2/3 of placements' growth in 2002. At the same time, alternative forms of financing, such as direct corporate borrowing abroad and leasing, was growing in importance as well. Bank placements grew by 4.2% in the fourth quarter of 2003, which is a slight acceleration compared with the rest of the year. More specifically, placements grew by 2.5% in the first quarter, 1.3% in the second quarter and 3.0% in the third quarter. Placements continued to grow in early 2004, reaching HRK 113.7bn at end-January, which is



an increase of 13.5%, compared with the previous year's January.

Bank loans to the non-banking sector, which account for over 95% of total placements and are thus the largest determining factor of total placements, grew by 15.9% in 2003, which is a considerable decline compared with the previous years (24.3% in 2001, and 31.2% in 2002). Other forms of placements, such as investments in money market instruments, bonds, and shares of the non-banking sector declined during the same period. Credit growth slowed down as a result of a significant fall in corporate lending and a moderate slowdown in household lending growth. Banks' increasing orientation towards household lending can be explained by higher profits and lower risks that such lending entails for banks. Companies, on their part, can replace bank credit with other forms of financing.

Household loans' growth fell from 43.0% in 2002 to 27.7% in 2003 as a result of banks' adjustments to CNB measures but also because of poorer demand following rapid



credit growth in the previous years. Also, the higher level of households' indebtedness increased the share of loan repayments in household income, thus reducing households' credit worthiness. The planned introduction of the Croatian central register of credits is expected to contribute to a further slowdown in household loans.

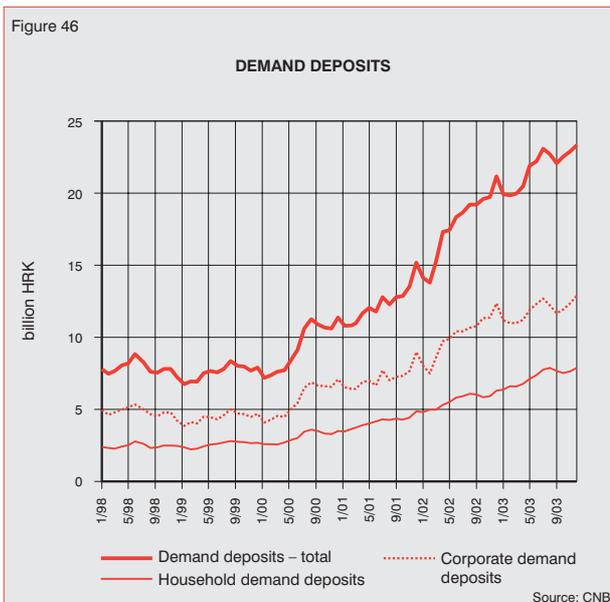
Unlike household loans' significant growth last year, corporate loans increased by a mere 5.1% in 2003, while their growth in the previous year amounted to 22.6%. It should be noted, however, that the corporate sector was increasingly turning to alternative forms of financing outside banks in 2003, in particular to direct foreign borrowing and leasing. The majority of such business transactions were conducted through domestic banks' foreign parent banks and leasing companies in very close ownership relationships with domestic and foreign parent banks.

### Money Supply

A slowdown in credit activities of banks in 2003 caused a slowdown in the growth of *money supply (M1)*. The annual growth rate of M1 in 2003 was 9.8%, which is a threefold decline compared with its annual growth rate in 2002 (30.2%). M1's growth was evenly distributed throughout the year, with the exception of the usual seasonal fluctuations.

Developments in *demand deposits* were the largest single factor causing a slowdown in money supply growth. After reaching 39.4% in 2002, the annual growth rate of demand deposits in 2003 fell to 10.0%. Following a seasonal decline in early 2004, demand deposits stood at HRK 22.1bn at end-January, which is an increase of 10.7% compared with January 2003.

Changes in the structure of demand deposits in 2003 largely reflected loan distribution by sectors throughout the year. Corporate demand deposits increased by HRK 0.5bn in 2003 (4.3%), which is a considerable decline compared with their growth in 2002 when corporate demand deposits increased by HRK 3.4bn or 37.4%. By contrast, the decline



in household deposits was more moderate. After growing annually by 29.5% in 2002, household deposits in 2003 grew by 24.8%, or only slightly slower.

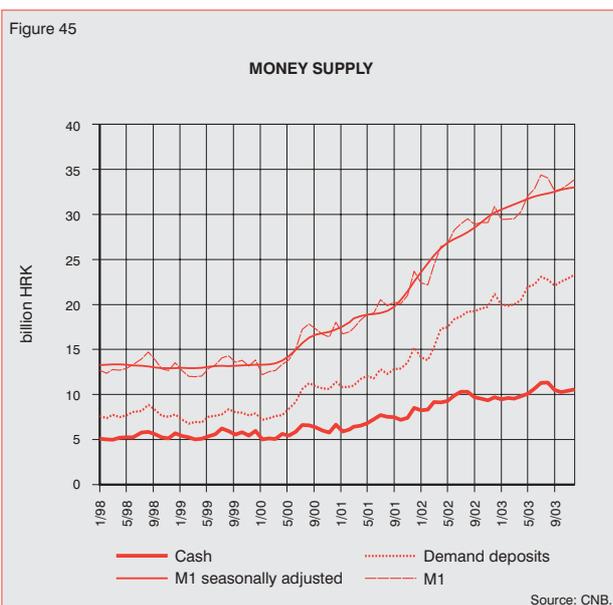
Currency growth did not decelerate as much as demand deposits' growth. Its growth rate in 2003 was 9.2%, and in 2002 it was 13.8%. Slower currency growth can also be attributed to the increasing use of payment cards and electronic payments.

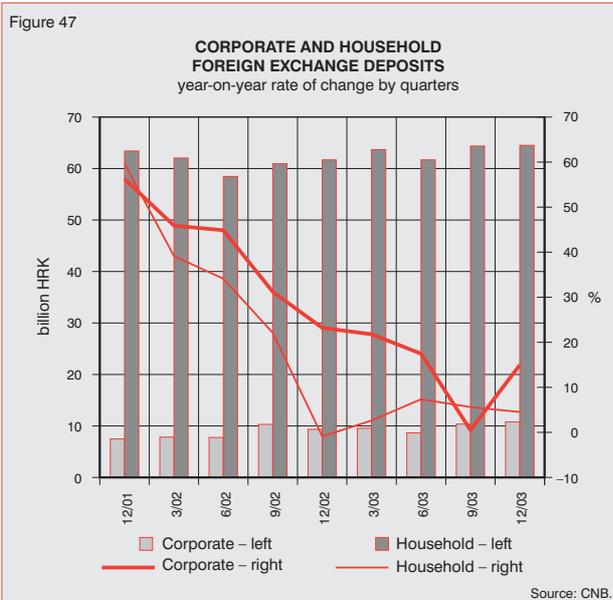
### Total Liquid Assets

Monetary developments in 2003 were largely marked by a rapid growth in *kuna non-monetary deposits (savings and term)* which increased by 43.5%, a large increase compared with 25.5% in 2002. This increase can be attributed to macroeconomic stability but also to banks' adjustment to CNB measures, as reflected in the attempts of banks to reduce the share of foreign currency liabilities in their balance sheets. Kuna non-monetary deposits continued their growth from the previous period into early 2004, reaching HRK 19.1bn at end-January, which is an increase of 41.3% compared with January 2003.

Developments in this monetary aggregate are mostly determined by developments in its largest components, household and corporate kuna deposits, both of which recorded equal growth rates in 2003. While corporate deposits rose by 51.8%, household deposits rose by 46.5%. However, the effects of deposits of other financial institutions are also growing in importance. With a strong seasonal component, they tend to increase the volatility of kuna monetary deposits, which was particularly felt in the second and the third quarters of the previous year.

Foreign currency deposits' growth recovered in 2003, following their stagnation in 2002. Though low, the growth rate of 5.5% led, because of the size of deposits, to an absolute increase of HRK 4.0bn in foreign currency savings, which is about 2/3 of the absolute increase in kuna non-monetary deposits. Foreign currency deposits started growing at the beginning of the third quarter, probably as a result of tourism-related foreign currency inflows. Follow-





ing their mild decrease in December due to a fall in corporate deposits, foreign currency deposits resumed their growth at the beginning of 2004. At end-January, foreign currency deposits stood at HRK 76.5bn, which is an increase of 4.8% compared with January 2003.

Of the total foreign currency deposits, corporate deposits increased by HRK 1.4bn in absolute terms or 15.2%, which is a decline of 24.7% compared with their growth in 2002. Developments in corporate foreign currency deposits were largely determined by large infrastructural projects and corporate activities on the foreign exchange market influenced by import and export dynamics. Corporate presence on the foreign exchange market is beneficial because legal persons tend to make use of the periods of favourable exchange rates to purchase foreign currency, thus producing stabilising effects on the market and the movements of the domestic currency.

Unlike corporate foreign currency deposits, household deposits recovered (4.5%) in 2003 following their decline in

2002 (-2.7%) due to outflows that took place after the conversion of EMU member countries' currencies to euro was completed. Household foreign currency deposits accounted for 84.8% of total foreign currency deposits at the end of 2003.

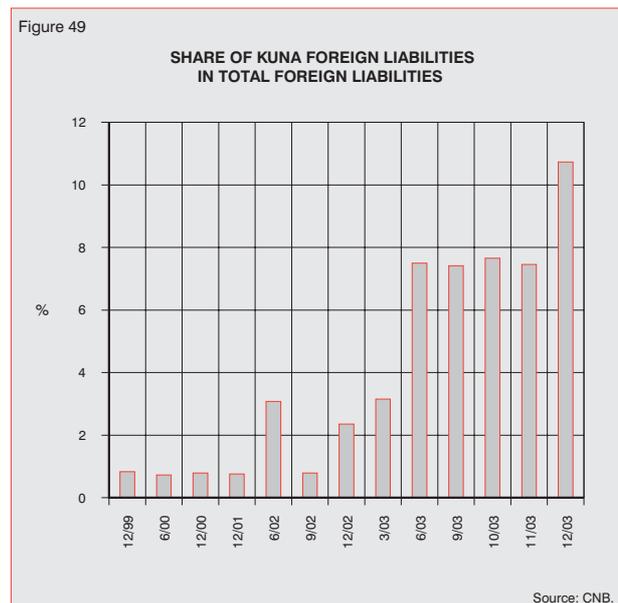
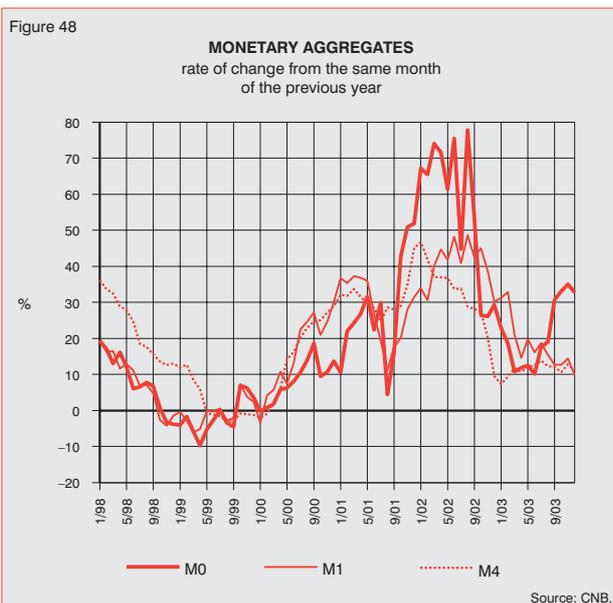
Such developments caused *total liquid assets (M4)* to increase by 10.8% in 2003, which is a slight increase compared with their growth in 2002 (9.5%) when foreign currency deposits held steady compared with the year before. At end-January 2004, M4 stood at HRK 129.0bn, which is an increase of 10.4%, compared with January 2003.

**Foreign Assets and Liabilities**

Given the moderate growth of domestic sources of funds (M4), banks again in 2003 relied on foreign sources of funds to finance their rapid credit activities, as reflected in a steady decline in banks' net foreign assets (NFA). Following their decline in the first half of 2003, this monetary aggregate temporarily recovered in the third quarter, which is common following the inflow of tourism-related foreign currency during the summer. In the fourth quarter, NFA declined by HRK 4.6bn and its total decline in 2003 was HRK 5.5bn.

A decline in net foreign assets of banks in 2003 was accompanied by a large increase in their foreign assets and liabilities. Foreign liabilities rose by HRK 14.9bn and foreign assets by HRK 9.4bn. The increase reached its peak in the fourth quarter with foreign liabilities rising by HRK 8.5bn and foreign assets by HRK 3.9bn. Such a large increase in both foreign assets and liabilities of banks is a reflection of banks' adjustments to the Decision on the Minimum Required Foreign Exchange Claims.

This CNB measure led to changes in the currency structure of foreign liabilities of banks. A number of foreign parent banks increased their kuna deposits with domestic subsidiaries and granted them kuna loans, thus causing an increase in their kuna component of foreign liabilities. During 2003, kuna foreign liabilities increased by HRK 4.5bn and stood at HRK 5.4bn at end-December. The kuna share of foreign liabilities in total foreign liabilities thus rose to



## Box 2: Monetary Policy and Changes in its Instruments at the Beginning of 2004

The beginning of 2004 saw the introduction of several decisions that should serve as the backbone of monetary policy in this year. These decisions modify the existing monetary instruments, and focus on indirect, market mechanisms.

Of the decisions that marked the year 2003, the beginning of the year saw the abrogation of the decision on the compulsory purchase of foreign currency CNB bills. The compulsory purchase, initially intended as a temporary monetary policy measure, contributed to the slowdown of bank placements' growth in 2003. Another measure introduced in early 2003, embodied in the Decision on the Minimum Required Amount of Foreign Exchange Claims, is still in effect. This Decision is a modification of an earlier decision on the obligation of banks to maintain a certain ratio between their foreign currency claims and foreign currency obligations, necessary in a highly-euroised Croatian banking system and the economy for overall system currency risk management.

Monetary policy in 2004 builds further on the policy pursued last year whose results were seen in the reduction of the surplus liquidity generated in 2001 and 2002 through cuts in reserve requirements rates, large foreign currency inflows and their conversion into the kuna. In 2004, the CNB is again expected to make smaller foreign currency purchases from banks, and issue kuna instead. Unlike 2003, when banks used their accumulated stock of CNB bills in kuna to satisfy their liquidity needs, the idea behind the policy to be pursued in 2004 is to create kuna liquidity through open market operations.

Given the likely lack of liquidity, the expectations are that the need for kuna CNB bills issues will diminish and that their auctions will be held only exceptionally and at discretion of the CNB. Unlike their kuna counterpart, CNB bills in foreign currency will not be issued anymore. Though they are not a kuna instrument of monetary policy, the banks found CNB bills in foreign currency attractive as they provided sources for a simultaneous maintenance of foreign currency reserve requirements and the minimum foreign currency liquidity, and could be used as collateral for the Lombard facility.

### Instruments of Monetary Policy<sup>a</sup>

Foreign exchange auctions/ interventions	<ul style="list-style-type: none"> <li>■ Held and conducted at central bank discretion for the purpose of maintaining the stability of the domestic currency and liquidity of payments in the country and abroad.</li> <li>■ The CNB intervenes in the foreign exchange market by outright foreign exchange purchases or sales. Auction types differ, from multiple price auctions (<i>differentiated exchange rate model</i>), fixed price auctions (price bid by the CNB) to uniform price auctions determined by the CNB on the basis of bids received (<i>uniform exchange rate model</i>).</li> <li>■ Auctions opened exclusively to those banks that are authorised for carrying out payment transactions abroad.</li> </ul>
Reserve requirements	<ul style="list-style-type: none"> <li>■ The reserve requirements rate is 19%.</li> <li>■ The calculation base consists of the kuna and the foreign currency share, each calculated separately. The base represents the average daily balances of kuna and foreign currency liabilities in the previous month.</li> <li>■ Reserve requirements are allocated on the 8th calendar day in a month and encompass a period of time until the 7th calendar day of the next month.</li> <li>■ 42% of the calculated reserve requirements in foreign currency are included in the calculated kuna part of reserve requirements and are allocated in kuna.</li> <li>■ The minimum percentage of the kuna share of reserve requirements that has to be allocated into a special account with the CNB amounts to 60%.</li> <li>■ The foreign currency reserve requirements allocation against non-residents' foreign currency funds and foreign currency funds received from legal persons in a special relation with the bank amount to 100%, while the minimum percentage of the remaining part of foreign currency reserve requirements that has to be allocated amounts to 60%.</li> <li>■ The remaining part of the reserve requirements may be met by average daily liquid claims.</li> </ul>
CNB bills	<ul style="list-style-type: none"> <li>■ Securities issued by the CNB for kuna liquidity sterilisation.</li> <li>■ They are denominated in kuna and are issued at a discount, at auctions announced at CNB's discretion, of which banks are informed by the central bank on the day of the auction at the latest.</li> </ul>
Reverse repo auctions	<ul style="list-style-type: none"> <li>■ Held on the basis of master repurchase agreements for the purpose of creating liquidity.</li> <li>■ Banks may bid at auctions the total nominal amounts of securities they wish to sell and the repo rate.</li> <li>■ Securities eligible for repurchase include CNB bills and T-bills of the Ministry of Finance.</li> </ul>
Foreign currency swaps	<ul style="list-style-type: none"> <li>■ A swap transaction (a simultaneous purchase and sale of foreign currency or vice versa, with different settlement dates) is carried out at CNB's discretion for the purpose of bridging short-term liquidity difficulties.</li> <li>■ Transactions open exclusively to those banks authorised for carrying out payment transactions abroad.</li> </ul>
Lombard loan	<ul style="list-style-type: none"> <li>■ Loans granted to banks by the CNB on the basis of securities.</li> <li>■ Interest rate charged on such loans amounts to 9.5%.</li> <li>■ A collateralised loan, granted in the maximum amount of 50% of the nominal value of the supplied collateral (CNB bills in kuna, and T-bills of the Ministry of Finance).</li> <li>■ May be used up to a maximum of 5 business days in a month.</li> </ul>
Short-term liquidity loan	<ul style="list-style-type: none"> <li>■ Granted to banks with liquidity needs provided they are solvent.</li> <li>■ Maximum length of use is six months.</li> <li>■ Granted on the basis of a specific collateral.</li> <li>■ Exceptionally, a bank may extend its use of the loan, up to a maximum of twelve months, and on the basis of other instruments of collateral than those originally requested, provided the application for the loan has been submitted by the Republic of Croatia and its repayment is guaranteed by the Republic of Croatia.</li> </ul>
Minimum required foreign currency claims	<ul style="list-style-type: none"> <li>■ The minimum required foreign currency claims amount to 35% of a bank's foreign currency liabilities.</li> <li>■ The prescribed percentage has to be maintained on a daily basis.</li> <li>■ Foreign currency liabilities, as defined by the relevant Decision, comprise ordinary and special foreign currency accounts, foreign currency loans and other financial obligations in foreign currency.</li> <li>■ Foreign claims, as defined by the relevant Decision, comprise foreign currency claims with a remaining maturity of maximum 3 months.</li> </ul>

<sup>a</sup> For a detailed description of monetary policy instruments, with full texts of the relevant Decisions and Instructions, please visit [www.hnb.hr/emonet.htm](http://www.hnb.hr/emonet.htm).

In an attempt to reduce possible fluctuations in liquidity and the surplus liquidity, restrictions have been imposed on the use of the Lombard facility. More specifically, its period of use has been cut from 15 to 5 business days in a month. Discontinuation of foreign currency CNB bills issues represents an additional tightening as these bills can no longer provide collateral for the Lombard loans.

Liquidity loans, as a lender-of-last-resort facility, have not been changed.

Reserve requirements are one of the most significant instruments of monetary policy used in Croatia. Compared with 2% in the eurozone, Croatia's 19% reserve requirements rate appears very high. The rationale behind such a high rate lies in the need to sterilise the monetary effects of large foreign capital inflows. Banks have to meet their reserve requirements as an average throughout a month. However, to facilitate their business operations and their liquidity management, the CNB obliges the banks to allocate one part of the calculated reserve requirements to a special reserve requirements account with the CNB, while enabling them to hold the remaining part in their accounts and use them for payment transactions. Until early 2004, banks were required to allocate 40% of the calculated amount of reserve requirements to a special blocked account with the CNB, and could freely dispose of the remaining 60%, by using them for payment transactions. This is particularly relevant in the case of that part of reserve requirements that has to be met in foreign currency, as banks could hold and use abroad 60% of the calculated

reserve requirements in foreign currency, both for foreign currency payment transactions and as collateral for foreign loans. Banks have to meet the remaining kuna part of reserve requirements by funds held in their giro accounts with the CNB or by kuna cash.

However, February 2004 saw a tightening of reserve requirements, or more precisely, an increase in the minimum percentage of reserve requirements that has to be allocated to the special account with the CNB. In particular, the foreign currency share of reserve requirements against non-residents' foreign currency funds and against foreign currency deposits of persons in a special relation with a bank has to be allocated in a 100% amount, while the percentage of allocation related to all other foreign currency and total kuna reserve requirements has been raised from the minimum of 40% to a minimum of 60% of the calculated reserve requirements.

A new Decision on the Interest Rates and Remunerations of the Croatian National Bank should discourage the inflow of foreign capital into the banking sector used for domestic financing. Namely, under this Decision, the remuneration paid by the central bank on the foreign currency share of allocated reserve requirements is determined on the day of allocation with the CNB, using the rate that equals 75% of U.S. Federal Funds Target Rate for overnight interbank lending, for funds held in US dollars and the rate that equals 75% of the ECB Minimum Bid Refinance Rate for two week liquidity loans granted to banks, for funds allocated in euro.

10.7%, which is four times more than at the end of 2002. The increase in kuna foreign liabilities can equally be attributed to loans and deposits of foreign banks.

#### Placements to the Central Government

In 2003, the government continued its orientation towards foreign financing through bond issues, thus determining the developments in *banks' net claims on the central government*. As a result, banks' net claims on the central government declined by HRK 0.3bn (2.3%) compared with the end of the previous year. Bank placements declined by HRK 0.4bn or by 1.7%, while government deposits and loans held steady at -0.4%. As regards the structure of total placements to the government, there was a decline in the share of money market instruments and government bonds held by banks in contrast with the increase in banks' loans to the government. As regards government claims on the banking sector, there was an increase in government deposits with the CNB, with which the government deposited its surplus foreign exchange inflows in the previous year. Government deposits with banks declined during the same period.

## Money Market

Money market developments were influenced by the Croatian National Bank's tighter monetary policy in the fourth quarter of 2003. Following a sharp interest rate rise in September 2003, primary liquidity of banks improved as a result of a seasonal cash inflow to banks during September and October, along with kuna CNB bills redemption. Consequently, interest rates gradually fell to the level recorded in the second quarter. However, the Croatian National Bank's Decision on the increase in the share of foreign exchange reserve requirements allocated in kuna, net foreign exchange sale through the central bank foreign exchange interventions in November and December 2003, as well as a seasonally strong demand for money in December led to a strong growth in kuna demand. Money market interest rates thus did not continue their downward trend, but rather rose again sharply in December, following a November stagnation.

As regards the short-term securities primary market, the Croatian National Bank has not accepted a single bid at the kuna CNB bill auctions since mid-September 2003, resulting in zero CNB bills subscribed in October. Bids for the kuna CNB bills subscription ceased to arrive from early December. In accordance with the new monetary policy measures for 2004, the kuna CNB bill auctions will be held only on exceptional and discretionary basis starting from 1 Janu-

ary 2004, whereas foreign exchange CNB bills will no longer be issued.

As a result of the government's need for short-term financing, interest rates on T-bills corresponded to the movements in money market interest rates. After a sharp rise in September 2003, they were on the decrease until the end of the year, only to resume their growth in January 2004 due to a rise in money market interest rates.

Movements in money market interest rates in the fourth quarter of 2003 partly affected banks' deposit rates. While lending rates either remained at the level similar to that in the third quarter or were reduced, interest rates on kuna deposits increased, which eventually led to a narrowing of the interest rate spread.

### Money Market Interest Rates

At the beginning of the fourth quarter of 2003, banking system primary liquidity improved, so that money market interest rates fell during October, and ranged between 3% and 5% in November. In December, interest rates increased again due to a strong demand for kuna. In addition to a seasonally strong demand for money, an increased kuna demand was affected by two sales of foreign exchange to banks, withdrawing HRK 944.3m from circulation, as well as by the Croatian National Bank's Decision increasing the share of foreign exchange reserve requirements allocated in kuna from 35% to 40% in November and from 40% to 42% in December. According to the ZMM data, the average reported demand for loans, reached its record high level, so that despite a relatively large average reported supply, interest rates leaped to about 8% in the first half of December.

The weighted interest rate in the ZMM stood at 5.45% in October, falling to 4.03% in November. Following an interest rate rise in December, the weighted interest rate on all ZMM loans reached 6.13% in that month. Although money market trading somewhat decreased in January 2004, interest rates held steady at relatively high levels. The weighted interest rate on all loans stood at 6.74%, its record high since end-2000.

The weighted interest rate on overnight loans stood at 3.02% in November, rising to 5.47% and 6.20% in December 2003 and January 2004, respectively. Dynamics of the weighted interest rate on other loans was similar: it stood at 4.65% in November, rising to 7.02% in December and to 7.48% in January 2004. The increase in this interest rate in January 2004 may partly be accounted for by a large share of loans maturing in one month, granted at a relatively higher average interest rate in comparison with other maturities.

Total ZMM turnover recorded in the fourth quarter amounted to a high HRK 10.3bn (as compared to total turnover of HRK 3.5bn recorded in the same period of 2002), decreasing to a certain extent in January 2004. The average daily turnover of overnight loans stood at HRK 80.0m in the fourth quarter, increasing to HRK 90.2m in January. The average daily turnover of other loans amounted to HRK 83.7m in the last quarter of 2003, falling to HRK 65.5m in January 2004.

Interest rate increase also brought about changes in the maturity structure of money market trading. More specifically, in the period of high liquidity and exceptionally low interest rates, from early 2002 to mid-2003, money market participants disposing of surplus liquid assets, invested only in the shortest maturities, expecting interest rate rise. Overnight loans and callable loans thus predominated in the structure of total loans. Since monetary policy measures spurred the interest rate rise to over 8% in the second half of 2003, banks and money market funds with surplus liquid assets granted loans only under condition that they are of longer maturity, expecting a fall in interest rates after banks have become compliant with the new CNB measures. The upward trend in longer-term crediting started at the beginning of the second half of 2003, was particularly pronounced in the last quarter and continued into January 2004. In the fourth quarter of 2003, the share of overnight loans was thus reduced from the usual two thirds to approximately one half of the total loans. The share of callable loans in total loans was considerably reduced (to about one third) in the fourth quarter of 2003, as compared with approximately 70% in the

Figure 50

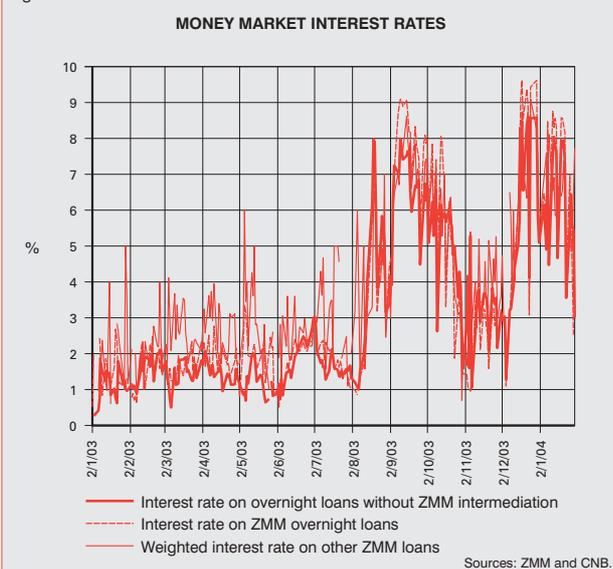
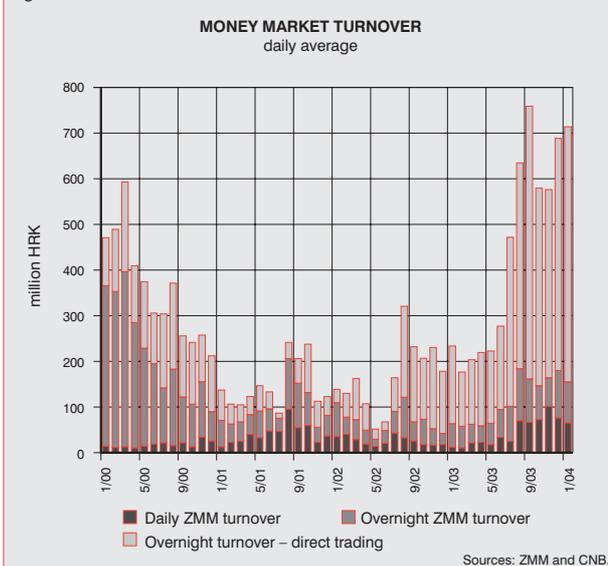


Figure 51



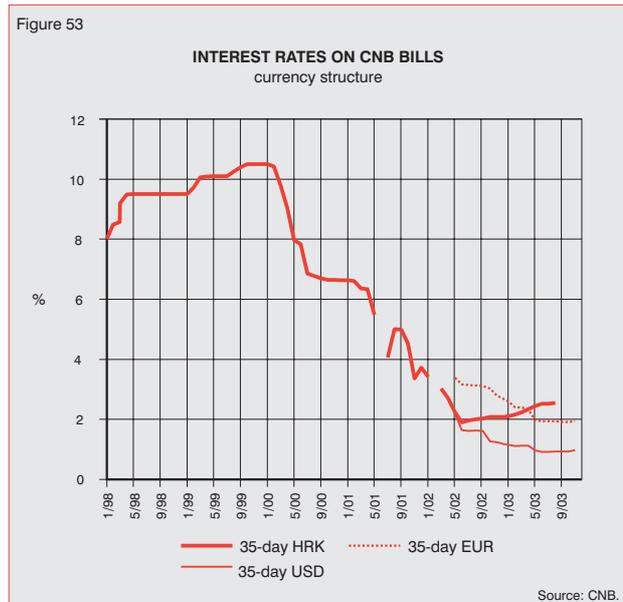
last 18 months. In November and December, the majority of loans granted were those of one-week maturity, compared to one-month maturity dominating in January 2004.

In the fourth quarter, direct interbank crediting held steady at high levels, as it was the case in the third quarter. In this market segment, the fourth quarter saw the average daily turnover of HRK 450.8m, against HRK 558.1m in January. In December and in January 2004, the average interest rate on direct interbank loans was higher than the interest rate on ZMM overnight loans (6.57% in December and 6.70% in January).

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

In the fourth quarter of 2003, the Croatian National Bank did not accept a single bid received at the kuna CNB bill auctions, which preceded the new CNB bill Decision. According to this Decision, the kuna CNB bill auctions will be held only occasionally for the purpose of surplus kuna liquidity sterilisation, starting from 1 January 2004. Since end-October 2003, the stock of the subscribed kuna CNB bills has equalled zero.

Following a strong rise in interest rates on T-bills in September 2003, interest rates at the auctions were gradually falling during the fourth quarter. In that period, the interest rate spread between the shortest and the longest maturities increased within the narrow band from 30 to 75 basis points in end-September and in October 2003. Since no T-bill auction was held in the second half of December 2003 due to holidays, an increase in money market interest rates affected T-bills interest rates only at the first auctions in January 2004. The weighted monthly interest rates on 91-day, 182-day and 364-day T-bills were reduced from 6.31%, 6.65% and 7.03% to 4.72%, 5.57% and 6.0%, respectively, from October to December 2003. In January 2004, they stood at 4.78%, 5.36% and 6.44%, respectively. T-bills purchased during the fourth quarter increased by HRK 873.4m, compared to the end of the previous quarter, reaching HRK 5.8bn in end-December 2003, the same as in end-January



2004. One-year T-bills continued to predominate in the structure of purchased T-bills, but their share started to decrease gradually from the beginning of the fourth quarter. Longest maturity T-bills accounted for HRK 3.4bn of the total purchased T-bills in end-January 2004, 182-day T-bills for HRK 1.7bn and 91-day bills accounted for the remaining amount.

The downward trend of interest rates on foreign exchange CNB bills was curbed as early as in the third quarter of 2003, whereas a slight rise in these interest rates was recorded in the fourth quarter of 2003. Since interest rates on CNB bills denominated in foreign currency were set on the basis of the LIBID rate for the respective currency and maturity, their movements directly result from the movements in interest rates on the foreign markets. In October, the weighted interest rate on CNB bills denominated in EUR stood at 1.91% and 1.93% for 35-day and 63-day maturities, rising to 1.95% and 1.94%, respectively, in December. The weighted interest rate on bills denominated in US dollars reached 1 percentage point in December – 0.98% and 0.97% for 35-day and 63-day maturities, respectively.

The stock of the purchased foreign exchange CNB bills continued its strong growth into the fourth quarter, as a result of banks' preparations for the 100% allocation of reserve requirements for foreign exchange sources of funds. In end-December 2003, it stood at USD 974.4m, an increase of USD 351.1m compared to end-September 2003. On 1 January 2004, the Croatian National Bank discontinued the issuance of foreign exchange denominated CNB bills. The last purchased foreign exchange CNB bills matured on 5 March 2004.

**Banks' Interest Rates**

Although banks' interest rates moved differently in the fourth quarter 2003, lending rates and interest rates on foreign exchange deposits mostly decreased at year-end as compared to the end of the third quarter, while interest rates on kuna deposits increased.

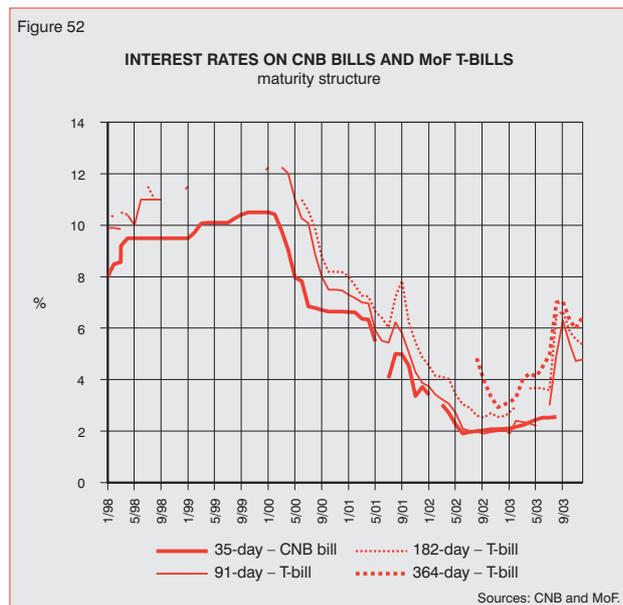
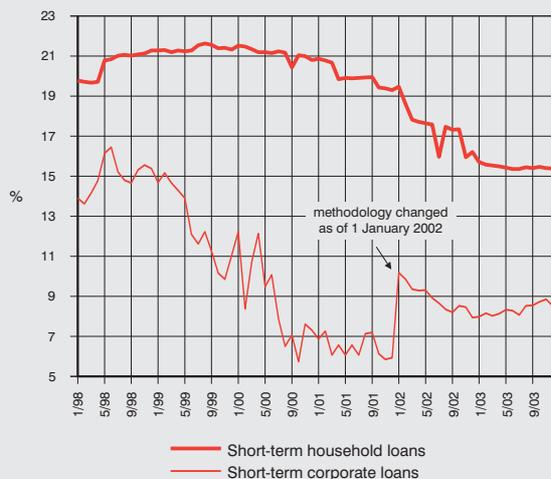


Figure 54

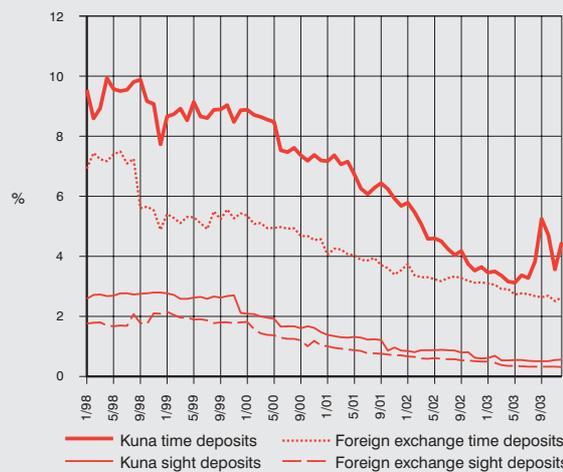
**BANKS' AVERAGE INTEREST RATES ON SHORT-TERM LOANS WITHOUT A CURRENCY CLAUSE**



Source: CNB.

Figure 56

**BANKS' AVERAGE DEPOSIT INTEREST RATES**



Source: CNB.

In the fourth quarter, interest rates on short-term corporate loans continued their upward trend which started in the third quarter, only to return to the end-September level in December. The weighted interest rate on short-term kuna corporate loans without a currency clause, having reached its eighteen-month high (8.36%) in November, fell to 8.02% in December, almost identical to the level recorded in September 2003 (8.04%). Following a slight increase in the third quarter of 2003, interest rates on short-term household loans held steady in the following period. The weighted interest rates on short-term household loans without a currency clause ranged between 14.90% and 14.95% in the fourth quarter of 2003.

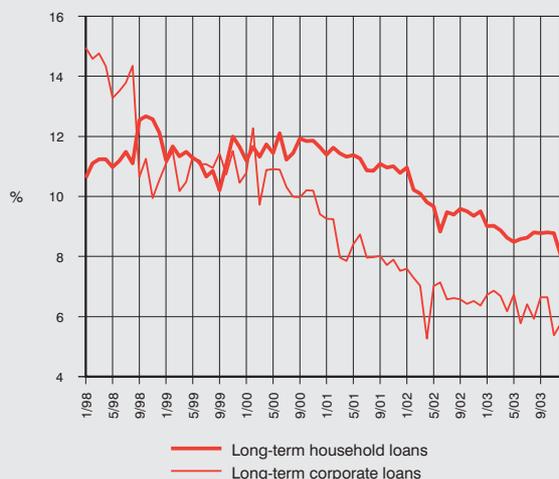
Interest rates on long-term loans were reduced in December 2003 relative to September. The weighted interest rate on long-term loans with a currency clause stood at 5.76% in December, as compared to 6.64% in September. Interest rates on long-term household loans which were on a slight increase in the second half of 2003, also decreased in

December. The weighted interest rate on long-term household loans with a currency clause was reduced by 74 basis points to 8.04% in December. Such a decrease in this interest rate can primarily be accounted for by a large share of home loans in total long-term household loans in December, which were granted at a relatively low interest rate relative to the interest rates on other long-term household loans.

The rise in the loan price in the money market spurred a rise in interest rates on kuna deposits held with banks. Following a 5.25% increase in the weighted interest rate on kuna time deposits in September 2003 (mostly due to a strong rise in interest rates on corporate time deposits), it fell gradually to 3.57% in October and November, and then rose again to 4.46% in December. The weighted interest rate on kuna sight deposits increased by 5 basis points in the fourth quarter (from 0.51% in September to 0.56% in December). On the other hand, a moderate downward trend in interest rates on foreign exchange time deposits continued into the fourth quarter of 2003. In December, the weighted

Figure 55

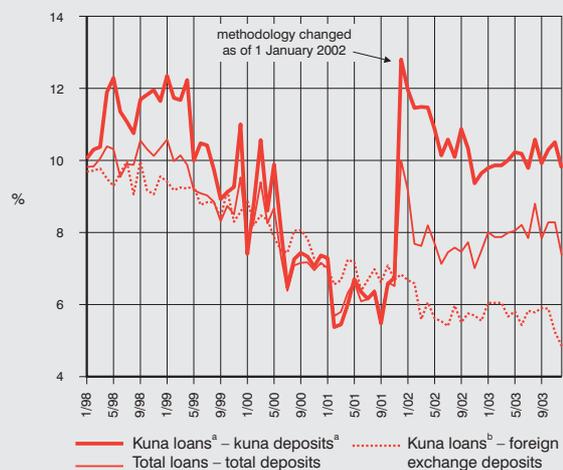
**BANKS' AVERAGE INTEREST RATES ON LONG-TERM LOANS WITH A CURRENCY CLAUSE**



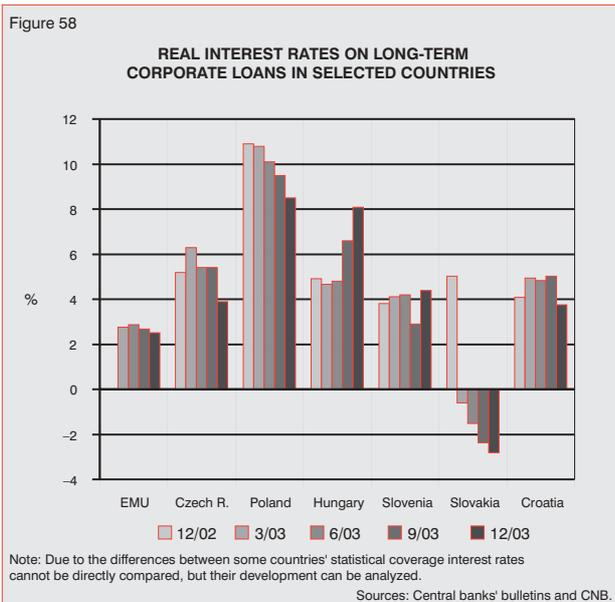
Source: CNB.

Figure 57

**SPREAD BETWEEN BANKS' AVERAGE INTEREST RATES ON LOANS AND DEPOSITS**



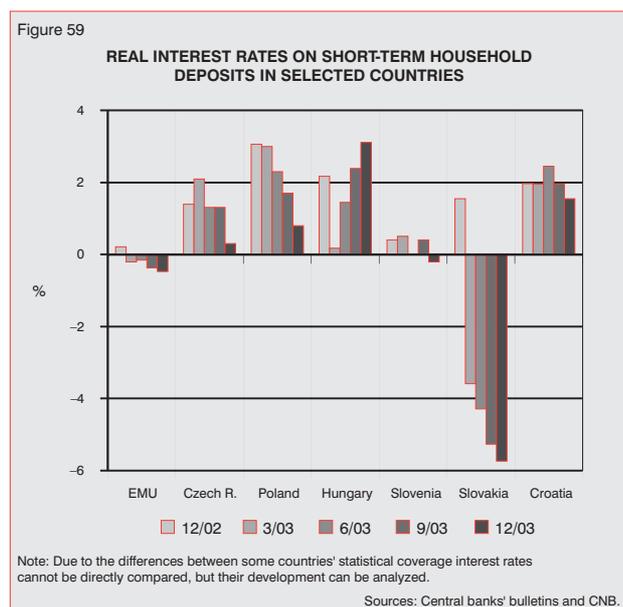
<sup>a</sup> Without a currency clause, <sup>b</sup> With a currency clause. Source: CNB.



interest rate on foreign exchange time deposits stood at 2.64%, as compared with 0.31% on foreign exchange sight deposits.

As a result of a fall in lending rates and a rise in interest rates on kuna deposits at the end of the fourth quarter 2003 over the end of the previous quarter, the spread between the banks' lending and deposit rates narrowed. The spread between interest rates on total loans and total deposits stood at 7.37 percentage points in December, whereas the spread between interest rates on kuna loans with a currency clause and interest rates on foreign exchange deposits amounted to 4.85 percentage points.

The comparison of interest rates of banks in the selected transition countries and EMU, shows that nominal and real interest rate trends differ to a certain extent. In the fourth quarter 2003, nominal interest rates of banks went down in most of the observed countries (except in Hungary and Slovenia). As a result of a simultaneous increase in the rate of inflation (measured by the CPI), a fall in real interest rates



was somewhat larger in all the observed countries.

In Hungary, both nominal and real lending and deposit interest rates increased in the fourth quarter. In EMU, nominal interest rate on short-term deposits is lower than the inflation rate, leading to a negative real interest rate on deposits for a fourth consecutive quarter. Inflation growth in Slovenia also resulted in negative interest rates on short-term deposits. In Slovakia, the inflation rate was higher during 2003 than nominal lending rates, so that real interest rates on both deposits and credits were negative in entire 2003. In Croatia, nominal interest rates on long-term corporate loans decreased in comparison with the end of the previous quarter. As a consequence of a somewhat higher inflation rate, a fall in interest rate on these loans is even more pronounced in real terms. Real interest rate on short-term household deposits in Croatia was also reduced relative to that recorded in the previous quarter.

## Capital Market

The Croatian capital market saw an increase in both share and bond trading in the fourth quarter of 2003. Share prices rose, whereas bond prices declined. Global capital markets' share indices were pushed up by favourable US macroeconomic indicators and optimistic expectations for 2004. At the same time, bond yields continued their rise from the third quarter. However, as neither the Fed nor the ECB raised interest rates despite economic recovery, bond yields started trending downwards late in the year, continuing this trend in January 2004. Croatian eurobond yields were in line with international developments, temporarily diverging only on the eve of the parliamentary election, while CROBEX movements were relatively insensitive to the movements of major share indices.

### Equities Market

Market capitalisation of shares on the Zagreb Stock Exchange (ZSE) was HRK 37,130.5 late in the fourth quarter of 2003 (i.e. 19.55% of the GDP estimate for 2003), a rise of HRK 1.86m over the end of the third quarter. This was due to new share listings in Quotation JDD and Quotation TN and the rise in share prices. The ZSE market capitalisation rose to a further HRK 40,012.6m in January 2004, mostly on account of the increase in share prices and some shares' liquidity coefficients. Specifically, the ZSE market capitalisation is calculated per share by multiplying the share's latest price by the number of its issues. Share liquidity is accounted for in the overall calculation by including only half of the market capitalisation of the share that was not traded in the previous month and a quarter of the market capitalisation of the share that was not traded in the previous three months.

Share prices largely maintained an upward trend in the last quarter of 2003, pushing the CROBEX up by 8.4%, from 1,093.2 points at end-September to 1,185.1 points at end-December 2003. The CROBEX further increased to 1,197.6 points over January 2004, reaching its highest value

since early 2002. Of the eight companies' shares included in the CROBEX, the prices of Plava laguna and Croatia osiguranje shares rose the most in the fourth quarter, 44.3% and 19.9% respectively.

Victor Lenac shares were delisted from the ZSE Quotation 1 in December 2003 and Croatia osiguranje common and preferred shares, in JDD Quotation since March 2003, were listed in January 2004. This brought up the number of shares in Quotation 1 to 4 (Pliva, Podravka, Croatia osiguranje common and preferred shares). Market capitalisation of shares in Quotation 1 stood at HRK 11.3bn at end-January 2004, accounting for 28.3% of the total market capitalisation of all shares listed on the ZSE.

The ZSE share turnover has trended upwards through five consecutive quarters. Share trading realised a turnover of HRK 502.0m in the fourth quarter of 2003, almost doubling the turnover from the same period last year, and HRK 86m in January 2004. In the fourth quarter of 2003, shares of Tvornica duhana Rovinj were traded the most, accounting for 45% of the total share turnover in that period. Trading in Quotation 1 shares – Pliva and Podravka shares – accounted for 29% of the total ZSE turnover. These shares continued to be traded intensively in January 2004, closely followed by the common share of Croatia osiguranje.

At the request of the ZSE, the Croatian Securities Commission approved the Zagreb Stock Exchange Regulations in January 2004, providing for regular trading in securities on the following five markets: the Official Market (the ZSE Quotation 1 as defined by the Securities Market Act), the Regular Market, the Public Limited Companies' Market (the Quotation of Public Limited Companies as defined by the Securities Market Act), the Parallel Securities Market and the Rights Market.

Trading on the Varaždin Stock Exchange (VSE) rebounded in the second half of 2003, following the introduction of the Quotation of Public Limited Companies (Quotation JDD) and its first share listings. Share trading continued the positive trend into the fourth quarter of 2003 and January 2004. As at 31 December 2003, market capitalisation of active shares on the VSE amounted to HRK 23,363.7m.

The total share turnover on the VSE was HRK 187.9m in the fourth quarter of 2003 and HRK 75.0m in January 2004. Standing at HRK 89.5m, the share turnover in Quotation JDD accounted for nearly half of the total share turnover in the last three months of 2003, but it decreased considerably in January. As regards the remaining VSE trading segments, the Free Market Quotation recorded the largest turnover, in contrast with almost negligible turnovers in other Quotations (Quotation 1, Quotation 2 and the PIF Quotation).

The VSE index, VIN, underwent two extraordinary revisions and one regular revision in the period from October to December 2003. As of 4 December 2003, the VIN has comprised 12 shares, the leading shares being those of Ericsson Nikola Tesla, Riviera Holding, Kraš and Dom holding. The VIN rose by 45.9 points (7.7%) in the fourth quarter of 2003, standing at 615.9 points at year-end. It reached 637.1 points by the end of January 2004, due to the rise in prices of almost all constituent shares.

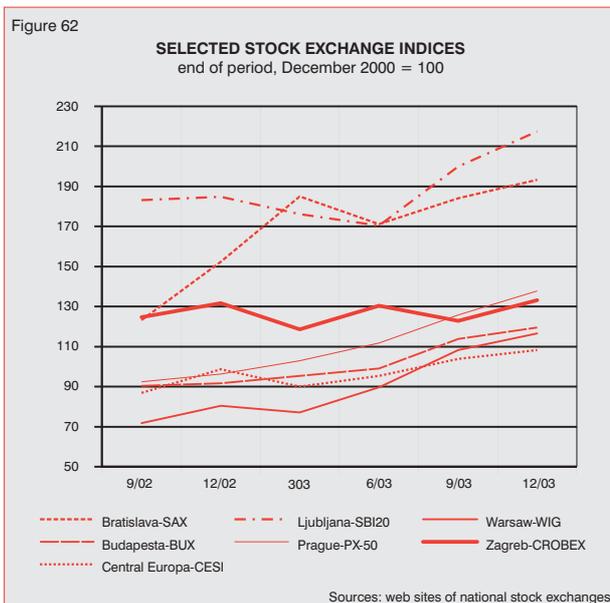
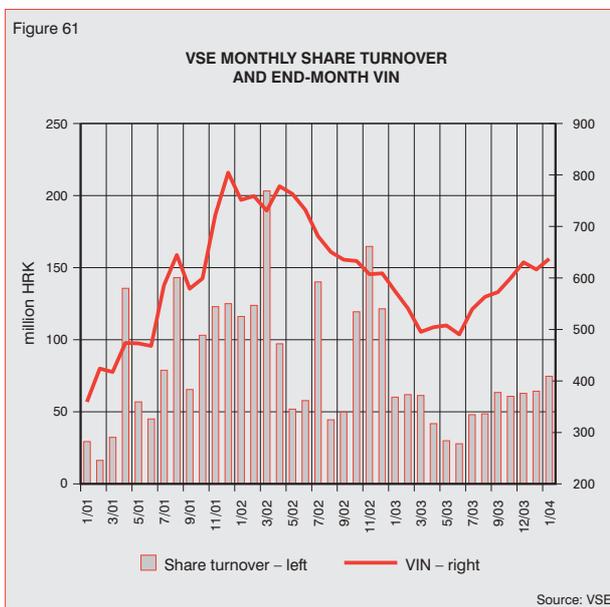
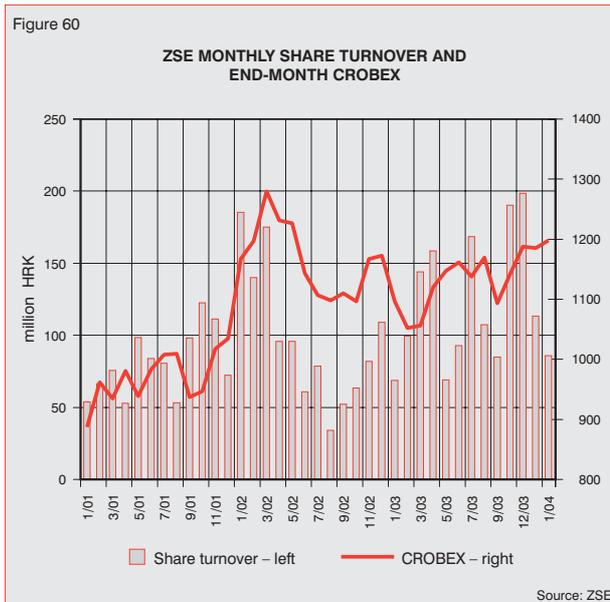


Table 2: Comparison of Capital Market Indicators

December 2003	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million USD)	3.0	26.7	5.3	58.1	79.9	0.9
Average daily turnover, bonds (million USD)	363.1	3.2	3.5	144.3	20.5	8.4
Turnover <sup>a</sup> /GDP <sup>c</sup> , annual level (%)	2.6	10.2	5.8	19.0	10.2	1.0
Turnover <sup>b</sup> /GDP <sup>c</sup> , annual level (%)	213.8	1.2	3.8	47.3	2.6	8.9
Turnover velocity <sup>d</sup>	18.3	34.6	18.1	52.7	51.2	3.7
Market capitalization <sup>a</sup> (million USD), end month	3,369	16,689	7,075	25,122	37,428	6,069
Market capitalization <sup>b</sup> (million USD), end month	10,083	26,365	4,622	19,706	....	2,298
Market capitalization <sup>a</sup> /GDP <sup>c</sup> , end month (%)	14.2	25.4	32.2	36.1	19.8	27.0
Market capitalization <sup>b</sup> /GDP <sup>c</sup> , end month (%)	42.6	40.1	21.0	28.3	....	10.2
Index movement from the beginning of the year (%)	26.9	20.3	17.7	43.1	42.0	2.1
Index movement from the beginning of the month (%)	0.8	3.0	-0.3	5.6	8.3	2.4

<sup>a</sup> Shares, <sup>b</sup> Bonds, <sup>c</sup> 2002, <sup>d</sup> Annualized monthly share turnover × 100/ market capitalization of shares.  
Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org).

Transition countries' stock exchange indices increased considerably in the fourth quarter of 2003, in keeping with the developments in global capital markets. The combined index of Central European stock exchanges, CESI, has trended upwards over three successive quarters, standing at 1364 points at end-December, a rise of 4.4% compared to end-September 2003. According to all observed indices, share prices on transition countries' stock exchanges are trending upwards. The indices of the Budapest, Prague, Bratislava, Ljubljana and Warsaw stock exchanges have been rising over several consecutive quarters, reaching their three-year highs at the end of 2003, in contrast with the CROBEX, whose movements in the last 18 months have given no indication of a long-term upward trend.

Market capitalisation of both shares and bonds has been on the increase in all observed countries since early 2003. Favourable capital market trends encouraged trading, with the result that all observed stock exchanges recorded turnover growth in the fourth quarter compared to the previous quarter.

### Debt Securities Market

One of the two DAB bonds (DAB-O-03CA) matured in December 2003. The bonds were issued in December 2000 with the purpose of fully settling the liabilities against depos-

itors arising from insured deposits. Accordingly, a total of 10 bonds are listed on the ZSE, 6 government bonds (1 kuna and 5 euro denominated) and 4 corporate bonds (1 kuna and 3 euro denominated).

Market capitalisation of the 10 bonds listed on the ZSE amounted to HRK 14.1bn (EUR 1.84bn) in late December 2003, accounting for 7.4% of the estimated GDP for 2003. Market capitalisation of government bonds stood at HRK 12.1bn (EUR 1.58bn), i.e. 6.4% of GDP.

Trending downwards over four successive quarters, bond trading on the ZSE reached its one-year low in October 2003. However, the bond turnover doubled in November and held steady for the following two months. The total bond turnover on the ZSE was HRK 2.6bn in the fourth quarter of 2003 (compared to HRK 2.7bn in the second quarter) and HRK 1bn in January 2004. As usual, the bond of the Republic of Croatia maturing in 2012 was traded the most, accounting for 40% of the total volume of trade on the ZSE.

Bond prices in the domestic market mostly declined further during the fourth quarter while their yields increased. Consequently, the ZSE bond index, CROBIS, decreased by 1.4% in the period from October 2003 to January 2004, standing at 100.15 points at end-January.

There are 13 Croatian eurobond issues listed on international exchanges: two USD denominated issues (government bonds that replaced the debt of the Croatian corporate

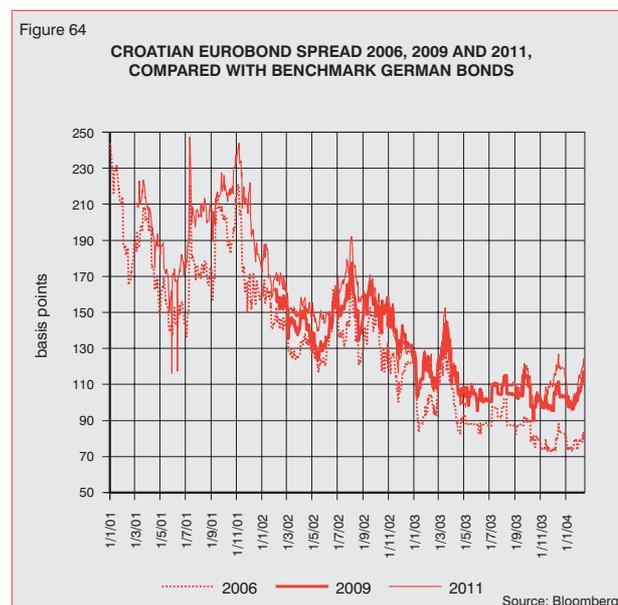
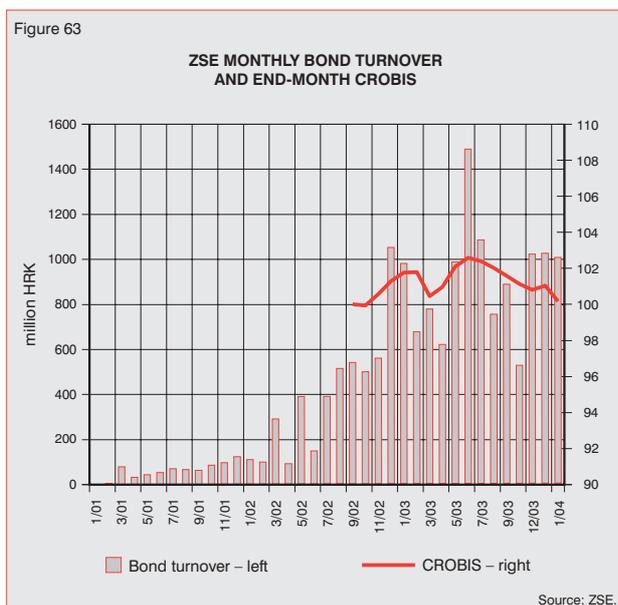


Table 3: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price	Current yield 31/1/2004
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	108.40	7.726%
HZZO-O-047A	CIHI	19/7/2000	19/7/2004	EUR	222,000,000	8.500%	101.80	8.350%
RHMF-O-049A	Republic of Croatia	20/9/2001	20/9/2004	EUR	200,000,000	6.500%	104.00	6.250%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	110.00	6.250%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	111.30	6.177%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	100.20	6.113%
BLSC-O-051A	Belišće d.d.	17/1/2002	17/1/2005	EUR	17,000,000	7.375%	102.50	7.195%
PLAG-O-048A	Plava laguna d.d.	25/2/2002	25/8/2004	EUR	12,000,000	6.750%	100.75	6.700%
HYBA-O-086A	Hypo-Alpe-Adria Bank	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	99.40	6.539%
HYBA-O-086A	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	100.00	8.000%

Source: ZSE.

Table 4: Republic of Croatia International Bond Issues

Bond	Currency	Amount	Nominal interest rate	Yield on issue date	Spread <sup>a</sup> 30/6/2003	Spread <sup>a</sup> 30/9/2003	Spread <sup>a</sup> 31/12/2003	Spread <sup>a</sup> 31/1/2004
London Club A, 2010	USD	857,796,000	6 month LIBOR + 81.25 b.p.		129	121	127	130
London Club B, 2006	USD	604,426,000	6 month LIBOR + 81.25 b.p.		126	107	118	115
Euro-DEM bonds, 2004	DEM	300,000,000	6.125%	6.20%	74	62	44	44
Eurobonds, 2006	EUR	300,000,000	7.375%	7.45%	87	91	81	74
Samurai bonds, 2004	JPY	25,000,000,000	4.00%	4.00%	67	69	47	46
Eurobonds, 2005	EUR	500,000,000	7.00%	7.06%	76	78	73	69
Samurai bonds, 2007	JPY	40,000,000,000	3.00%	3.00%	89	92	79	80
Samurai bonds, 2006	JPY	25,000,000,000	2.50%	2.50%	83	83	73	66
Eurobonds, 2011	EUR	750,000,000	6.75%	6.90%	101	118	114	110
Eurobonds, 2009	EUR	500,000,000	6.25%	6.45%	100	114	104	102
Samurai bonds, 2008	JPY	25,000,000,000	2.15%	2.15%	109	107	90	93
Eurobonds, 2010	EUR	500,000,000	4.625%	4.65%	99	107	108	98
Samurai bonds, 2009 <sup>b</sup>	JPY	25,000,000,000	1.230%	1.23%	....	....	....	....

<sup>a</sup> In relation to benchmark bond. <sup>b</sup> No benchmark bond. Source: Bloomberg.

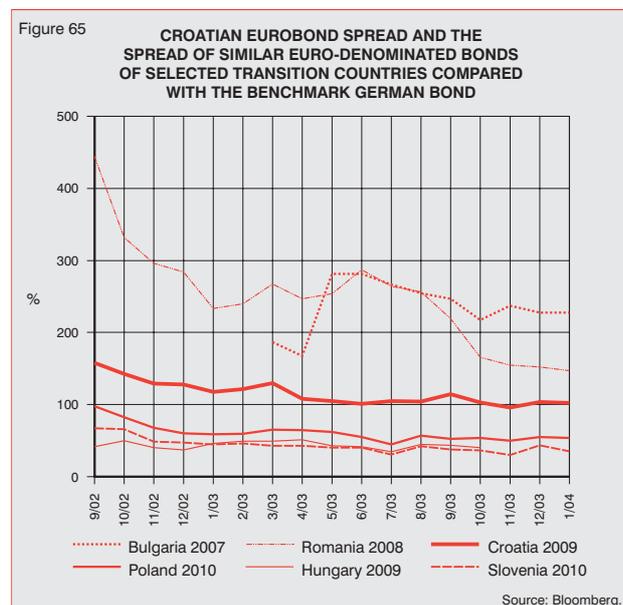
subjects to the London Club), six EUR and five JPY denominated issues.

The total nominal value of the 13 Croatian eurobond issues was HRK 36.5bn (EUR 4.8bn) at the end of October 2003.

In line with international developments, Croatian eurobond yields trended slowly upwards in the fourth quarter until December, when they started to drop. The spread between Croatian eurobonds and benchmark German bonds mainly held steady during the observed period, widening only in the period before the parliamentary election. How-

ever, while European bond yields continued the downward trend in 2004, Croatian eurobond yields remained stable in the second half of January and even rose in February. This is due to numerous new bond issues of transition countries in early 2004 and the resulting fall in prices of these countries' existing bonds. In consequence, the spread widened again in February.

Compared with the spreads of the candidate countries for the first round of EU expansion, Croatian eurobonds maintain a relatively large spread. The spread between Hungarian and Slovenian EUR denominated eurobonds maturing in 2009 and 2010 and the benchmark German bond has steadied at about 40 basis points in the last nine months, and at about 60 basis points for Polish eurobonds maturing in 2010. In the same period, the yield of the Croatian eurobond maturing in 2009 exceeded that of the benchmark German bond by an approximate 100 basis points. The eurobond spreads of EU candidate countries, Romania and Bulgaria, continue to outperform the Croatian eurobond spread. However, the spread between the Romanian eurobond and the benchmark German bond narrowed by 70 basis points in the fourth quarter of 2003, drawing closer to the Croatian eurobond spread.



## International Transactions

Preliminary balance of payments data indicate that current account deficit for the entire 2003 reached USD 2,039m, or 7.2% of the estimated GDP for 2003, which is a significant reduction as compared with deficit of 8.5% of GDP for 2002.<sup>9</sup> Since current account movements are mainly determined by goods and services trade, the fact that a pronounced goods import growth was not curbed in the last three months of 2003 is worrying. However, data indicating a considerable increase in exports of goods of the Republic of Croatia and especially in services exports (income from tourism) in the last three months of 2003, relative to the same period of 2002, provide grounds for moderate optimism.

External debt continued to grow, reaching USD 23.7bn at end-2003, which corresponds to an annual increase of USD 8.2bn or 53.3%. Negative movements of indicators related to the Republic of Croatia external debt balance (83.3% of the estimated GDP for 2003) indicate that Croatia has seriously approached the limit separating moderately from heavily indebted countries. A large balance of payment current account deficit recorded in 2002 and 2003 creates an additional burden on the Croatia's economic position.

### Current Account

The CBS data show that the value of goods exports (f.o.b.) reached USD 1.7bn in the fourth quarter of 2003, corresponding to a nominal annual increase of USD 370m or 27.5%. It should be noted in assessing the stated results that a significant portion of total goods exports growth reflects the annual depreciation rate of the average monthly exchange rate of the reporting currency – US dollar against the euro (19%) and against the unit of domestic currency (16.1%) recorded in the last three months of 2003. As a result of significant exchange rate fluctuations and the fact that the average share of euro in total goods exports amounted to 72.8% with respect to the currency structure of goods exports for October and November 2003, merchandise trade movements may be properly analysed and assessed only if reported at a constant exchange rate. If the influence of the exchange rate fluctuations on merchandise trade performance is excluded, the annual growth rate of goods exports amounts to 12.8% in the fourth quarter, a 2 percentage point increase compared to the average annual growth rate for the entire 2003 and an increase of as much as 11.4 percentage points relative to the annual growth rate of total goods exports recorded in 2002 (1.4%).

In the fourth quarter of 2003, exports of ships made the largest contribution to the annual growth of total goods ex-

ports. At the annual level, exports of ships only falls behind the contribution of electrical machinery, apparatus and equipment (the most important contributions of particular sectors and divisions of the Standard International Trade Classification to total goods imports and exports are analysed in more detail under Merchandise Trade). According to the CBS data, exports of ships accounted for USD 751m or 12.2% of total goods exports in the entire 2003, which represents an annual growth rate of USD 141m or 23.1% in comparison with the value of exports of ships recorded in the previous year (USD 610m). Data on total goods exports are also encouraging when positive contributions of cross-currency changes and exports of ships are excluded. More specifically, an annual increase in goods exports, excluding exports of ships, reported at the constant exchange rate, soared to 11.1% in 2003, indicating a more aggressive foreign market penetration of the Croatian exporters. Despite relatively low rates of economic growth recorded by the Croatia's most important foreign trade partners in 2003, such movements were influenced by a continuous and stronger imports of capital goods, continuation of domestic companies restructuring, as well as by the signed bilateral and multilateral foreign trade agreements.

The value of goods imports (c.i.f.) recorded in the last three months of 2003 reached an exceptionally high level of USD 4bn. An annual increase of USD 1bn or 33.3% in the last quarter of 2003 shows that a strong growth in goods imports, which marked 2002 and the first three months of 2003 in particular, was not curbed. A rise in banks' loans helped in maintaining the purchasing power of the Croatian citizens at a relatively high level, together with an increased credit activity of the leasing companies. By end-2003, household loans extended by banks grew by HRK 2.8bn against end-September 2003, compared to a rise of HRK 11.9bn (HRK 4.5bn of which accounts for home loans) against end-2002. Data on the leasing companies' external debt also indicate a continued downward trend. Debt of leasing companies thus totalled USD 1.5bn by end-2003, a USD 266m or 21.4% increase compared to end-September 2003, i.e. a USD 894m or 145.8% growth against end-2002. In view of such developments, data on the continued strong imports of cars are not surprising, total value of which accounted for USD 1.6bn or 11.1% of total merchandise imports in 2003 (CBS data reported in current US dollars), annual growth standing at 38.2%. In 2003, a pronounced annual growth of total merchandise imports exceeded severalfold the absolute positive movements in goods exports, so that Croatia's merchandise trade led to an annual growth in foreign trade deficit of 19.1%, reported at the constant exchange rate.

The service account preliminary data for the fourth quarter of 2003 show that net income from services rendered to non-residents was exceptionally high in the stated period, which continued the upward trend from the second and third quarter of 2003. Income from tourism accounted for the largest part of the annual growth in net income from rendered services, reaching USD 708m in the fourth quarter of 2003, a USD 240m or 51.2% increase compared to the same period of 2002. Income from tourism thus totalled USD

<sup>9</sup> A significant current account deficit increase in 2002, relative to the data published in CNB Bulletin No. 81 to No. 88, results from the fact that since 2002 a new correction factor has been applied on data on goods imports, which excludes costs of transportation and insurance from the total value of goods imports at c.i.f. parity. This factor affected the increase in the value of goods imports f.o.b. due to which merchandise trade balance deteriorated. For more details see the Box "The Application of the New Correction Factors and Their Main Effects on the Republic of Croatia's Balance of Payments", published in CNB Bulletin No. 88, p 39.

6.4bn in 2003. As far as data for the entire year are concerned, relative annual changes are even more pronounced, especially due to exceptionally good results achieved during the high season (third quarter). More specifically, income from tourism rose by as much as 67.3% (USD 2.6bn) in 2003 compared to 2002.

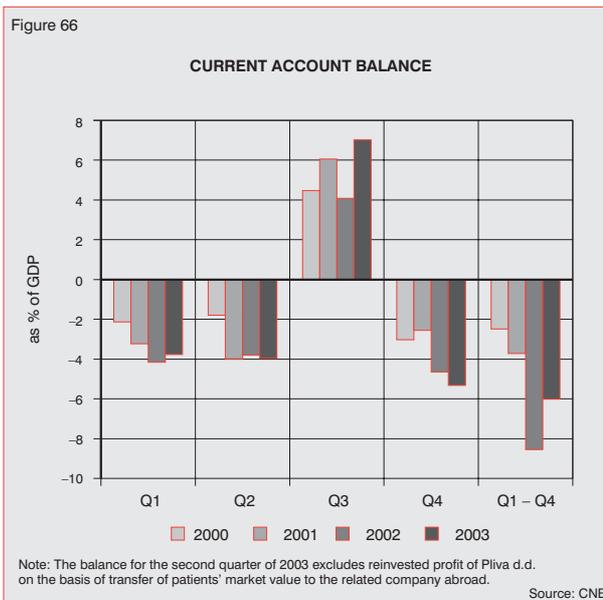
In addition to the described significant fluctuations of the exchange rate of the reporting currency – US dollar against the euro in which Croatia largely earns its income from services rendered in tourism, a large annual increase in income from tourism in 2003, reported in US dollars, was influenced by a strong growth in volume indices, annual increase in prices of tourist nights and other catering services, and to the greatest extent, by a significantly larger number of tourist with high average consumption.

Volume indices of tourism show that in the fourth quarter of 2003 total number of arrivals recorded the annual growth of 12.6% (annual growth in foreign tourist arrivals stood at 16.9% and of domestic tourists at 7.1%), whereas total nights increased by 9.9% annually (annual growth in foreign tourist nights amounted to 10.8%, compared to 8.1% of domestic tourist nights). As regards the share in total number of recorded foreign tourist nights, the Germans predominated in the stated period (38.9% share), followed by the Austrians (9.4% share) and Italians (8.8%).

Apart from the growth in volume indices, the increase in prices of tourist nights and prices of food and beverages served in restaurants also contributed to the rise in income from tourism. The prices of tourist nights thus grew at an average monthly annual rate of 12.3% in October and November 2003, which is mostly the result of an intensive process of investment in hotels and other types of accommodation-catering facilities in the last two years, as well as a reclassification (rating upgrade) of a considerable number of accommodation facilities in 2003.<sup>10</sup> Prices of alcoholic and non-alcoholic beverages served recorded a somewhat more moderate growth of 3.2% and 2%, respectively, in the stated period.

Nevertheless, a pronounced annual growth in tourists with high average consumption contributed most to the rise in income from tourism in the fourth quarter of 2003 and in the entire year. According to the survey on tourist consumption, the annual increase in the number of foreign tourists whose personal consumption exceeded HRK 5,000 in the fourth quarter of 2003 reached an exceptionally high level of 100,000 or 70%. At year 2003 level, the survey, for instance, shows that during 2003, the number of foreign tourists from Germany whose individual consumption exceeded HRK 5,000 reached 1.6m, which corresponds to an annual increase of 199.7%. They are followed by the Italians (annual increase of 222.1%), Austrians (168.2%) and Slovenes (233.2%)

According to the preliminary data on the income account, the seasonally common net outflows arising from income increased by as much as USD 61m the last quarter of 2003 relative to the value of transactions recorded in the same period of the previous year (USD 18m). The most significant



changes in the stated period include increase in net outflow from equity investments (dividends paid out and retained earnings), as well as increase in outflow related to interests paid on bonds issued abroad. In the fourth quarter of 2003, income from current transfers rose significantly (USD 89m or 24.3% annual growth), primarily due to an annual growth in income from workers' remittances and other transfers.

By including the data for the last three months of 2003, balance of payment current account deficit for the entire 2003 reached 7.2% of the estimated GDP for 2003, or 6% if Pliva's transfer is excluded.<sup>11</sup>

### Merchandise Trade

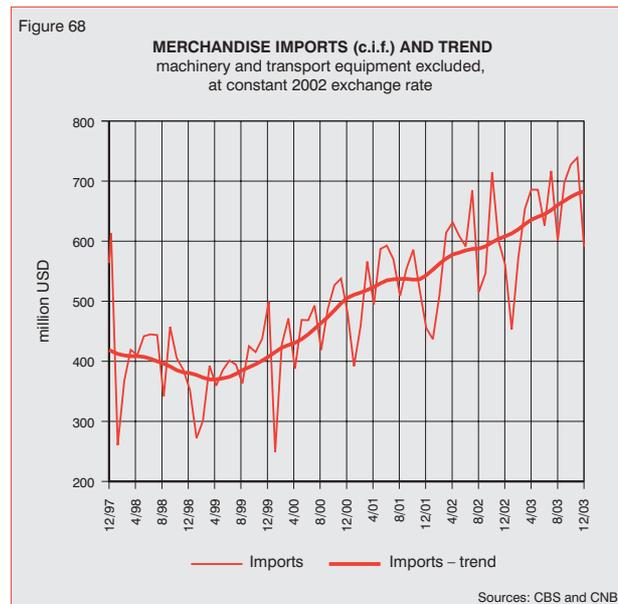
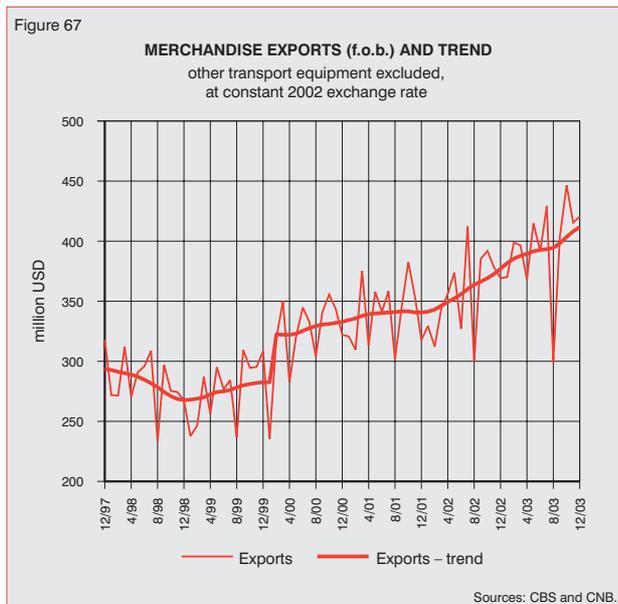
The preliminary CBS data show that total goods exports amounted to USD 1.7bn in the fourth quarter of 2003, while total goods imports stood at USD 4bn. Almost half of the relatively high annual growth rates of total goods exports (27.5%) and goods imports (33.3%) in the stated period can be accounted for by a depreciation of the US dollar against the euro (19% as already stated), relative to the average monthly exchange rate in the same period of the previous year and currency structure of the Republic of Croatia's merchandise trade where euro predominates.

Goods exports in the entire 2003 totalled USD 6.2bn and total goods imports reached USD 14.2bn. Since in 2003, the annual growth rate of goods imports (32.4%) was higher than the annual growth rate of goods exports (25.7%), the coverage of imports by exports was reduced from the average 45.7% in 2002 to 43.4% in 2003. Movements in total goods exports and imports in 2003 led to foreign trade deficit of USD 8bn, a 38.1% increase compared to 2002.

Seasonally adjusted total goods exports, reported in US dollars at the constant exchange rate, grew at an annual rate of 10.5% in 2003, which is an 8.5 percentage point increase against the annual growth rate in 2002. As in the previous year, exports of electrical machinery, apparatus and equip-

<sup>10</sup> For more details see CNB Bulletin No. 86, p 40.

<sup>11</sup> For nature and value of Pliva's transfer see CNB Bulletin No. 86, p 45.



ment made the largest contribution to the increase in total goods exports in 2003, growing at the annual rate of 46.4%, in terms of the current exchange rate. In addition to the stated division, other transport equipment (ship exports) with the annual growth of 23.1% in 2003 also significantly contributed to growth in total goods exports. In statistical coverage of merchandise trade in ships the Central Bureau of Statistics takes into account the value of the same ship for several times when recording the value of finishing operations, so that the recorded values of goods exports and imports are largely overestimated.

Time series of goods exports excluding ships also indicate the increase in exports dynamics of the Croatian economy. Seasonally adjusted goods exports, which excludes other transport equipment, reported in US dollars at the 2002 constant exchange rate thus recorded an annual growth rate of 11.1%, which is a significant increase compared to the average annual growth of 5% in 2002. This is primarily a result of the already reported increase in exports of electrical machinery, apparatus and equipment, along with the increased exports of petroleum and refined petroleum products (according to the CBS data, a 28.3% annual growth was recorded in 2003), wearing apparel (16.4%), as well as exports of sugar, products of sugar and honey (168.1%).

The annual growth rate of seasonally adjusted total goods imports, in terms of US dollars at the constant exchange rate, stood at 15.3% in 2003, which is a 2.9 percentage point increase against the annual growth rate recorded in 2002. As regards other sections and divisions of the Standard International Trade Classification, imports of road vehicles, reaching as much as USD 1.6bn (annual growth of USD 434m or 38.2% at the current exchange rate, i.e. 15.8% at the constant exchange rate), contributed most to a growth in total goods imports in 2003, followed by imports of ships (value of imported ships was USD 527m in 2003, which is an annual growth of 145.5%). Time series of data on total goods imports, excluding (overestimated) values of imported ships, reported at the constant exchange rate, show relative improvements in the area of imports as well, i.e. that in 2003

the annual growth rate of goods imports (13.3%), excluding ships, was 1 percentage point below that recorded in 2002.

In addition to road vehicles and other transport equipment, the share of imports of the following capital goods in the increase of total goods imports in 2003 was also significant: electrical machinery, apparatus and equipment (according to CBS data, 47.1% annual growth), general purpose machinery (35.7%) and special purpose machinery (39.7%). Their average movements, represented for simplification purposes by imports of machinery and transport equipment excluding ships and road vehicles, and reported at the constant exchange rate, recorded an 18.7% annual growth rate in 2003 (see Figure 69). As far as other divisions of the Standard International Trade Classification are concerned, imports of raw materials, such as oil and refined petroleum products (according to CBS data, 15.3% annual growth), iron and steel (38.8%) and other metal products (35.6%) also contributed to the increase in total goods imports growth.

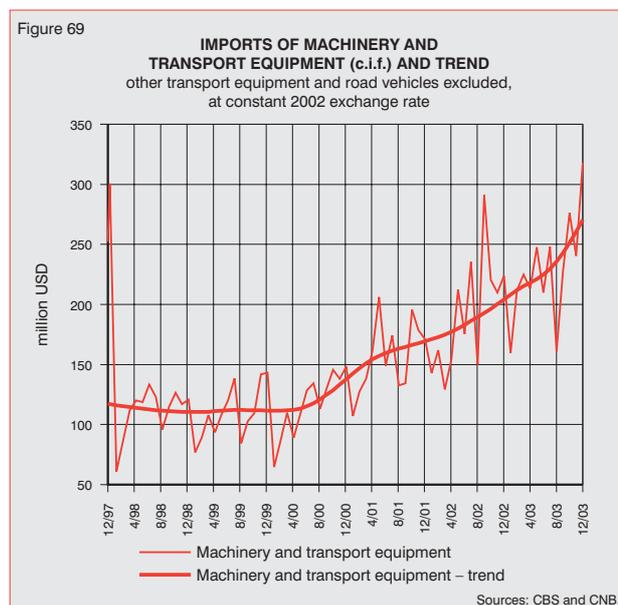


Table 5: Imports and Exports by Economic Classification of Countries, in %

Exports	2000	2001	2002	2003*
Developed countries	60.1	61.7	58.1	61.6
EU-15	54.5	54.1	52.7	54.6
Austria	6.6	5.7	7.5	7.8
Italy	22.3	23.7	22.7	26.4
Germany	14.3	14.8	12.5	11.9
EFTA	1.0	1.1	0.8	0.8
Other developed countries	4.6	6.5	4.6	6.2
Developing countries	39.9	38.3	41.9	38.4
CEFTA	13.8	12.1	12.4	11.9
Slovenia	10.8	9.1	8.7	8.3
Bosnia and Herzegovina	11.2	12.0	14.4	14.5
Serbia and Montenegro	2.4	3.2	3.5	3.1
Imports	2000	2001	2002	2003*
Developed countries	64.7	66.0	64.5	65.4
EU-15	55.4	57.1	55.8	56.6
Austria	6.7	6.9	6.6	6.6
Italy	16.6	18.1	17.3	18.2
Germany	16.5	17.3	16.3	15.6
EFTA	2.4	2.1	2.0	1.8
Other developed countries	7.0	6.8	6.8	7.0
Developing countries	35.3	34.0	35.5	34.6
CEFTA	14.8	14.8	16.0	16.6
Slovenia	7.9	7.8	7.7	7.4
Bosnia and Herzegovina	1.0	1.4	1.6	1.6
Serbia and Montenegro	0.4	0.4	0.5	0.2

\* Preliminary data. Source: CBS.

Merchandise trade structure by economic classification of countries shows that in 2003 the share of goods exports of the Republic of Croatia to EU in total goods exports reached 54.6%, i.e. the annual growth was 1.9 percentage points. The absolute annual growth in exports to EU in the stated period amounted to 30.1%, which is mostly the result of increased imports to Italy, Austria and Germany (Croatia's most important foreign trade partners). The share of Croatia's exports to developing countries in total exports stood at 38.4% in 2003, which represents an annual decrease of 3.5 percentage points. An exception to this, among the important foreign trade partners, is the share of exports to Bosnia and Herzegovina which recorded a slight growth.

The share of the Republic of Croatia's imports from EU in total goods imports amounted to 56.6% in 2003, a 0.8 percentage points rise compared to 2002. Imports from Italy (annual growth of 39.5%) made the largest contribution to the increase in the value of total goods imports in the Republic of Croatia in 2003, followed by Germany (27.4%) and France (35%). The share of the Republic of Croatia's imports from developing countries fell by 0.9 percentage points, from 35.5% in 2002 to 34.6% in 2003. The increase in the value of total goods imports of the Republic of Croatia from the stated countries can mostly be accounted for by an increased imports from Slovenia (in 2003, annual growth of 27.2% was recorded), China (58.1%) and Hungary (33.5%). As regards the Republic of Croatia's merchandise trade by the economic classification of countries, a process of the economic integration of Croatia into the EU member states continued in 2003.

### Capital and Financial Account

Preliminary balance of payments data indicate that net foreign direct investments in the Republic of Croatia stood at

USD 0.7bn in the fourth quarter of 2003, which is double the net value recorded in the same period of the previous year. Foreign direct investments of Croatia abroad amounted to USD 19m, somewhat less than in the last three months of 2002. Slightly more than one quarter of that amount refers to investments in shares, and the remaining part to claims of the Croatian companies on the related companies abroad.

In the fourth quarter of 2003, total FDI inflow in the Republic of Croatia of USD 692m was dominated by equity investments (a total of USD 619m), the largest part of which refers to the sale (privatisation) of 25% of INA's shares to Hungarian MOL for USD 505m. Investments in large chain stores (a total of USD 40m), financial intermediation, pharmaceutical industry, as well as oil and gas production also accounted for a significant part of equity investments. Net retained earnings amounted to USD 18m in the stated period, whereas USD 55m refers to the increase in net claims of foreign parent companies on their subsidiaries in Croatia.

In the entire 2003, FDI in Croatia reached USD 1.7bn, which is as much as USD 0.6bn or 52.4% more than in 2002. In comparison with 2002, reinvested profit made the largest contribution to growth in total direct investments in 2003, increasing by USD 519m or 342.5%. Other investments followed (USD 127m or 41.3% increase), whereas transactions related to equity investments recorded an annual fall of USD 57m or 8.6%. An increase in reinvested profit, earned primarily in the second quarter of 2003, refers to the telecommunications and financial intermediation. Pliva d.d. also reported a significant reinvested profit (to the greatest extent earned on the basis of patents' market value transfer to its related company abroad). Relative annual changes in net foreign direct investments were even more pronounced (USD 0.6bn in 2002 and USD 1.7bn in 2003) as a result of considerable differences in the account of foreign investments of the Republic of Croatia abroad. Equity investments, i.e. claims on related companies abroad, thus reached USD 521m in 2002 (two thirds of which can be accounted for by a transfer of Pliva d.d. market value of patents), as compared to USD 54m in 2003.

The preliminary data on portfolio investments show that in the fourth quarter of 2003 assets based on portfolio investments were marked by a reduction in banks' assets based on foreign government bonds (USD 171m). Restructuring of banks' portfolios of foreign bond issues is also a source of large annual changes in the entire 2003 (when a total of USD 212m fall in assets on this basis was recorded, compared to an increase of USD 550m recorded in 2002).

In the last three months of 2003, net liabilities based on portfolio investments were reduced by USD 11m. Liabilities based on portfolio investments reached USD 833m in the entire 2003, which is an increase of USD 423m or 103.1% against 2002. The largest part of the difference can be accounted for by the government. More specifically, although two identical foreign issues of government bonds of the Republic of Croatia were recorded in 2002 and 2003 (EUR 500m and JPY 25bn, respectively), not a single repayment was recorded in 2003, whereas in 2002 USD 300m of euro-dollar bonds fell due. A part of the difference refers to the ex-

change rate differences – the dollar equivalent of government bonds foreign issue of EUR 500m was USD 436m in the first quarter of 2002, as compared to the dollar equivalent of the identical issue of USD 542m in 2003 (a difference of USD 106m). In 2003, foreign issues of the Croatian corporate bonds also recorded a significant annual growth (e.g. the single issue of Bina-Istra company of USD 202m in 2003 was larger USD 88m than the only issue of Agrokor company in 2002). As a result of larger investments of domestic investment and pension funds on the foreign markets in 2003, net liabilities arising from money market instruments also increased.

According to the preliminary balance of payment data in the last three months of 2003, financial assets based on other investments reached USD 1.2bn in the fourth quarter of 2003 and were mostly influenced by movements in deposits of the Croatian banks abroad (they recorded an increase of USD 0.9bn). A strong increase in deposits of domestic banks abroad marked the third quarter of 2003 as well (the same growth of USD 0.9bn was recorded). In the entire 2003, an increase on this basis totalled USD 2.3bn, whereas in 2002 deposits of domestic banks abroad decreased by a total of USD 1.4bn. A stronger inflow of foreign currency during summer months, along with the effect of the CNB decision on minimum foreign exchange liquidity, contributed to a stronger growth of banks' foreign assets in the second half of 2003.

The value of transactions related to liabilities arising from other investments stood at USD 2.2bn in the fourth quarter of 2003, USD 1.4bn of which is accounted for by total loans (including trade credits) granted to the Croatian companies by non-residents and USD 0.8bn by the increase in liabilities of domestic banks based on deposits received from foreign parent banks. Liabilities arising from other investments reached an exceptionally high level of USD 4.2bn in the entire 2003 (annual growth of USD 1.9bn or 82.3%), the greatest part of the difference relating to an increase in long-term loans. Net long-term loans stood at USD 2.3bn in 2003, which is USD 1.6bn or 244.2% more than in the previous year. In 2003, banks recorded the largest annual increase in

long-term loans (USD 0.7bn), followed by other sectors (USD 0.6bn; leasing companies accounting for a significant portion of debt of other sectors in 2003) and the government (USD 0.1bn). The Croatian National Bank repaid USD 130m of long-term liabilities to International Monetary Funds in 2002, whereas the value of CNB transactions based on long-term loans equalled zero in 2003.

The value of CNB international reserves transactions increased by additional USD 649m in the fourth quarter of 2003 (increase in currency and deposits item accounting for USD 718m and reduction in securities for USD 69m). Through interventions in the foreign exchange market, the CNB sold EUR 38m net to banks during the fourth quarter of 2003, purchasing at the same time USD 400m from the government (out of a total of USD 505m received in the government account from the sale of INA, the CNB purchased USD 200m on 11 November and USD 100m on both 1 and 18 December). At end-December 2003, CNB international reserves reached USD 8.2bn, which corresponds to an absolute growth of USD 2.3bn or 39.2% relative to end-2002 (record high growth since the formation of the CNB international reserves).

Current account, capital and financial account preliminary data for the fourth quarter of 2003 indicate that net errors and omissions amounted to USD 967m for the entire 2003, which is not a significant increase relative to net errors and omissions for 2002 (USD 845m), despite a strong growth in income from tourism in 2003.

## External Debt

By the end of 2003, external debt of the Republic of Croatia went up by USD 8.2bn, or 53.3% in comparison with the end of 2002, and reached USD 23.7bn. A total external debt growth was particularly pronounced during the fourth quarter of 2003, amounting to USD 3.7bn, relative to external debt recorded on 30 September 2003. It should be noted that a large portion of external debt growth in the last three months of 2003 was of a statistical nature, i.e. it was a result of movements (depreciation) of the reporting cur-

Table 6: External Debt by Debtor, end of period, in million USD and %

	2001	2002	2003	Structure			Indices		
				2001	2002	2003	2001/00	2002/01	2003/02
1. Government	5,133	6,361	8,415	45.4	41.2	35.6	106.3	123.9	132.3
2. Central bank (CNB)	122	0	0	1.1	0.0	0.0	76.9	0.0	0.0
3. Banks	2,299	4,033	7,439	20.3	26.1	31.5	110.2	175.4	184.5
4. Other sectors (enterprises)	3,128	3,974	5,975	27.6	25.8	25.3	93.2	127.1	150.3
5. Direct investment (enterprises)	635	1,061	1,824	5.6	6.9	7.7	101.3	167.1	171.9
Total (1+2+3+4+5)	11,317	15,428	23,653	100.0	100.0	100.0	102.4	136.3	153.3

Source: CNB.

Table 7: Change in External Debt by Debtor, in million USD

	Outstanding deb 31/12/2002	Disbursement	Change		Cross-currency change	Outstanding debt 31/12/2003
			Amortization			
			Principal	Interest		
1. Government	6,361	1,513	388	304	930	8,415
2. Central bank (CNB)	0	0	0	0	0	0
3. Banks	4,033	3,336	812	81	882	7,439
4. Other sectors (enterprises)	3,974	2,449	1,187	174	739	5,975
5. Direct investment (enterprises)	1,061	1,046	543	37	260	1,824
Total (1+2+3+4+5)	15,428	8,344	2,930	596	2,811	23,653

Source: CNB.

Table 8: Projected Future Principal and Interest Payments by Debtor, end of period, in million USD

	Outstanding debt 31/12/2003	Principal and interest repaid in 2003	Projected Future Principal Payments					Other
			2004	2005	2006	2007		
1. Government	8,415	388	984	1,043	1,049	785	4,552	
2. Central bank (CNB)	0	0	0	0	0	0	0	
3. Banks	7,439	812	400	893	1,044	281	4,684	
4. Other sectors (enterprises)	5,975	1,187	1,284	828	766	688	1,813	
5. Direct investment (enterprises)	1,824	543	291	169	375	264	443	
Total (1+2+3+4+5)	23,653	2,930	2,958	2,933	3,233	2,018	11,492	
Supplement:								
Projected interest payments		596	855	727	580	447	1,330	
Total principal and interest		3,526	3,813	3,659	3,814	2,465	12,822	

Source: CNB.

rency – US dollar against the euro.

The structure of external debt by debtor sector shows that directly concluded external debt of the government continued to account for the largest part of total external debt of the Republic of Croatia (35.6%), although the share fell at an annual level by as much as 5.6 percentage points. By an increased borrowing from foreign parent banks in 2002 and 2003 in particular, banks, the share of which in total external debt of the Republic of Croatia was on a continuous increase for years, mostly financed household consumption (which is largely reflected in a strong imports growth of durable consumer goods), corporate needs for capital and/or capital goods, and partly the government. If direct investments are included in the external debt of enterprises (foreign investments in enterprises exceeding 10% of an individual enterprise's share capital), the share of directly concluded external debt of enterprises in total external debt of the Republic of Croatia in 2003 recorded a slight annual growth (0.3 percentage points).

Data on external debt changes in 2003 show that the share of net transactions contributed by as much as USD 5.4bn or 65.8% to total increase in external debt of the Republic of Croatia of USD 8.2bn, whereas cross-currency changes accounted for the remaining difference between the two amounts of external debt.

As regards debtors sector, in 2003 the largest contribution to the increase in total external debt arising from net transactions was made by banks. In the stated period, banks' external debt arising from net transactions rose by USD 2.5bn, of which USD 1.4bn refers to a debt increase on the basis of deposits received from parent banks from abroad and USD 1.2bn to a debt increase on the basis of net transactions arising from loans (USD 1bn or 87.9% of which are long-term loans).

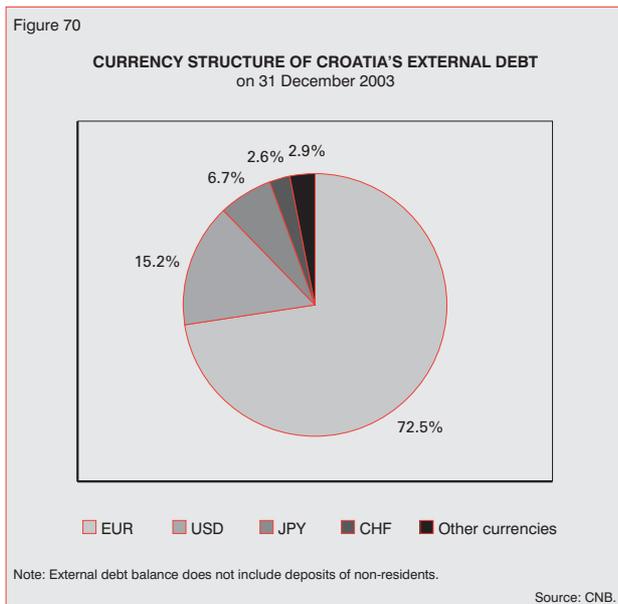
The contribution of other sectors (enterprises) follows, whose external debt arising from net transactions grew by USD 1.3bn and the annual growth relative to end-2002 predominantly refers to other investments (trade credits and loans). Interestingly, increase in net transactions arising from other investments (USD 1bn) resulted from movements in loans. In addition, in 2003 net disbursements of total trade credits was reduced, i.e. principal payments on this basis exceeded the value of newly-granted trade credits. An increase in external debt of enterprises on the basis of net portfolio investments (USD 241m) mainly refers to the foreign issue of Bina-Istra corporate bonds in the first quarter of 2003 (USD 202m), while the remaining amount can be

accounted for by a rise in money market instruments net transactions, which results from a stronger activity (larger investments in securities) of domestic investment and pension funds on the foreign markets.

The government sector follows, its external debt arising from net transactions additionally increased by USD 1.1bn in 2003, mainly due to portfolio investments, i.e. net transactions based on foreign bonds (USD 593m rise). Disbursements arising from foreign bonds in the stated period amounted to USD 754m (US dollar equivalent of the EUR 500m foreign issue of government bonds, recorded in the first quarter of 2003, and foreign issue on the Japanese market of JPY 25bn, recorded in the third quarter). Concerning portfolio investments, two London club debt repayments were recorded at the same time, totalling USD 161m. An increase in net disbursed long-term loans to government in 2003, stood at USD 532m, and a strong growth in registered<sup>12</sup> and withdrawn long-term loans was recorded in the fourth quarter of 2003 in particular. For instance, CBRD loan of USD 200m was registered and fully withdrawn in October, and a long-term loan to Croatian Highways in the equivalent of USD 292m was registered and will be successively used in 2003 and 2004 for the construction of capital infrastructure facilities in Croatia. In December, two loans granted to the Ministry of Finance of the Republic of Croatia by the international financial institutions were registered. The first one, USD 62m equivalent, was granted by the European Investment Bank for the utilities infrastructure reconstruction project in the areas of special state concern, and the second one, USD 18m equivalent, was granted by the Council of Europe Development Bank for the health care infrastructure reconstruction project. Although repayment of interest on external debt does not affect changes in external debt, it should be noted that due interests on external government debt in 2003 burdened the government budget by as much as USD 304m (1.1% of the estimated GDP for 2003) of which USD 225m refers to interests paid on foreign issues of government bonds, whereas the remaining amount refers to drawn credit lines.

As a result of cross-currency changes in 2003, the statis-

<sup>12</sup> A loan is considered registered if an agreement is concluded between the debtor (resident of the Republic of Croatia) and foreign creditor concerning the possibility and terms of utilisation of the agreed loan amount, and if it is registered with the CNB. Loan registration is not identical to loan withdrawal. Furthermore, only partly or fully utilised amounts of the granted loans are included in the data on changes in external debt of the Republic of Croatia.



tical increase in total external debt of the Republic of Croatia reached a high level of USD 2.8bn or more than one third of the total increase in external debt of the Republic of Croatia in 2003. Such a large value of cross-currency changes can be explained by two factors: firstly, the largest portion of external debt of the Republic of Croatia is denominated in EUR (the share of EUR in the external debt balance which does not include deposits of non-residents stands at 72.5%), and secondly, the exchange rate of the US dollar depreciated against the euro by 20% in 2003, relative to the exchange rate recorded at end-2002.

External debt indicators deteriorated significantly in the previous year. At end-2003, the share of total external debt of the Republic of Croatia in the projected GDP for 2003, amounted to 83.3%, which is a 14.5 percentage point rise compared to the indicators for end-2002 (68.8%). The share of government external debt in the projected GDP stood at 29.6% at end-2003, which corresponds to a 1.3 percentage point increase in comparison with the indicator for end-2002. It should be noted, however, that none of the foreign issues of government bonds fell due in 2003, compared to USD 300m of eurodollar bonds that matured in 2002. Data on the potential government external debt (government external debt increased by total issued guarantees of the central government, excluding the guarantees provided to the government sector) also show that this debt increased by 1.1 percentage point, from 33.2% of GDP at end-2002 to 34.4% of the projected GDP for end-2003. The value of central government guarantees, excluding the government sector, stood at USD 1.3bn, which is an absolute increase of USD 248m compared to the balance recorded at the end of 2002. External debt of banks increased from 18% of GDP at end-2002 to 26.2% of the estimated GDP at end-2003, whereas the share of external debt of other sectors, increased by direct investments in enterprises, grew by 5 percentage points in the stated period, from 22.4% of GDP at the end of 2002 to 27.5% of the estimated GDP at the end of 2003.

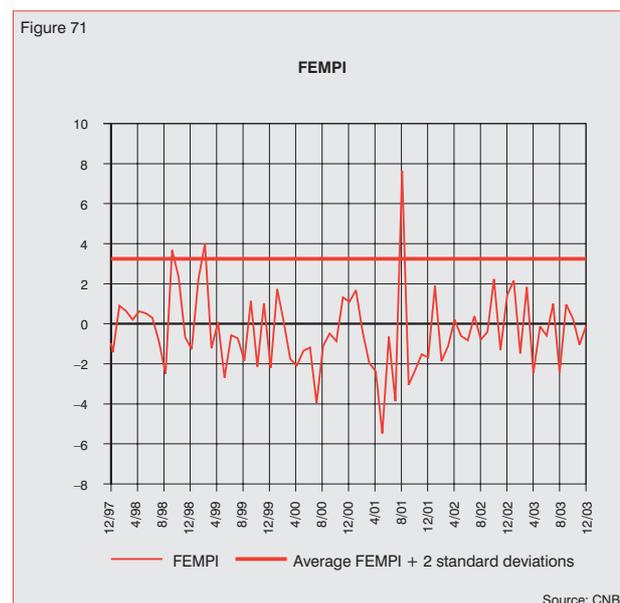
The estimates of future principal payments in 2004 show

that USD 3bn will fall due in 2004. USD 0.9bn of interest is also expected to be paid. In 2004, foreign liabilities of government have increased significantly against those recorded in 2003. According to the external debt balance as at 31 December 2003, the estimated value of principal falling due in 2004 is USD 1bn, which is a USD 0.6bn or 153.3% increase compared to the principal payments in 2003. More specifically, two foreign bond issues will fall due in the second half of 2004: Euro-DEM bonds issued in 1997 (DEM 300m or EUR 153m) and an issue denominated in JPY from 1999 (JPY 25bn or, according to the midpoint HRK/JPY and HRK/EUR bilateral exchange rate from the CNB exchange rate list No. 32, EUR 186m).

As a result of the stated liabilities, as well as a continuation of highways construction, the share of government external debt in the estimated GDP for 2004 will probably deteriorate compared to the projected indicator for end-2003 (29.6% of the projected GDP for 2003). Negative movements of indicators related to the Republic of Croatia external debt balance indicate that Croatia has seriously approached the limit separating moderately from heavily indebted countries. A large balance of payment current account deficit recorded in 2002 and 2003 creates an additional burden on the Croatia's economic position.

### International Liquidity

The foreign exchange market pressure index (FEMPI) (weighted average of the appreciation rate of the kuna exchange rate against the euro and a growth rate of gross international reserves expressed in euro, using standard deviations as weights) did not point to potential imbalance in international transactions. A strong growth in international reserves mainly contributed to favourable movements in the FEMPI over the last three months of 2003, mitigating a negative influence of the domestic currency depreciation against the euro recorded in October and November 2003. The monthly growth rate of CNB international reserves (expressed in euro) stood at 0.1% in October, as compared to



5.9% in November 2003, which is one of the largest monthly increases in the last three years. The monthly depreciation of the domestic currency against the euro (end of period) of 0.3% was recorded in October, as compared with 0.8% in November 2003. Appreciation of the kuna exchange rate against the euro, along with further increase in international reserves, contributed to favourable movements in the foreign exchange market pressure index.

## Government Finance

### 2003 Budget Highlights

According to preliminary MoF data, the consolidated general government deficit came to 5.1% of GDP in 2003 (excluding capital revenues from overall budget revenues), exceeding the planned amount by an approximate 0.4 percentage points. It needs emphasising that the deficit is reported on a cash basis and that it would probably be higher if it was reported on an accrual basis, due to some commitments that were generated in the last few months of 2003 and fall due as late as in 2004. For the moment, however, insufficient data render it impossible to establish to what extent the deficit declared on an accrual basis exceeds the deficit on a cash basis. The budget deficit overrun resulted exclusively from the excess in expenditures over the planned amount, as the revenues were collected according to the plan. The overall deficit of HRK 9.8bn was partly financed from sizeable capital revenues, mostly generated by the sale of 25% of INA's shares in November 2003, whereas the remaining deficit, amounting to an approximate HRK 5.5bn, was mainly funded from foreign sources.

The general government debt increased by HRK 9.2bn in 2003, with HRK 6.0bn accounted for by its foreign component. This brought up the general government debt to HRK 84.4bn at end-December or 44.2% of GDP (of this amount, HRK 83.2bn are accounted for by the central government debt), i.e. HRK 99.7bn, or 52.3% of GDP, including total issued guarantees (potential debt).

### Budget Outturn

#### Budget Revenues

Preliminary data indicate that the revenues of the consolidated general government totalled HRK 89.8bn in 2003, exceeding the annual revenue plan by a slight HRK 110m, or 0.06 percentage points of GDP. Last year's revenues rose by HRK 6.9bn or 8.3% in relation to 2002, partly on account of a rise in privatisation receipts included into budget revenues by the MoF. The following comments relate to the revenues and expenditures of the consolidated central government comprising government agencies' operations (CH, CR, DAB and HPF), due to the fact that this is the highest consolidation level wherein the budget is drawn up according to the economic classification, which provides an exclusive insight into developments in specific revenue and expenditure items and is unavailable at the consolidated general government level. Accordingly, our comments are not related to the

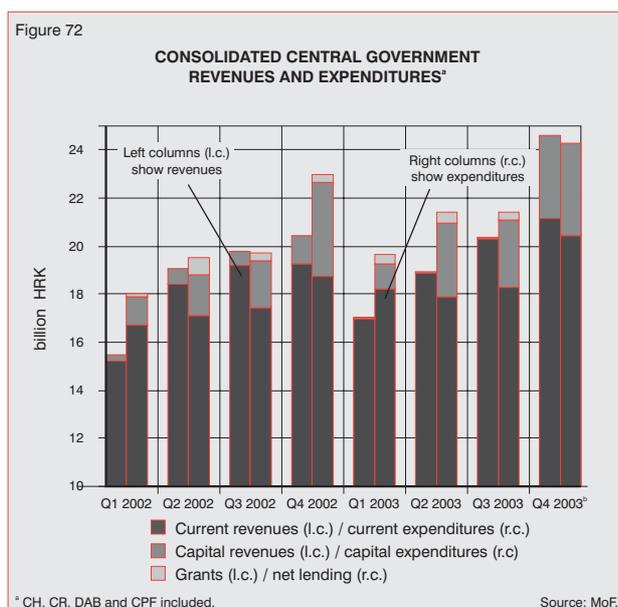
local government, accounting for an approximate 10% in both revenues and expenditures of the general government budget in 2003.

In 2003, revenues of the consolidated central government stood at HRK 81bn, an increase of 8.4% over the year before. Exclusive of capital revenues, whose share in total revenues was HRK 3.7bn, (current) revenues grew at a somewhat lower rate of 7.1%. This, relatively weaker current revenue performance in 2003 was primarily due to a shortfall in current revenues, both in the second and third quarters of 2003, as evident from the quarterly revenue growth dynamics, i.e. 11.5%, 2.4%, 5.5% and 9.8% from the first through the fourth quarter. What are the reasons for the shortfall in the second and third quarters? In the second quarter, the main reason was undoubtedly a shortfall in non-tax revenues, whereas the lower performance in the third quarter could only be attributed to relatively weaker tax revenues. In general, tax revenue growth subsided somewhat throughout the four quarters of 2003, partly because of a moderate economic slowdown. VAT revenues, accounting for over a third of overall budget revenues, grew by 8.4%. Although seemingly satisfactory, this growth is 3 percentage points lower than that realised in the previous year. In fact, VAT revenues rose at the lowest quarterly rate in the third quarter, despite a very successful tourist season, most probably because of VAT exemptions very generously granted to the tourist sector. The downward trend in tax revenues is mainly caused by a slowdown in excise revenues (apart from excises on car imports), arising from weaker excise revenues generated from refined petroleum products, normally accounting for 50 to 60% of total excise revenues. Last year, excise revenues from refined petroleum products amounted to a mere HRK 5.7bn, a rise of 1.5% compared to the previous year, which is surprising, in view of very good results of the tourist season and the fact that most tourists arrive in Croatia by car. Social insurance contributions were up by a strong 8.5%, which is especially important seeing that this tax revenue category also makes up about one third of total tax revenues. This is mainly due to the wage growth, but also to the employment growth and the amendments made to the calculation of contributions. In contrast, revenues generated from customs duties declined in nominal terms compared with the previous year (due to foreign trade liberalisation) as well as income tax revenues. The latter was caused by the modifications made to income taxation, specifically by the increase in personal allowance, changes in marginal tax rates and the introduction of new tax brackets.

In conclusion, despite the fact that revenue collection reached the 2003 target, it should be pointed out that tax revenues underwent a relative slowdown, probably influenced by economic trends, but also by a possible increase in tax evasion.

#### Budget Expenditures

According to the preliminary data presented by the MoF, expenditures of the consolidated general government came to HRK 95.3bn in 2003, rising by HRK 7.7bn over the previous year and exceeding the amount planned for 2003 by an approximate HRK 0.9bn, or 0.5 percentage points of GDP.



It needs emphasizing that the expenditure data are presented on a cash basis, which accounts for a lack of information on a possible increase in government arrears in 2003. Also, as the only currently available data on budget expenditures are those reported on a cash basis (see Box 3), it is impossible to precisely establish the excess of last year's expenditures on an accrual basis over expenditures shown on a cash basis.

Increasing by 7.4% compared with the previous year, expenditures of the consolidated central government budget stood at HRK 86.6bn, close to the amount targeted under the annual expenditure plan (as shown on a cash basis). General government expenditures exceeded the amount planned, while those of the central government were realised as planned. In 2003, expenditures trended upwards at the quarterly rates similar to those achieved in the same periods in the previous year, excepting the last quarter, when they increased by a mere 4.0% over the fourth quarter in 2002, a half of the rise in the first, second and third quarters (9.0%, 9.9% and 8.6% respectively). However, as these data are presented on a cash basis, both for the previous year and the years before, the actual growth rates of expenditures (on an accrual basis) might be significantly different.

Capital expenditures totalled HRK 10.7bn in 2003, increasing by one fifth over the previous year. They grew at accelerated rates of 78.1% and 41.5% in the second and third quarters respectively compared with the same quarters in 2002. In the fourth quarter of 2003, due to the effect of the base period, capital expenditures almost equalled those in the same quarter in 2002, accounting for 45% of total capital expenditures for the year. Capital expenditures of the CH and CR accounted for a substantial HRK 5.8bn in total capital expenditures, an increase of a considerable 42% compared with 2002. Construction works, strongly intensified in the first half of the year, with the result that several highway sections were opened for traffic before the tourist season, continued at a strong pace to the year-end. The CH and CR thus exceeded both the planned volume of construction works and related expenditures.

Expenditures on goods and services also rose (4.4%) in comparison with 2002. This was solely due to a 9.1% increase in wages paid in 2003 compared with the previous year, mainly resulting from severance payments (made owing to the reduced employment in government administration, i.e. public administration and defence), as well as from the average wage growth in government administration. Nevertheless, the wage bill exceeded the planned amount only by a narrow margin. In contrast with wages paid, expenditures on other goods and services decreased by a slight 1.2% in the previous year compared with the year before. Other than by capital expenditures and wages paid, total expenditure growth in 2003 was also considerably stimulated by the rise in subsidies and transfers. Subsidies were up by a high 60% in 2003, while transfers rose by 4.6%, which is only a slight increase compared with the previous year.

### Budget Balance and Deficit Financing

As shown by preliminary MoF data, the deficit of the consolidated general government budget stood at HRK 5.5bn in 2003, i.e. HRK 9.8bn exclusive of capital revenues. The deficit (inclusive of repayments) was largely financed from foreign sources, primarily by bond issue and to a smaller degree by borrowings. EUR 500m of eurobonds was placed in February and JPY 25bn (approximately USD 212m) worth of

Table 9: Balance of the Consolidated General Government by Levels, in million HRK and %

	2002	2003		2003/2002
	Q1 - Q4	Q1 - Q4	Q1 - Q4 <sup>a</sup>	Q1 - Q4
Government budget	-2,771	-1,148	-909	0.41
Revenues	70,680	76,784	77,010	1.09
Expenditures	73,451	77,932	77,919	1.06
State agencies	-1,907	-3,436	-3,288	1.80
CH	-2,030	-3,651	-3,599	1.80
CR	62	-185	-145	-2.98
DAB	12	331	360	27.38
CPF	49	69	97	1.42
Local government budgets	-45	-962	-656	21.50
Consolidated general government balance	-4,723	-5,546	-4,854	1.17
as % of GDP	-2.7	-5.1	-4.7	
Consolidated general government balance (capital revenues excluded)	-7,873	-9,759	-8,937	1.24
as % of GDP	-4.5	-5.1	-4.7	
Note:				
General government arrears, change	....	-585	....	

<sup>a</sup> Revised plan. Source: MoF.

Samurai bonds in the Japanese market in June. The deficit was also extensively financed from domestic sources. The government placed two bond issues in the domestic market in 2003, an EUR 200m issue of “pension bonds” in January and a HRK 1bn bond issue in May, both maturing in 2008. In addition to the long-term borrowing through bond issue, government borrowing was also facilitated by issuing treasury bills, the highest amount being the HRK 839m issued in the fourth quarter. The fourth quarter was also marked by considerable borrowings, mostly from foreign sources. The second tranche of the SAL (USD 100m) was disbursed in the same period. Without being used, these funds were ear-

marked for financing needs in the first quarter of 2004.

Considerable privatisation receipts paid into the government budget in 2003 were entirely used for deficit financing. USD 505m was generated from the privatisation of 25% of INA’s shares, completed in the fourth quarter of 2003, whereas another USD 55m were extraordinary proceeds generated by succession proceedings, which were also set aside for financing needs in the first quarter of 2004. It should be noted that arrears of the general government decreased by a cumulative HRK 585m over the previous year, with the resultant HRK 195m of government arrears outstanding from the year before.

### Box 3: Government Arrears

Reporting expenditures on a cash basis is strongly dependent on the date of payment, due to the fact that budget expenditures in a fiscal period comprise all commitments paid within that period. While reporting expenditures on an accrual basis, however, the point in focus is the date when commitments are generated, rather than the date of payment.

This distinction can best be clarified by surging budget commitments late in a fiscal year, which are settled in the next fiscal year and not in the current year, owing to a common practice of deferred payments. Budget expenditures of the previous fiscal year thus comprise overall budget commitments made in that period, whether paid or not, including those made at its close. However, drawing up a government budget for year  $t$  and estimating budget expenditures for that year, necessitates knowledge of the volume of commitments being transferred to year  $t+1$  (amount A), as well as of the volume of commitments that were transferred from year  $t-1$  to year  $t$  (amount B). This is in part because the volume of budget expenditures on an accrual basis in year  $t$  by definition equals the volume of expenditures on a cash basis in year  $t$ , increased by amount A and reduced by amount B. In other words, in order to specify the commitments related to year  $t$ , one should exclude those remaining from year  $t-1$ .

The above example actually refers to fiscal events in 2003. Last year’s expenditures reported on a cash basis exceeded the planned amount and were, even so, overrun by expenditures on an accrual basis. This is because government expenditure (finance) statistics are compiled on a cash basis only, whereas expenditures under accrual basis are just (roughly) estimated. Ministry of Finance statistics thus cover only government arrears and do not include other outstanding government commitments (either by suppliers or by periods) so that last year’s volume of expenditures under accrual basis cannot be precisely established. Even if the amount of outstanding commitments transferred to 2004 could be ascertained, there are no relevant data on outstanding commitments transferred from 2002 to 2003.

Nevertheless, it is helpful to interpret the available data on the commitments remaining from 2003 and establish the maximum possible deviation of expenditures reported

on an accrual basis from those reported on a cash basis. Firstly, total arrears declined by almost HRK 0.6bn over 2003. Secondly, as shown by the data presented in the Explanation of the Government Budget Proposal of the Republic of Croatia for 2004, outstanding commitments transferred from 2003 into 2004 stand at an approximate HRK 3.0bn. Incurred in 2003, these commitments fall due in fiscal year 2004 and are to be settled in that year. Of this amount, HRK 1.0bn is accounted for by the CH, HRK 0.3bn by the CBRD, HRK 0.5bn by the Ministry of Health (the hospitals’ debt), HRK 0.3bn by the CPF, HRK 0.8bn by agricultural subsidies and HRK 0.1 bn by Regos. HRK 4.6bn is the amount of transferred commitments arising from concluded agreements and contracts that are to be incurred in 2004 or in later years. Out of this amount, an approximate HRK 1.1bn are commitments under the signed collective wage agreement, HRK 0.4 bn is the estimated cost of litigation and seizure proceedings pending in 2004, HRK 1.4bn is accounted for by contracted works for the Croatian Railroads and HRK 1.7bn for the contracted works within the subsidised housing construction project.

The Explanation of the Government Budget Proposal contains only preliminary data on government arrears that are probably going to be modified following a more detailed analysis. However, these data lead to the conclusion that expenditures on an accrual basis in 2003 could have exceeded expenditures on a cash basis by the maximum amount of HRK 2.4bn (i.e. transferred outstanding commitments amounting to HRK 3.0bn, less HRK 0.6bn of arrears settled in 2003). In this regard, it is important that this is the maximum amount, as it should also be decreased by commitments transferred from 2002 to 2003 at the time when they were still considered as outstanding commitments.

Budget expenditures in 2003 could be precisely established only providing the availability of data on government arrears to suppliers (regarding both commitments due and outstanding) for each fiscal period and all general government levels (central government, central government funds and government agencies and local government). In other words, an upgrade of government finance statistics is called for as soon as possible, as any improvement brought into government expenditure (finance) statistics would considerably facilitate the work of economic policy makers, providing them with a precise insight into the actual character of fiscal policy.

## Government Debt

As suggested by CNB data, the general government debt increased by HRK 9.2bn during 2003, amounting to HRK 84.4bn at year-end or an approximate 44% of the expected GDP for 2003. Including the potential debt in the form of issued government guarantees, the said amount totals HRK 99.7bn or 52.3% of the expected GDP. As regards its quarterly trends, the general government debt rose the most in the first three months of 2003, by a high HRK 5.8bn, accounting for 63.5% of the total annual increase. This was mainly due to an EUR 500m eurobond issue and the third tranche of “pension bonds”, worth EUR 200m in kuna equivalent. Domestic and foreign borrowing alternatively contributed to the increase in debt over the following two quarters. The domestic component dominated the second quarter, due to the issuing of 1bn worth of HRK denominated bonds. In the third quarter, it was replaced by the foreign component on account of a JPY 25bn issue of Samurai bonds. The fourth quarter saw a continuing dominance of foreign borrowing (through loans). As suggested by overall data for 2003, almost two thirds of the HRK 9.2bn debt increase (HRK 6.0bn) was accounted for by the increase in its foreign component and one third (HRK 3.2bn) by the increase in the domestic component. The share of the external general government debt (HRK 51.5bn) in the total general government debt thus rose to 61.0% late in 2003, from 60.4% in the previous year. Issued guarantees increased by a negligible HRK 28m, or 0.2%, during 2003. In a large part, this was in consequence of a HRK 1.2bn decrease in guarantees in the second quarter, which sufficed to offset increases recorded in the remaining three quarters, especially the HRK 828m guarantee issue in the last quarter.

The central government accounted for a high 98.5%

(HRK 83.2bn) in the total general government debt coming to HRK 84.4bn at end-2003. As the general government debt, inclusive of the central government debt, comprises the debt of the CBRD, the resulting difference between the two government levels exclusively relates to the local government debt.

### Central Government Domestic Debt

The central government domestic debt rose by HRK 3.3bn over 2003, a rise 14% lower than in 2002. Having trended upwards over the first six months in 2003, the domestic debt was on the decline through the remaining two quarters of the year. The increase in debt on an annual basis was fully accounted for by an increase in the Republic of Croatia' debt of HRK 4.1bn, whereas the debt of central government funds decreased by HRK 0.8bn in the same period. Bank loans, treasury bills and bonds accounted for the largest shares in the debt increase, 51.7%, 27% and 20% respectively. The share of bank loans was reduced by 13 percentage points in relation to the previous year, primarily owing to the increase in the share of treasury bills and, to a smaller extent, of bonds.

### Central Government External Debt

The external debt went up by HRK 6.1bn in 2003. This increase was 131% higher than in 2002. The largest share in this increase was accounted for by the Republic of Croatia (80%) and the remaining share by the borrowing of central government funds. In the first nine months of 2003, loans contributed only 10% to the debt increase but, due to considerable borrowing effected through loans in the fourth quarter, the contribution of bonds and loans to the debt increase was equalled in the fourth quarter and remained equal on the annual level.

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

	Stock				Change	
	Dec. 2001	Dec. 2002	Sep. 2003	Dec. 2003	Jan. – Dec. 2002	Jan. – Dec. 2003
1. Domestic debt of central government	24,907	28,747	32,187	32,053	3,839	3,307
1.1. Domestic debt of the Republic of Croatia	21,468	24,735	28,263	28,862	3,267	4,127
Treasury bills	4,892	5,633	5,646	6,548	740	915
Money market instruments	7	0	0	0	-7	0
Bonds	15,416	16,022	17,508	16,658	606	636
Credits from CNB	-	0	3	1	-	1
Credits from banks	1,152	3,080	5,106	5,654	1,928	2,574
1.2. Domestic debt of central government funds	3,439	4,012	3,924	3,192	572	-820
Money market instruments	-	-	-	-	-	-
Bonds	1,636	1,652	1,681	1,698	16	45
Credits from banks	1,803	2,360	2,243	1,494	556	-866
Note: Issued guarantees	6,026	7,528	6,535	7,154	1,502	-374

Source: CNB.

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

	Stock				Change	
	Dec. 2001	Dec. 2002	Sep. 2003	Dec. 2003	Jan. – Dec. 2002	Jan. – Dec. 2003
1. External debt of central government	42,413	45,056	49,452	51,163	2,643	6,106
1.1. External debt of the Republic of Croatia	39,657	41,297	45,603	46,167	1,640	4,870
Bonds	30,029	30,115	34,057	33,548	86	3,433
Credits	9,628	11,182	11,546	12,619	1,554	1,437
1.2. External debt of central government funds	2,757	3,759	3,849	4,996	1,003	1,236
Bonds	697	1,019	1,012	1,000	323	-19
Credits	2,060	2,740	2,837	3,995	680	1,256
Note: Issued guarantees	8,549	7,930	8,105	8,314	-619	384

Source: CNB.

# Statistical Survey

## Classification and Presentation of Data on Claims and Liabilities<sup>1</sup>

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

The financial institutions sector includes the following sub-sectors: monetary authorities (the central bank), banks, other banking institutions and non-banking financial institutions. The central bank is the Croatian National Bank (CNB). Banks are institutions to which the Croatian National Bank has issued a license to perform banking business services in accordance with the Banking Act, including savings banks during a transition period. Data on banks do not include claims and liabilities of banks undergoing bankruptcy proceedings, nor former branches of banks headquartered outside the Republic of Croatia. Other banking institutions comprise housing savings banks, savings and loan cooperatives and investment funds. Non-banking financial institutions are financial institutions not classified as banks or other banking institutions (for example insurance companies, pension funds).

The central government and funds consists of two sub-sectors, the Republic of Croatia and central government funds. Until December 2003, the sub-sector the Republic of Croatia included government authorities, including the Croatian Roads and the Croatian High-

ways, the State Agency for Deposit Insurance and Bank Rehabilitation and the sub-sector central government funds included the Croatian Institute for Health Insurance, the Croatian Pension Insurance Institute, the Croatian Employment Institute, the Croatian Privatisation Fund, the Croatian Waters and the Croatian Bank for Reconstruction and Development.

Since January 2004, the Croatian Roads, the Croatian Highways, and the State Agency for Deposit Insurance and Bank Rehabilitation have been reclassified, from the sub-sector the Republic of Croatia to the sub-sector central government funds.

Other domestic sectors include local government authorities, public and other enterprises and households, including craftsmen and non-profit institutions providing services to households. The sub-sector other enterprises also comprises banks undergoing bankruptcy proceedings. In some tables other domestic sectors are divided into the following sub-sectors: local government (which comprises units of local and regional self-government), public and other enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal and natural persons.

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

<sup>1</sup> In compliance with the legislation in force, the term "deposit money banks" as used in the Bulletin, has been replaced as of this issue of the Bulletin, by the term "banks", the term "other financial institutions" has been replaced by the term "non-banking financial institutions", and the term "local government and local funds" has been replaced by the term "local government". The scope of institutions within individual groups has remained unchanged.

**Table A1: Monetary and Credit Aggregates**

End of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth						
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	
1993	December	2,248.9	3,134.4	3,759.2	10,061.1	12,005.7	20,287.9	–	–	–	–	–	–	–
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45	
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88	
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61	
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96	
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25	
1999	December <sup>a</sup>	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58	
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66	
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16	
2002	November	20,798.0	29,092.3	29,850.9	114,260.6	77,210.7	95,408.8	2.35	0.01	-0.16	-0.49	0.65	0.88	
	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15	
2003	January	21,678.2	29,412.1	30,260.9	116,614.9	86,344.4	100,155.5	-5.86	-4.72	-5.07	0.41	3.62	2.76	
	February	22,483.3	29,456.0	30,071.0	117,208.5	84,687.7	102,161.0	3.71	0.15	-0.63	0.51	-1.92	2.00	
	March	21,883.5	29,512.2	30,147.9	118,791.2	85,953.3	102,706.0	-2.67	0.19	0.26	1.35	1.49	0.53	
	April	23,216.0	30,294.4	30,888.6	117,854.4	88,256.7	103,713.6	6.09	2.65	2.46	-0.79	2.68	0.98	
	May	23,618.8	32,002.0	32,660.8	119,105.0	90,424.9	104,887.7	1.74	5.64	5.74	1.06	2.46	1.13	
	June	24,264.7	32,828.3	33,494.6	120,021.6	89,724.0	104,065.6	2.73	2.58	2.55	0.77	-0.78	-0.78	
	July	25,064.8	34,381.5	35,031.8	125,023.3	93,926.6	106,822.9	3.30	4.73	4.59	4.17	4.68	2.65	
	August	25,854.2	34,044.3	34,586.9	126,979.7	92,451.1	106,761.8	3.15	-0.98	-1.27	1.56	-1.57	-0.06	
	September	27,289.1	32,589.4	33,247.6	126,910.9	92,696.3	107,180.1	5.55	-4.27	-3.87	-0.05	0.27	0.39	
	October	27,037.8	32,805.7	33,482.9	127,072.4	93,345.6	108,516.8	-0.92	0.66	0.71	0.13	0.70	1.25	
	November	28,086.2	33,295.3	33,974.1	128,718.4	93,221.1	110,934.7	3.88	1.49	1.47	1.30	-0.13	2.23	
	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66	
2004	January	29,439.9	32,323.1	32,853.4	128,917.5	98,213.6	113,102.3	-3.75	-4.62	-5.13	0.02	2.18	1.29	

<sup>a</sup> Domestic credit decreased by a one-off HRK 2,759.4m.**Table A1: Monetary and Credit Aggregates**

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

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

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

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

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

Domestic credit comprises banks' claims on other domestic sectors, other banking institutions and non-banking financial institutions.

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

**Table B1: Monetary Survey**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<b>ASSETS</b>									
1. Foreign assets (net)	16,655.5	29,017.2	48,661.3	32,817.4	32,838.0	30,297.6	34,214.6	32,771.4	30,703.9
2. Domestic credit	65,938.6	72,051.4	87,637.6	112,518.9	117,269.0	119,500.8	123,208.2	126,371.6	128,719.4
2.1. Claims on central government and funds (net)	10,062.8	11,167.6	12,673.1	15,055.2	14,563.0	15,435.2	16,028.1	14,710.1	15,617.1
2.2. Claims on other domestic sectors	55,676.4	60,653.4	74,513.0	96,329.0	101,128.3	102,711.2	105,783.3	110,467.8	111,506.2
2.3. Claims on other banking institutions	45.4	68.7	170.2	219.5	214.0	209.2	455.9	431.8	293.2
2.4. Claims on other financial institutions	154.0	161.7	281.4	915.3	1,363.7	1,145.2	940.9	761.8	1,302.9
Total (1+2)	82,594.1	101,068.7	136,298.9	145,336.3	150,107.0	149,798.4	157,422.9	159,143.0	159,423.3
<b>LIABILITIES</b>									
1. Money	13,858.9	18,030.3	23,703.5	30,869.8	29,512.2	32,828.3	32,589.4	33,888.7	32,323.1
2. Savings and time deposits	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	18,262.9	18,370.7	19,155.0
3. Foreign currency deposits	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	75,416.0	76,035.3	76,536.4
4. Bonds and money market instruments	436.8	478.2	317.8	216.3	153.7	263.0	642.6	598.4	903.0
5. Restricted and blocked deposits	3,814.7	2,864.5	1,926.2	1,729.5	1,812.6	1,873.8	1,958.0	1,721.6	1,921.3
o/w: Households' blocked f/c deposits	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	167.8	118.6
6. Other items (net)	22,120.0	25,143.1	28,301.4	27,465.1	29,503.2	27,903.1	28,553.9	28,528.2	28,584.6
Total (1+2+3+4+5+6)	82,594.1	101,068.7	136,298.9	145,336.3	150,107.0	149,798.4	157,422.9	159,143.0	159,423.3

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

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

**Table B1: Monetary Survey**

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

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

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

Money is the sum of currency outside banks, deposits by other banking institutions with the CNB, deposits by other domestic sectors with the CNB and banks' demand deposits (item Demand deposits in Banks' 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 Banks' Accounts, while item Restricted and blocked deposits represents the sum of corresponding items from the Monetary Authorities Accounts (excluding banks' blocked deposits with the CNB) and Banks' Accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1993	December	43	16	12	7	4	2	2	0	0	0	0
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	November	46	6	12	6	9	8	5	11	3	6	2
	December	46	4	13	7	9	8	5	10	3	5	2
2003	January	46	4	13	7	8	9	5	10	3	5	2
	February	46	4	13	8	7	9	5	10	4	4	2
	March	46	4	12	8	9	8	5	10	4	4	2
	April	46	4	12	8	9	8	5	9	4	3	2
	May	46	4	13	8	7	9	5	9	5	2	2
	June	45	4	12	8	7	9	5	9	5	2	2
	July	44	4	12	8	7	8	5	9	5	2	2
	August	43	4	13	7	6	7	6	9	5	2	2
	September	43	3	14	7	6	7	6	9	5	2	2
	October	43	3	13	8	6	7	6	9	5	2	2
	November	43	3	13	8	6	7	6	8	4	2	2
	December	42	2	13	8	5	8	6	7	3	2	2
2004	January	42	2	13	8	5	8	6	7	4	3	0

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

The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' Accounts. Monetary statistics includes reporting institutions under liquidation as well as those whose operating licences have been revoked, but which have not initiated liquidation proceedings.

Special reporting requirements applied to savings banks until June 1995. Savings banks were not legally obliged to report on their operations, so that data up to June 1995 relate only to those savings banks that reported voluntarily to the CNB. From July 1995 on, the data cover all registered savings banks. Savings banks that were granted a bank operating license are required to adjust their operations to the provisions of the Banking Act by 31 December 2006.

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

**Table C1: Monetary Authorities Accounts**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<b>ASSETS</b>									
1. Foreign assets	23,135.7	28,747.4	39,308.9	42,058.8	44,479.0	44,520.5	46,801.6	50,118.6	51,008.1
1.1. Gold	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,449.2	1,204.2	905.8	17.4	10.2	8.3	6.9	5.0	7.0
1.3. Reserve position in the IMF	1.6	1.8	1.8	1.6	1.7	1.6	1.6	1.5	1.5
1.4. Currency and demand deposits with foreign banks	1,109.6	7.4	6.1	6.4	5.9	1,370.7	10.0	5.8	5.7
1.5. Time deposits with foreign banks	17,702.4	20,986.9	25,565.9	28,183.2	25,243.7	18,423.8	21,389.5	25,580.7	26,936.6
1.6. Securities in f/c	2,871.6	6,545.7	12,829.3	13,850.0	19,217.5	24,716.2	25,393.6	24,525.5	24,057.2
1.7. Nonconvertible foreign exchange	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	24.1	0.0	–	0.5	2.0	1.5	3.0	1.4	–
2.1. Claims in kuna	24.1	0.0	–	0.5	2.0	1.5	3.0	1.4	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	276.8	289.5	229.2	110.6	110.5	102.4	94.5	93.6	93.5
4. Claims on banks	1,138.7	329.9	18.5	17.9	14.1	13.7	343.4	972.0	17.7
4.1. Credits to banks	1,125.3	313.6	–	–	–	–	329.4	954.4	–
Lombard credits	176.7	–	–	–	–	–	329.4	954.4	–
Short-term liquidity credits	929.0	–	–	–	–	–	–	–	–
Other credits	19.7	14.0	–	–	–	–	–	–	–
CNB bills under repurchase agreement	–	299.6	–	–	–	–	–	–	–
4.2. CNB deposits with banks	13.4	15.2	16.6	17.6	13.8	13.7	14.0	14.5	14.5
4.3. Overdue claims	0.0	1.1	1.9	0.3	0.3	–	–	3.1	3.2
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	24,575.3	29,366.8	39,556.6	42,187.7	44,605.6	44,638.0	47,242.4	51,185.6	51,119.4
<b>LIABILITIES</b>									
1. Reserve money	10,310.0	11,717.3	17,803.2	23,027.9	21,883.5	24,264.7	27,289.1	30,586.2	29,439.9
1.1. Currency outside banks	5,958.9	6,636.7	8,507.4	9,680.9	9,526.1	10,637.2	10,506.0	10,573.1	10,219.2
1.2. Banks' cash in vaults	382.1	532.3	538.8	1,214.8	1,624.7	1,548.5	1,385.7	1,683.2	1,424.4
1.3. Banks' deposits	3,960.4	4,540.7	8,741.5	12,109.4	10,719.2	12,075.5	15,385.2	18,329.3	17,777.1
Settlement accounts	247.9	459.5	2,450.1	3,923.4	2,132.0	3,097.3	4,340.7	5,616.0	4,822.3
Statutory reserves	3,712.5	4,081.2	6,291.4	8,186.0	8,587.2	8,951.5	10,958.8	12,603.9	12,868.9
CNB bills on obligatory basis	–	–	–	–	–	26.7	85.8	109.4	85.9
1.4. Deposits of other banking institutions	8.5	7.5	15.5	19.1	4.2	1.5	1.2	–	–
1.5. Deposits of other domestic sectors <sup>b</sup>	–	0.0	0.1	3.5	9.2	1.8	11.0	0.6	19.1
2. Restricted and blocked deposits	5,016.8	5,805.5	6,030.5	7,091.2	7,589.1	7,998.5	6,858.4	6,699.2	6,945.5
2.1. Statutory reserve in f/c	4,636.2	5,490.5	5,705.1	7,042.3	7,562.5	7,983.0	6,839.7	6,686.6	6,932.9
2.2. Restricted deposits	380.6	315.0	325.4	49.0	26.6	15.5	18.7	12.6	12.6
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,671.2	1,630.8	1,597.5	195.7	1,134.2	868.0	2,610.6	2,798.0	5,880.1
3.1. Use of IMF credit	1,501.7	1,290.3	1,025.5	2.8	–	–	–	0.0	–
3.2. Liabilities to international organizations	6.8	9.5	12.2	12.6	13.2	16.3	16.3	19.6	19.9
3.3. Liabilities to foreign banks <sup>a</sup>	162.7	331.0	559.8	180.2	1,121.0	851.7	2,594.3	2,778.5	5,860.2
4. Central government and funds deposits	397.2	1,157.4	1,752.1	768.1	2,858.9	2,555.9	1,214.8	1,551.1	733.5
4.1. Demand deposits	394.2	1,008.5	1,752.1	608.3	649.9	750.1	762.2	600.2	567.5
Central government demand deposits	388.0	980.8	1,564.8	569.5	648.1	742.1	762.1	548.5	414.3
Central government funds demand deposits	6.2	27.7	187.3	38.7	1.8	7.9	0.1	51.7	153.3
4.2. Central government f/c deposits	0.0	–	–	–	2,094.3	1,741.0	452.6	950.9	166.0
4.3. CNB bills	2.9	148.8	–	159.9	114.8	64.9	–	–	–
5. CNB bills	2,887.2	4,207.3	6,372.3	6,212.4	5,279.0	4,229.4	4,230.2	4,920.2	3,255.2
5.1. CNB bills in kuna	1,252.5	2,394.6	3,458.9	4,986.2	3,871.4	2,659.9	104.9	–	–
5.2. CNB bills in f/c	1,634.7	1,812.7	2,913.4	1,226.3	1,407.6	1,569.5	4,125.3	4,920.2	3,255.2
6. Capital accounts	4,535.5	5,216.6	6,425.2	5,353.5	6,328.8	5,194.0	5,482.8	5,039.0	5,276.5
7. Other items (net)	–242.4	–368.1	–424.2	–461.1	–467.9	–472.4	–443.5	–408.1	–411.3
Total (1+2+3+4+5+6+7)	24,575.3	29,366.8	39,556.6	42,187.7	44,605.6	44,638.0	47,242.4	51,185.6	51,119.4

<sup>a</sup> From October 2001 to May 2003. Liabilities to foreign banks include also liabilities based on CNB bills subscribed by non-residents.

<sup>b</sup> In December 2002, CDA accounts with the CNB for the gross and net settlement of purchased securities have been reclassified from the sector central government to the sector other financial organisations.

Table C1: Monetary Authorities Accounts

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

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

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

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

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

Since May 1999, Claims on other domestic sectors include overdue claims on banks against which bankruptcy proceedings have been initiated. Due to the reclassification of savings banks from the

sub-sector other banking institutions to the sub-sector banks, data for Claims on banks and Claims on other banking institutions have been revised.

Reserve money consists of currency outside banks, cash in banks' vaults, banks' deposits with the CNB, other banking institutions' deposits and other domestic sectors' deposits with the CNB. Banks' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB as well as CNB bills on an obligatory basis. Deposits by other banking institutions included, until September 2003, settlement account balances of housing savings banks. Deposits by other domestic sectors are other domestic sectors' giro account balances which, on the basis of legal acts are deposited with the Croatian National Bank.

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

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

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

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

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

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

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

**Table D1: Banks' Accounts**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec. <sup>a</sup>	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<b>ASSETS</b>									
1. Reserves with the CNB	8,987.9	10,588.9	15,002.7	20,373.5	19,993.5	21,492.5	23,678.7	26,774.6	26,190.3
1.1. In kuna	4,352.6	5,098.4	9,306.2	13,340.0	12,438.6	13,516.3	16,844.9	20,094.4	19,261.6
1.2. In f/c	4,635.3	5,490.5	5,696.5	7,033.5	7,554.8	7,976.2	6,833.8	6,680.2	6,928.7
2. Foreign assets	12,400.1	19,710.4	32,807.6	25,977.8	26,950.7	27,100.6	31,465.9	35,382.9	34,999.7
3. Claims on central government and funds	16,264.4	19,055.5	20,059.9	21,917.7	22,935.5	23,243.1	22,508.6	21,543.6	21,329.7
3.1. Bonds arising from blocked f/c deposits	5,419.9	4,484.4	3,420.1	2,473.5	2,047.2	1,999.5	1,517.6	1,531.9	1,493.0
3.2. Other claims	10,844.5	14,571.0	16,639.7	19,444.3	20,888.3	21,243.6	20,991.0	20,011.7	19,836.7
4. Claims on other domestic sectors	55,399.7	60,363.9	74,283.8	96,218.4	101,017.8	102,608.8	105,688.9	110,374.3	111,412.8
4.1. Claims on local government and funds	905.6	1,174.9	1,280.0	1,422.4	1,307.4	1,278.7	1,274.0	1,563.1	1,546.1
4.2. Claims on enterprises	35,244.3	35,890.7	42,882.0	51,723.4	53,023.3	52,020.7	52,172.0	53,809.8	54,325.0
4.3. Claims on households	19,249.8	23,298.3	30,121.9	43,072.6	46,687.1	49,309.4	52,242.9	55,001.4	55,541.8
5. Claims on other banking institutions	45.4	68.7	170.2	219.5	214.0	209.2	455.9	431.8	293.2
6. Claims on other financial institutions	154.0	161.7	281.4	915.3	1,363.7	1,145.2	940.9	761.8	1,302.9
<b>Total (1+2+3+4+5+6)</b>	<b>93,251.5</b>	<b>109,949.1</b>	<b>142,605.6</b>	<b>165,622.2</b>	<b>172,475.1</b>	<b>175,799.5</b>	<b>184,738.9</b>	<b>195,268.9</b>	<b>195,528.7</b>
<b>LIABILITIES</b>									
1. Demand deposits	7,891.5	11,386.0	15,180.6	21,166.2	19,972.7	22,187.7	22,071.2	23,315.0	22,084.7
2. Savings and time deposits	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	18,262.9	18,370.7	19,155.0
3. Foreign currency deposits	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	75,416.0	76,035.3	76,536.4
4. Bonds and money market instruments	436.8	478.2	317.8	216.3	153.7	263.0	642.6	598.4	903.2
5. Foreign liabilities	17,209.1	17,809.7	21,857.8	35,023.5	37,457.5	40,455.6	41,442.3	49,932.0	49,423.8
6. Central government and funds' deposits	5,828.6	6,730.5	5,634.7	6,094.9	5,515.5	5,253.5	5,268.7	5,283.3	4,979.1
7. Credit from central bank	1,138.7	328.8	16.6	17.6	13.8	13.7	343.4	968.9	14.5
8. Restricted and blocked deposits	3,434.2	2,549.6	1,600.8	1,680.5	1,785.9	1,858.3	1,939.3	1,709.0	1,908.7
o/w: Households' blocked f/c deposits	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	167.8	118.6
9. Capital accounts	21,975.4	24,953.1	25,455.1	26,323.2	26,526.4	26,120.3	26,808.6	27,389.5	27,386.8
10. Other items (net)	-7,026.4	-8,839.4	-9,507.8	-9,955.6	-8,075.7	-7,282.8	-7,456.0	-8,333.2	-6,863.5
<b>Total (1+2+3+4+5+6+7+8+9+10)</b>	<b>93,251.5</b>	<b>109,949.1</b>	<b>142,605.6</b>	<b>165,622.2</b>	<b>172,475.1</b>	<b>175,799.5</b>	<b>184,738.9</b>	<b>195,268.9</b>	<b>195,528.7</b>

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

**Table D1: Banks' Accounts**

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

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

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

Claims on central government and funds are the following forms of claims in kuna and foreign currency: securities and loans. Bonds issued in accordance with the Act on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia are shown separately. Other claims also included, until July 2000, bonds issued in accordance with the Act on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia. These bonds have been replaced, pursuant to a Decree of the Government of the Republic of Croatia on the Issuing of Replacement Bonds

for the Restructuring of the Economy, issued in April 2000, by kuna bonds on which interest is paid.

Claims on other domestic sectors include the following claims in kuna and foreign currency: money market instruments, bonds, loans (including acceptances), and equities.

The same forms of kuna and foreign currency claims are included in claims on other banking institutions and non-banking 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 non-banking financial institutions.

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

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

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

Bonds and money market instruments are banks' liabilities for securities issued (net) and loans obtained. Issued subordinated and hy-

brid instruments, purchased by foreign investors, are excluded from this item.

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

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

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

Capital accounts are share capital, profit or loss for the previous

and current year, retained earnings (loss), legal reserves, reserves provided for by the articles of association and other capital reserves, hedging reserves, unrealised gains (losses) from financial assets classified as available-for-sale assets, value adjustments and specific reserves for unidentified losses.

Other items (net) are unclassified liabilities decreased by unclassified assets, including the fair value of derivative financial instruments.

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

**Table D2: Banks' Foreign Assets**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign assets in f/c	12,352.8	19,619.2	32,763.6	25,924.4	26,879.1	26,948.4	31,355.5	35,261.9	34,892.4
1.1. Claims on foreign banks	11,598.5	19,154.9	31,660.3	21,333.5	23,598.3	23,785.5	27,276.8	31,877.6	30,734.8
Foreign currencies	886.7	1,002.8	7,324.7	1,019.8	853.0	1,270.7	1,041.0	1,268.6	847.4
Demand deposits	1,498.5	995.0	1,231.9	757.7	1,611.7	1,050.3	1,041.2	1,057.0	1,019.5
Time and notice deposits	8,509.4	16,286.7	21,765.2	17,569.8	18,477.0	19,349.9	23,181.1	27,969.4	27,076.0
Securities	–	454.9	1,008.5	1,690.2	2,330.3	1,845.2	1,749.5	1,364.2	1,536.8
Loans and advances	569.8	370.9	290.3	278.7	308.5	252.0	246.4	203.1	240.5
Shares and participations	134.1	44.6	39.7	17.2	17.8	17.4	17.4	15.4	14.6
1.2. Claims on foreign nonbanks	754.3	464.3	1,103.3	4,590.8	3,280.8	3,162.9	4,078.8	3,384.4	4,157.6
Claims on foreign governments	399.9	137.8	596.2	3,855.5	2,764.0	2,708.0	3,612.3	2,905.0	3,672.6
Claims on other nonresidents	350.4	322.4	505.5	733.7	515.2	454.6	466.0	478.9	484.7
Securities	4.5	–	72.1	191.3	40.3	36.7	35.9	32.1	32.3
Loans and advances	345.9	322.4	433.4	542.4	474.9	417.9	430.1	446.8	452.3
Shares and participations	4.0	4.1	1.6	1.6	1.6	0.3	0.4	0.4	0.4
2. Foreign assets in kuna	47.3	91.2	44.1	53.4	71.7	152.2	110.4	120.9	107.3
2.1. Claims on foreign banks	16.6	66.1	29.2	19.6	19.3	130.2	88.9	99.1	86.0
2.2. Claims on foreign nonbanks	30.6	25.1	14.8	33.8	52.4	22.1	21.5	21.9	21.3
o/w: Loans and advances	29.6	23.3	13.9	33.0	51.6	21.3	20.7	21.0	20.5
Total (1+2)	12,400.1	19,710.4	32,807.6	25,977.8	26,950.7	27,100.6	31,465.9	35,382.9	34,999.7

**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 Banks' Accounts (Table D1).

**Table D2: Banks' Foreign Assets**

This table shows banks' claims on foreign legal and natural persons.

Foreign assets of banks' comprise foreign assets in kuna and for-

eign currency.

Claims on foreign banks and Claims on foreign nonbanks (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' Foreign assets amounted to 402.3 million kuna. Through June 1999, some households' f/c savings deposits were included in Demand deposits and f/c savings deposits.

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

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Bonds (c/part to blocked f/c savings deposits)	5,419.9	4,484.4	3,420.1	2,473.5	2,047.2	1,999.5	1,517.6	1,531.9	1,493.0
2. Other claims	10,844.5	14,571.0	16,639.7	19,444.3	20,888.3	21,243.6	20,991.0	20,011.7	19,836.7
2.1. In kuna	9,885.8	12,887.7	14,358.6	15,970.9	17,178.0	17,425.3	16,593.9	16,475.2	16,431.3
2.1.1. Claims on central government	9,153.1	11,288.4	12,810.0	13,969.9	15,330.6	15,512.1	14,677.3	14,500.7	12,882.4
Securities	8,219.1	10,063.5	11,983.1	11,515.6	12,231.7	11,808.0	10,932.3	10,238.1	9,452.2
Loans and advances	934.0	1,224.9	826.9	2,454.3	3,098.8	3,704.1	3,745.0	4,262.6	3,430.2
2.1.2. Claims on central government funds	732.7	1,599.4	1,548.5	2,001.0	1,847.4	1,913.2	1,916.6	1,974.5	3,549.0
Securities	–	627.3	560.1	560.7	641.7	654.7	693.1	723.6	1,422.1
Loans and advances	732.7	972.1	988.4	1,440.3	1,205.7	1,258.5	1,223.5	1,250.9	2,126.9
2.2. In f/c	958.8	1,683.3	2,281.2	3,473.3	3,710.4	3,818.3	4,397.1	3,536.4	3,405.3
2.2.1. Claims on central government	921.4	1,492.7	1,390.9	2,359.1	2,591.3	2,777.2	3,207.9	3,196.9	2,747.3
Securities	518.1	869.2	1,065.5	1,733.4	1,860.8	1,687.8	1,847.1	1,805.4	1,652.3
Loans and advances	403.3	623.5	325.5	625.7	730.5	1,089.4	1,360.8	1,391.5	1,095.0
2.2.2. Claims on central government funds	37.4	190.6	890.3	1,114.2	1,119.0	1,041.1	1,189.2	339.5	658.0
Securities	27.6	35.0	75.4	195.0	218.4	171.4	169.5	96.4	125.0
Loans and advances	9.8	155.5	814.8	919.2	900.7	869.6	1,019.7	243.1	533.0
Total (1+2)	16,264.4	19,055.5	20,059.9	21,917.7	22,935.5	23,243.1	22,508.6	21,543.6	21,329.7

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

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

Bonds arising from blocked foreign currency savings deposits are issued in accordance with the Act on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia.

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

Other claims are all other banks' kuna and foreign currency claims

on the central government and funds: securities, loans and equities. The item Securities also comprised, until July 2000, bonds issued in accordance with the Act on the Issue of Bonds for the Restructuring of the Economy of the Republic of Croatia. These bonds have been replaced, pursuant to a Decree of the Government of the Republic of Croatia on the Issuing of Replacement Bonds for the Restructuring of the Economy, issued in April 2000, by kuna bonds on which interest is paid.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' Claims on central government and funds amounted to 17.8 million kuna.

**Table D4: Banks' Claims on Other Domestic Sectors**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec. <sup>a</sup>	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Claims in kuna	48,336.4	53,739.5	66,626.8	85,418.7	90,821.9	92,714.2	95,916.7	100,365.0	101,180.8
1.1. Money market instruments	365.7	231.9	544.7	1,394.7	1,483.2	1,503.7	1,386.7	1,314.1	1,467.8
1.2. Bonds	0.0	1.0	7.7	72.4	60.5	78.2	69.4	56.2	88.3
1.3. Loans and advances	44,505.1	49,566.8	62,180.6	80,887.6	86,206.8	88,190.3	91,497.8	96,081.7	96,784.7
1.4. Shares and participations	3,465.5	3,939.8	3,893.8	3,064.0	3,071.3	2,942.0	2,962.8	2,912.9	2,840.0
2. Claims in f/c	7,063.3	6,624.3	7,657.0	10,799.8	10,195.9	9,894.6	9,772.2	10,009.3	10,232.0
2.1. Securities	74.9	112.4	126.6	243.2	197.3	276.2	298.1	130.6	185.4
2.2. Loans and advances	6,988.5	6,512.0	7,530.5	10,556.6	9,998.7	9,618.4	9,474.0	9,878.7	10,046.6
Total (1+2)	55,399.7	60,363.9	74,283.8	96,218.4	101,017.8	102,608.8	105,688.9	110,374.3	111,412.8

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

**Table D4: Banks' Claims on Other Domestic Sectors**

The table shows banks' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: money market instruments (including factoring and forfaiting since January 2004), loans and advances (including acceptances and purchased claims), and equities.

Until October 1994, foreign currency loans could be granted only when banks simultaneously borrowed abroad in their own name and

for the account of the end-user.

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

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

End of period, million kuna

	1999	2000	2001	2002	2003				2004.
	Dec. <sup>a</sup>	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<b>LOANS IN KUNA</b>									
1. Loans to central government and funds	1,666.6	2,196.9	1,815.4	3,894.6	4,304.5	4,962.6	4,968.5	5,513.5	5,557.1
1.1. Loans to central government	934.0	1,224.9	826.9	2,454.3	3,098.8	3,704.1	3,745.0	4,262.6	3,430.2
1.2. Loans to central government funds	732.7	972.1	988.4	1,440.3	1,205.7	1,258.5	1,223.5	1,250.9	2,126.9
2. Loans to local governments and funds	785.7	996.8	1,069.1	1,202.9	1,177.7	1,190.4	1,200.3	1,485.1	1,477.2
3. Loans to enterprises	24,533.4	25,328.0	31,049.4	36,708.1	38,437.9	37,791.1	38,199.4	39,777.4	39,920.9
4. Loans to households	19,186.1	23,242.1	30,062.1	42,976.6	46,591.3	49,208.8	52,098.1	54,819.3	55,386.6
o/w: Housing loans	7,469.5	8,257.8	9,450.0	12,363.4	13,604.9	14,432.0	15,555.3	16,896.2	17,309.4
5. Loans to other banking institutions	31.3	33.5	34.7	17.6	18.5	21.1	110.6	82.3	18.0
6. Loans to other financial institutions	138.6	105.5	240.9	521.3	827.2	815.3	597.0	427.9	850.6
A. Total (1+2+3+4+5+6)	46,341.6	51,902.8	64,271.6	85,321.1	91,357.0	93,989.2	97,173.9	102,105.4	103,210.4
<b>LOANS IN f/c</b>									
1. Loans to central government and funds	413.1	779.1	1,140.3	1,544.9	1,631.2	1,959.0	2,380.5	1,634.7	1,628.0
1.1. Loans to central government	403.3	623.5	325.5	625.7	730.5	1,089.4	1,360.8	1,391.5	1,095.0
1.2. Loans to central government funds	9.8	155.5	814.8	919.2	900.7	869.6	1,019.7	243.1	533.0
2. Loans to local governments and funds	118.7	171.6	179.1	152.3	55.1	55.4	46.7	47.1	41.6
3. Loans to enterprises	6,806.1	6,284.0	7,291.7	10,308.3	9,847.7	9,462.3	9,282.5	9,649.4	9,849.8
4. Loans to households	63.7	56.3	59.7	96.0	95.8	100.6	144.8	182.1	155.1
5. Loans to other banking institutions	1.7	–	–	1.2	–	7.5	169.6	174.3	115.7
6. Loans to other financial institutions	–	–	–	28.3	105.8	50.4	72.0	58.8	175.9
B. Total (1+2+3+4+5+6)	7,403.2	7,291.0	8,670.7	12,131.0	11,735.6	11,635.4	12,096.1	11,746.4	11,966.2
TOTAL (A+B)	53,744.9	59,193.9	72,942.3	97,452.1	103,092.6	105,624.5	109,270.1	113,851.8	115,176.7

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

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

The table shows data on kuna and foreign currency loans granted by banks to domestic sectors, including acceptances, financial leases, payments made on the basis of guarantees and similar instruments, purchased claims, and until December 2003 factoring and forfaiting.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' loans amounted to 4,465.3 million kuna. Data for June 1999 are comparable with data for July 1999 if total loans in kuna are increased by 2,972.6 million kuna, and total loans in f/c are increased by 840.9 million kuna.

**Table D6: Demand Deposits with Banks**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Local governments and funds	314.7	573.6	907.0	1,910.4	1,867.3	1,995.5	2,200.6	2,006.2	1,954.1
2. Enterprises	4,695.6	7,087.1	8,981.6	12,344.5	10,982.9	12,301.5	11,656.0	12,872.9	11,542.6
3. Households	2,686.5	3,499.7	4,872.0	6,307.4	6,594.0	7,379.5	7,658.7	7,873.1	7,791.6
4. Other banking institutions	6.9	11.6	17.0	42.1	86.6	30.2	61.5	98.9	67.8
5. Other financial institutions	190.0	221.7	407.1	568.1	443.9	485.1	497.8	468.1	732.0
6. Less: Checks of other banks and checks in collection	-2.2	-7.6	-4.2	-6.4	-2.1	-4.0	-3.4	-4.2	-3.3
Total (1+2+3+4+5+6)	7,891.5	11,386.0	15,180.6	21,166.2	19,972.7	22,187.7	22,071.2	23,315.0	22,084.7

**Table D6: Demand Deposits with Banks**

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

Demand deposits are the sum of other domestic sectors', other banking institutions' and non-banking financial institutions' giro and current accounts balances, minus currency in the payment system

(i.e. amount of checks in banks' vaults and checks in collection). Banks' obligations arising from kuna payment instruments issued are included in the household sector.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Demand deposits with those banks amounted to 259.3 million kuna.

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

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	1,371.4	1,676.1	2,006.8	2,236.2	2,212.5	2,349.4	2,418.3	2,527.9	2,242.0
1.1. Local governments and funds	91.7	137.6	118.3	14.8	15.1	17.0	13.5	14.4	8.2
1.2. Enterprises	92.1	142.4	88.0	213.3	124.9	140.9	208.2	190.5	24.7
1.3. Households	1,167.3	1,348.3	1,712.2	1,996.3	2,061.9	2,129.8	2,170.5	2,288.8	2,209.2
1.4. Other banking institutions	2.6	0.6	20.8	0.0	0.0	0.0	–	–	–
1.5. Other financial institutions	17.8	47.2	67.5	11.8	10.5	61.7	26.1	34.2	0.0
2. Time and notice deposits	4,026.2	5,975.0	8,206.3	10,764.9	12,844.3	13,476.5	15,844.6	15,842.9	16,913.0
2.1. Local governments and funds	176.1	230.7	340.7	482.8	684.5	653.9	685.3	551.6	594.9
2.2. Enterprises	1,417.0	2,871.4	3,618.3	4,633.6	5,620.2	6,095.8	7,606.8	7,165.3	7,391.0
2.3. Households	1,531.7	1,789.8	2,554.1	3,793.8	4,451.6	4,908.1	5,487.3	6,194.5	6,647.2
2.4. Other banking institutions	33.5	20.8	24.7	58.4	75.3	132.8	174.6	129.3	113.1
2.5. Other financial institutions	867.8	1,062.2	1,668.5	1,796.3	2,012.6	1,685.9	1,890.6	1,802.2	2,166.8
Total (1+2)	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	18,262.9	18,370.7	19,155.0

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

The table shows kuna savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions with banks.

In May 1999, bankruptcy proceedings have been initiated against

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

**Table D8: Foreign Currency Deposits with Banks**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	12,228.1	14,566.3	23,748.8	21,074.4	21,649.3	20,835.2	22,363.1	21,547.0	21,740.4
1.1. Local governments and funds	29.5	16.8	13.2	12.2	12.9	13.3	13.9	14.7	14.5
1.2. Enterprises	1,842.6	2,408.0	2,884.2	3,346.7	3,703.9	3,473.3	4,048.6	3,620.2	3,791.0
1.3. Households	10,256.6	12,041.5	20,688.3	17,537.3	17,785.4	17,232.4	18,185.2	17,690.2	17,747.9
1.4. Other banking institutions	6.4	10.3	23.9	34.7	6.7	2.6	0.7	9.0	9.2
1.5. Other financial institutions	93.0	89.8	139.2	143.5	140.4	113.6	114.7	212.9	177.8
2. Time deposits	24,737.9	32,335.3	48,088.1	50,980.3	52,419.3	50,269.1	53,052.9	54,488.4	54,796.0
2.1. Local governments and funds	15.5	8.2	1.7	9.5	6.8	5.0	4.5	3.8	4.1
2.2. Enterprises	1,442.3	2,753.1	4,619.1	6,009.6	5,868.3	5,186.9	6,297.0	7,154.0	6,983.4
2.3. Households	22,957.7	29,097.2	42,705.4	44,159.2	45,894.9	44,479.1	46,151.8	46,805.1	47,378.8
2.4. Other banking institutions	2.5	4.2	11.5	41.5	2.8	20.5	14.2	21.7	14.1
2.5. Other financial institutions	320.0	472.7	750.3	760.5	646.5	577.6	585.4	503.7	415.5
Total (1+2)	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	75,416.0	76,035.3	76,536.4

**Table D8: Foreign Currency Deposits with Banks**

The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions with banks. Foreign currency savings deposits are all foreign currency sight deposits and foreign currency payment

instruments issued while foreign currency time deposits also include foreign currency notice deposits.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Foreign currency deposits with those banks amounted to 3,443.7 million kuna.

**Table D9: Bonds and Money Market Instruments**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Money market instruments (net)	1.4	–	–	5.1	0.2	–	–	–	–
2. Bonds (net)	384.1	353.5	104.4	92.8	62.5	138.9	145.5	151.9	142.6
3. Other domestic borrowing	51.2	124.7	213.4	118.4	91.0	124.2	497.1	446.5	760.6
3.1. Local governments and funds	–	–	–	–	–	0.8	0.8	0.9	2.1
3.2. Enterprises	13.7	15.2	158.1	46.3	44.0	43.6	41.8	92.7	40.9
3.3. Other banking institutions	15.7	1.3	4.6	10.0	8.5	24.3	78.1	222.1	326.5
3.4. Other financial institutions	21.8	108.2	50.7	62.0	38.5	55.5	376.4	130.9	391.1
Total (1+2+3)	436.8	478.2	317.8	216.3	153.7	263.0	642.6	598.4	903.2

**Table D9: Bonds and Money Market Instruments**

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

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

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

struments, excluding those purchased by foreign investors.

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

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

**Table D10: Banks' Foreign Liabilities**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign liabilities in f/c	17,066.0	17,669.8	21,692.7	34,198.5	36,276.5	37,421.8	38,372.7	44,574.3	43,785.4
1.1. Liabilities to foreign banks	11,525.4	11,957.6	16,407.4	28,662.3	30,461.5	31,635.5	32,200.9	38,623.1	38,226.1
Demand deposits	157.1	176.3	147.1	130.9	100.8	118.0	109.6	266.6	119.7
Time and notice deposits	1,267.0	345.9	1,208.3	9,002.9	9,621.7	11,003.4	11,443.7	14,875.4	13,183.6
Loans and advances	10,101.2	11,435.4	15,052.1	19,528.5	20,739.0	20,514.1	20,647.6	23,481.2	24,922.8
1.2. Liabilities to foreign nonbanks	5,540.7	5,712.2	5,285.2	5,536.2	5,815.1	5,786.4	6,171.8	5,951.2	5,559.3
Savings and time deposits	2,545.9	2,868.1	3,777.8	4,160.2	4,359.0	4,477.5	4,889.8	4,753.2	4,795.6
Sight deposits	754.0	745.5	873.7	875.6	938.6	855.7	969.3	898.6	979.2
Time and notice deposits	1,791.9	2,122.6	2,904.1	3,284.6	3,420.4	3,621.8	3,920.5	3,854.6	3,816.4
Loans and advances	2,994.8	2,844.1	1,507.4	1,376.0	1,456.0	1,308.8	1,282.0	1,198.0	763.7
2. Foreign liabilities in kuna	143.1	140.0	165.1	825.0	1,180.9	3,033.8	3,069.6	5,357.7	5,638.5
2.1. Liabilities to foreign banks	65.0	37.0	46.9	690.9	845.6	2,707.5	2,824.2	5,087.8	5,317.8
Demand deposits	52.6	14.4	38.2	53.6	225.8	64.4	59.1	86.4	160.1
Time and notice deposits	11.7	22.0	4.2	635.8	618.4	2,003.7	1,208.1	2,664.1	2,813.2
Loans and advances	0.7	0.7	4.5	1.5	1.5	639.4	1,557.1	2,337.3	2,344.4
2.2. Liabilities to foreign nonbanks	78.1	103.0	118.2	134.1	335.3	326.3	245.4	269.9	320.7
Demand deposits	42.1	50.8	60.1	56.2	54.0	67.0	85.6	76.8	86.8
Time and notice deposits	35.9	52.2	58.1	77.9	281.4	259.3	158.1	191.4	225.9
Loans and advances	0.1	–	–	–	–	–	1.7	1.7	8.0
Total (1+2)	17,209.1	17,809.7	21,857.8	35,023.5	37,457.5	40,455.6	41,442.3	49,932.0	49,423.8

**Table D10: Banks' Foreign Liabilities**

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

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

Within foreign kuna and foreign currency liabilities, liabilities to

foreign banks are reported separately from liabilities to foreign nonbanks (total and by financial instruments). Loans and advances also include issued subordinated and hybrid instruments purchased by foreign investors.

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

**Table D11: Central Government and Funds' Deposits with Banks**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec. <sup>a</sup>	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	3,269.6	3,073.3	3,335.1	4,036.8	3,805.2	3,748.8	3,892.0	4,104.4	3,901.8
1.1. Central government deposits	330.9	430.0	295.9	634.3	459.1	420.8	347.3	506.4	378.1
Demand deposits	74.7	116.7	33.9	476.4	265.4	287.9	248.4	448.0	313.4
Savings deposits	15.9	26.1	41.6	3.3	24.9	18.3	16.0	3.0	–
Time and notice deposits	202.3	259.5	217.6	153.6	167.7	113.6	81.9	54.2	63.6
Loans and advances	38.1	27.7	2.8	1.1	1.1	1.1	1.1	1.1	1.1
1.2. Central government funds' deposits	2,938.8	2,643.3	3,039.2	3,402.5	3,346.1	3,327.9	3,544.7	3,598.0	3,523.6
Demand deposits	40.6	116.9	214.6	553.2	383.7	381.8	422.0	294.8	236.0
Savings deposits	4.5	15.2	10.8	0.0	0.0	0.1	0.1	0.3	0.1
Time and notice deposits	57.2	32.6	195.2	144.3	173.7	196.7	208.8	156.2	173.9
Loans and advances	2,836.5	2,478.6	2,618.6	2,705.0	2,788.7	2,749.4	2,913.9	3,146.7	3,113.6
2. In f/c	2,559.0	3,657.1	2,299.6	2,058.1	1,710.3	1,504.7	1,376.6	1,178.9	1,077.3
2.1. Central government deposits	2,497.6	3,622.6	2,275.0	1,938.9	1,522.4	1,417.0	1,302.7	1,158.2	1,060.0
Savings deposits	59.1	1,256.1	329.8	263.0	265.5	263.4	262.8	198.5	203.5
Time and notice deposits	10.5	27.0	55.8	293.1	4.7	4.6	–	–	–
Refinanced loans and advances	2,428.0	2,339.4	1,889.5	1,382.8	1,252.2	1,148.9	1,039.9	959.6	856.6
2.2. Central government funds' deposits	61.4	34.6	24.5	119.2	188.0	87.7	73.9	20.8	17.3
Savings deposits	55.2	25.0	22.9	114.1	177.7	79.5	73.9	20.8	17.3
Time and notice deposits	6.1	9.5	1.6	5.0	10.3	8.3	–	–	–
Total (1+2)	5,828.6	6,730.5	5,634.7	6,094.9	5,515.5	5,253.5	5,268.7	5,283.3	4,979.1

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

**Table D11: Central Government and Funds' Deposits with Banks**

The table reports total banks' 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 banks.

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

comprise demand deposits, savings deposits, time and notice deposits, and loans obtained from the central government and funds. Foreign currency deposits comprise savings deposits, time and notice deposits, and refinanced loans.

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

**Table D12: Restricted and Blocked Deposits with Banks**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Restricted deposits	691.4	854.4	830.6	1,361.2	1,528.4	1,616.0	1,762.2	1,541.2	1,790.1
1.1. In kuna	81.8	131.6	100.3	789.6	750.5	814.2	820.5	730.1	1,003.5
1.2. In f/c	609.7	722.8	730.3	571.6	777.9	801.8	941.7	811.1	786.6
2. Blocked f/c deposits of households	2,742.7	1,695.1	770.2	319.3	257.5	242.3	177.2	167.8	118.6
Total (1+2)	3,434.2	2,549.6	1,600.8	1,680.5	1,785.9	1,858.3	1,939.3	1,709.0	1,908.7

**Table D12: Restricted and Blocked Deposits with Banks**

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

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

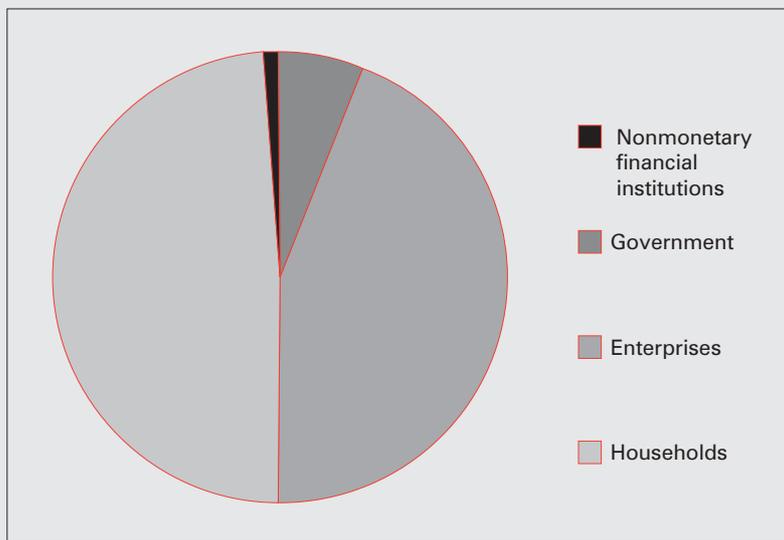
Blocked foreign currency deposits include households' foreign

currency deposits regulated by the Act on Converting Households' Foreign Exchange Deposits into the Public Debt of the Republic of Croatia.

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

Figure D1

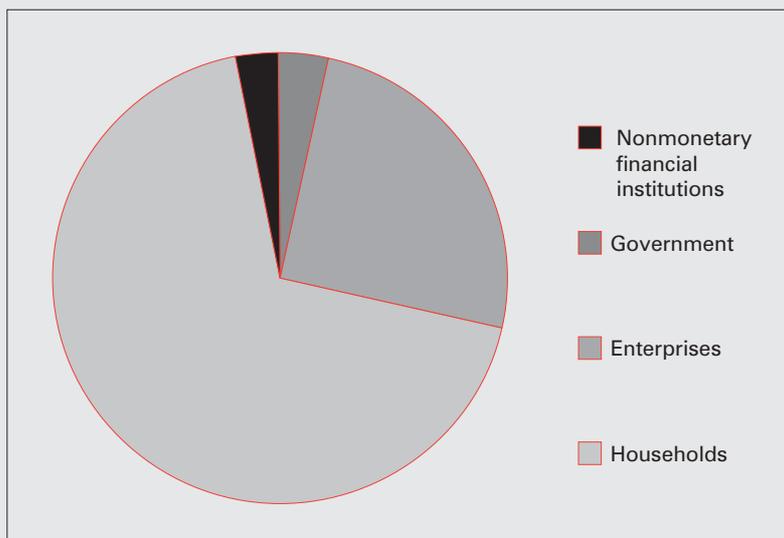
**DISTRIBUTION OF BANKS' LOANS  
BY DOMESTIC INSTITUTIONAL SECTORS**



January 2004

Figure D2

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



January 2004

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

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

End of Period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<b>ASSETS</b>									
1. Reserves with the CNB	8.6	7.6	15.5	19.1	4.2	1.6	2.1	0.0	0.0
2. Claims on central government and funds	81.4	497.6	1,208.8	1,983.9	2,178.9	2,445.1	2,613.4	3,033.5	3,054.1
3. Claims on other domestic sectors	5.3	1.1	11.6	93.3	114.1	139.6	162.6	187.9	195.1
o/w: Claims on households	–	0.6	11.6	91.3	114.1	139.6	162.6	187.9	195.1
4. Claims on banks	57.0	7.6	18.1	37.2	36.8	60.6	80.5	247.2	222.0
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	152.3	513.8	1,254.0	2,133.6	2,334.0	2,646.9	2,858.6	3,468.6	3,471.2
<b>LIABILITIES</b>									
1. Time deposits	87.6	437.8	1,137.5	2,012.9	2,210.7	2,470.5	2,690.6	3,265.2	3,333.3
2. Bonds and money market instruments	–	10.0	10.0	–	–	10.5	10.6	11.1	10.7
3. Capital accounts	117.4	112.5	124.0	141.1	159.7	181.8	170.2	159.7	152.4
4. Other items (net)	–52.7	–46.5	–17.5	–20.4	–36.4	–16.0	–12.8	32.6	–25.2
Total (1+2+3+4)	152.3	513.8	1,254.0	2,133.6	2,334.0	2,646.9	2,858.6	3,468.6	3,471.2

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

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

Housing savings banks' required reserves held at the central bank included, until September 2003, kuna funds held in accounts at the central bank.

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

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

Claims on banks include loans extended to banks, as well as deposits with banks, including, since October 2003, accounts for regu-

lar operations with banks.

Claims on other banking institutions include investments in investment funds.

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

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

Capital accounts are share capital, profit or loss for the previous and current year, retained earnings (loss), legal reserves, reserves provided for by the articles of association and other capital reserves, hedging reserves, unrealised gains (losses) from financial assets classified as available-for-sale assets, value adjustments and specific reserves for unidentified losses. Other items (net) are unclassified liabilities decreased by unclassified assets.

**Table F1: Credit Rates of the Croatian National Bank**

In percentage, on annual basis

Year	Month	CNB discount rate	Credit rates						
			On lombard credits	On intervention credits	On intra-day refinace facility	On short-term liquidity credits	On advances on the account of statutory reserves	On inaccurately calculated statutory reserves	On arrears
1	2	3	4	5	6	7	8	9	10
1992	December	1,889.39	2,840.09	–	6,881.51	–	4,191.93	6,881.51	4,191.93
1993	December	34.49	46.78	–	289.60	–	101.22	289.60	166.17
1994	December	8.50	18.00	19.00	17.00	14.00	–	19.00	22.00
1995	December	8.50	25.49	19.00	17.00	–	–	19.00	22.00
1996	December	6.50	11.00	19.00	17.00	–	–	19.00	18.00
1997	December	5.90	9.50	19.00	17.00	–	–	19.00	18.00
1998	December	5.90	12.00	19.00	7.00	14.00	–	19.00	18.00
1999	December	7.90	13.00	19.00	–	14.00	–	19.00	18.00
2000	December	5.90	12.00	18.00	–	13.00	–	18.00	18.00
2001	December	5.90	10.00	–	–	11.00	–	15.00	18.00
2002	November	4.50	9.50	–	–	10.50	–	15.00	15.00
	December	4.50	9.50	–	–	10.50	–	15.00	15.00
2003	January	4.50	9.50	–	–	10.50	–	15.00	15.00
	February	4.50	9.50	–	–	10.50	–	15.00	15.00
	March	4.50	9.50	–	–	10.50	–	15.00	15.00
	April	4.50	9.50	–	–	10.50	–	15.00	15.00
	May	4.50	9.50	–	–	10.50	–	15.00	15.00
	June	4.50	9.50	–	–	10.50	–	15.00	15.00
	July	4.50	9.50	–	–	10.50	–	15.00	15.00
	August	4.50	9.50	–	–	10.50	–	15.00	15.00
	September	4.50	9.50	–	–	10.50	–	15.00	15.00
	October	4.50	9.50	–	–	10.50	–	15.00	15.00
	November	4.50	9.50	–	–	10.50	–	15.00	15.00
	December	4.50	9.50	–	–	10.50	–	15.00	15.00
2004	January	4.50	9.50	–	–	10.50	–	15.00	15.00

\* Since 23 October 2002.

**Table F1: Credit Rates of the Croatian National Bank**

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

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

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

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

eralized by CNB bills. Since December 1998 until April 1999, this credit is incorporated in lombard credit, applying different interest rate for its usage within one day.

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

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

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

**Table F2: Deposit Rates of the Croatian National Bank**

In percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis				Interest rates on f/c CNB bills on a voluntary basis				
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	367.60	556.66	1,057.67	1,889.39	–	–	–	–	–	–	–
1993	December	0.00	–	67.84	63.08	97.38	–	–	–	–	–	–
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–
2002	November	1.75	–	–	2.08	–	–	2.70	2.85	–	–	–
	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–
2003	January	1.50 <sup>a</sup>	–	–	2.08	–	–	2.27	2.30	–	–	–
	February	1.50	–	–	2.11	–	–	1.98	2.47	–	–	–
	March	1.50	–	–	2.16	–	–	1.89	2.07	–	–	–
	April	1.50	0.50	–	2.23	–	–	1.66	2.20	–	–	–
	May	1.50	0.50	–	2.34	–	–	1.60	2.00	–	–	–
	June	1.50	0.50	–	2.44	–	–	1.56	1.86	–	–	–
	July	1.50	0.50	–	2.52	–	–	1.43	1.88	–	–	–
	August	1.50	0.50	–	2.52	–	–	1.74	1.35	–	–	–
	September	1.50	0.50	–	2.55	–	–	1.69	1.19	–	–	–
	October	1.50	0.50	–	–	–	–	1.65	1.65	–	–	–
	November	1.25 <sup>b</sup>	0.50	–	–	–	–	1.61	1.73	–	–	–
	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–
2004	January	1.25	0.50	–	–	–	–	–	–	–	–	–

<sup>a</sup> Since 29 January 2003. <sup>b</sup> Since 13 November 2003.

**Table F2: Deposit Rates of the Croatian National Bank**

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

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

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

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

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

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

**Table F3: Banks' Reserve Requirements**

Daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1993	December	25.32	894.9	894.9	–	19.8	804.0	–	1.97	–
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	November	19.00	25,547.1	11,274.2	14,272.9	–	8,043.6	7,077.8	1.70	2.49
	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	January	19.00	26,507.2	11,693.9	14,813.3	–	8,265.0	7,182.9	1.66	1.96
	February	19.00	27,119.0	12,011.3	15,107.6	–	8,414.0	7,359.0	1.41	2.10
	March	19.00	27,495.8	12,169.4	15,326.5	–	8,554.3	7,429.8	1.39	1.85
	April	19.00	27,949.3	12,394.7	15,554.6	14.0	8,723.3	7,563.2	1.40	1.73
	May	19.00	28,113.0	12,591.2	15,521.8	26.7	8,679.6	7,439.0	1.41	1.82
	June	19.00	28,357.6	12,952.8	15,404.8	26.7	8,872.4	7,737.2	1.40	1.65
	July	19.00	28,664.6	13,191.0	15,473.5	60.1	9,063.0	7,860.7	1.39	1.43
	August	19.00	29,398.7	13,703.8	15,694.8	85.8	9,602.2	8,143.7	1.37	1.55
	September	19.00	29,977.8	15,743.2	14,234.6	85.8	10,676.7	7,229.5	1.38	1.41
	October	19.00	30,120.0	16,227.5	13,892.5	99.7	11,023.3	6,995.3	1.41	1.54
	November	19.00	30,493.0	17,073.4	13,419.5	109.4	11,697.5	6,927.1	1.27	1.54
	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	January	19.00	31,639.9	18,498.6	13,141.3	95.3	12,805.8	6,844.6	1.18	1.33

**Table F3: Banks' Reserve Requirements**

This table shows data on monthly averages of day-to-day balances of banks' kuna and foreign currency reserve requirements with the CNB. Savings banks are included beginning in July 1999.

Column 3 shows the weighted average reserve requirement ratio as a percentage of the kuna and foreign currency reserve requirement in the reserve base.

Reserve requirement (column 4) represents the prescribed amount of funds banks are required to deposit in a special statutory reserve account with the CNB, or to maintain (in average) in their settlement accounts and in vaults, or in accounts of liquid foreign exchange claims (which include foreign currency cash and checks in foreign exchange, liquid foreign exchange claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills).

Column 5 shows the amount of kuna reserve requirements. Between January 1995 and December 2000, this amount corresponded with the statutory reserve requirement instrument, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement – LAR (except for the part in which banks were conforming to this requirement by registering CNB bills on a voluntary basis). In December 2000, reserve requirements in kuna and in foreign currency were unified, i.e. reserve requirements rate, periods for calculating, allocating and maintaining reserve requirements were unified, as well as a minimum percentage of the total reserve requirements deposited with the Croatian National Bank. Starting from September 2001, column 5 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to de-

posit in a special statutory reserve account with the CNB, or to maintain (in average) in accounts of liquid claims. Until November 2000, the calculation base consisted of average daily balances of household foreign exchange savings deposits with a remaining maturity of up to 3 months, while starting from December 2000 the base consists of foreign exchange sources of funds, including: ordinary foreign exchange accounts, special foreign exchange accounts, sight foreign exchange accounts and savings deposits, received foreign exchange deposits and received foreign exchange loans, as well as obligations arising from securities issued in foreign exchange (excluding the bank's equity securities). Starting from November 2001, the base includes also hybrid and subordinated instruments.

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

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a special statutory reserve account with the CNB (until December 1994 this amount corresponded with the statutory reserve instrument, while since January 1995 a minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB has been prescribed). This percentage currently stands at 40%.

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in a special statutory reserve account with the CNB. The minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB currently stands at 40%.

Column 10 shows the weighted average remuneration rate on all

**Table F4: Banks' Liquidity Indicators**

Daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1993	December	-18.5	....	-0.52	188.0	1.9	-	-
1994	December	119.5	....	1.72	393.7	210.2	-	-
1995	December	49.4	....	0.63	199.4	218.7	-	-
1996	December	267.9	....	2.63	98.5	780.9	-	183.8
1997	December	396.3	....	2.92	32.7	728.9	-	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	November	732.7	11,602.3	2.14	19.4	5,221.3	1,257.8	4,358.1
	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	January	890.4	9,601.7	2.50	0.6	5,113.0	1,184.0	4,337.5
	February	652.6	9,228.8	1.78	0.7	4,660.8	1,241.1	4,408.8
	March	622.1	10,130.5	1.67	0.6	3,880.5	1,370.7	4,213.7
	April	973.5	11,109.2	2.57	0.6	3,381.7	1,391.4	4,095.8
	May	1,282.3	10,104.0	3.29	0.4	2,808.9	1,463.6	4,069.6
	June	827.9	10,479.6	2.01	0.4	3,088.7	1,457.2	4,051.5
	July	756.3	13,122.4	1.79	0.4	2,002.4	1,617.3	4,052.0
	August	568.1	16,349.2	1.27	84.1	1,790.3	1,931.0	3,778.6
	September	326.0	18,023.3	0.70	425.5	388.6	3,911.2	3,335.5
	October	578.6	18,567.1	1.26	43.2	10.0	4,387.0	2,743.8
	November	621.8	18,914.1	1.36	178.2	0.0	3,893.2	2,980.9
	December	451.6	20,561.4	0.98	501.6*	0.0	4,316.0	3,073.2
2004	January	562.2	20,203.3	1.19	238.8	0.0	4,509.2	2,879.9

forms of immobilized funds which include reserve requirements and other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency in foreign currency. The Croatian National Bank pays remuneration equalling the average interest earned on placements abroad on the calculated foreign currency reserve requirement deposited in the foreign exchange accounts with the Croatian National Bank.

**Table F4: Banks' Liquidity Indicators**

The table reports monthly averages of day-to-day balances of some indicators of banks' liquidity. Savings banks are included beginning in July 1999.

Column 3 shows free reserves in kuna, defined as bank's total reserves (in settlement accounts and in vaults) decreased by the minimal average settlement account and vault balance, as prescribed by instruments of the CNB.

Column 4 shows free reserves in foreign currency, defined as funds for the maintenance of foreign currency reserve requirements (foreign currency cash and checks in foreign exchange, liquid foreign exchange claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills) decreased by the minimal required balance of these funds in the same period.

Column 5 shows the primary liquidity ratio as a percentage of

monthly day-to-day kuna free reserves averages (column 3) in monthly day-to-day averages of deposits which constitute the reserve base.

Column 6 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 in the bank's giro account (until October 1994), special credits for overcoming liquidity problems (initial credits, credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures), lombard credits (since December 1994), intervention credits for overcoming liquidity problems (since October 1994), short-term liquidity credits (since February 1999), as well as overdue liabilities to the CNB.

Column 7 reports the monthly average of day-to-day balances of kuna CNB bills on a voluntary basis (until December 1994, this amount is decreased by the portion of voluntarily registered CNB bills used by banks to maintain the prescribed minimal liquidity).

Column 8 reports the monthly average of day-to-day balances of foreign currency CNB bills on a voluntary basis (EUR and USD).

Column 9 reports the monthly average of day-to-day balances of kuna treasury bills. Until September 2002, it shows the discounted value of treasury bills, while starting from October 2002, it shows their nominal value.

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	....	....	....	....	....	1,166.29	....	....
1993	December	34.49	86.90	59.00	59.00	....	....	....	....	....	78.97	....	....
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	November	1.96	2.39	11.91	12.02	7.97	14.91	15.38	5.98	9.19	7.56	11.07	
	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	January	1.37	1.71	11.26	11.56	7.49	15.20	15.27	9.72	7.74	7.43	7.87	
	February	1.43	1.92	11.43	11.63	7.65	15.07	15.20	9.17	9.47	7.44	10.60	
	March	1.60	2.48	11.30	11.50	7.52	15.04	15.14	11.18	9.38	6.58	10.61	
	April	1.90	2.83	11.41	11.62	7.64	15.00	15.10	11.71	9.85	7.19	11.23	
	May	2.00	2.58	11.58	11.96	7.83	14.92	15.04	11.80	9.80	7.17	11.18	
	June	1.95	2.67	11.55	11.75	7.78	14.85	15.02	10.79	10.21	6.64	11.05	
	July	1.84	2.98	11.15	11.39	7.56	14.86	15.01	11.21	9.79	6.83	10.82	
	August	3.98	3.94	12.08	12.32	8.03	14.94	15.03	12.12	10.10	6.99	11.12	
	September	6.29	6.79	11.71	12.02	8.04	14.90	15.00	11.69	9.77	7.63	11.20	
	October	5.37	5.54	12.00	12.25	8.23	14.96	15.07	12.39	9.87	7.84	10.97	
	November	3.02	4.65	12.00	12.33	8.36	14.90	14.99	12.72	9.02	7.04	10.48	
	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	January	6.20	7.48	12.12	12.23	8.35	14.88	14.96	12.97	10.41	8.69	10.97	
Relative significance <sup>a</sup>		–	–	66.12	62.15	25.21	36.94	35.55	1.39	3.96	0.97	2.99	

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

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

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

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

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

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

Up to February 1996, columns 3 and 4 showed interest rates on the interbank money market, according to information published by the Zagreb Money Market (ZMM). Starting from March 1996, interest rates on the money market are calculated as weighted monthly averages of weighted daily interest rates and shown separately for trad-

ing in overnight credits and trading in other credits on the ZMM. In the period between May 1998 and January 2001, the repayment of credits granted on the interbank overnight market was guaranteed by banks' required reserves with the CNB. Columns 5 through 13 show weighted averages of banks' and savings banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Total average	Housing credits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1992	December	20.41	9.90	....	....	21.41	....	....	....	....	....	....	....
1993	December	21.84	19.00	....	....	23.14	....	....	....	....	....	....	....
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	November	8.29	8.57	7.94	11.30	8.22	6.52	9.36	7.37	10.10	6.46	6.60	6.28
	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	January	8.09	8.35	7.74	10.39	8.01	6.73	9.01	7.24	9.76	6.19	6.70	5.59
	February	8.55	8.84	7.89	11.39	8.49	6.86	9.02	7.21	9.75	6.33	6.62	5.80
	March	8.41	8.64	8.06	10.67	8.35	6.69	8.87	7.18	9.61	5.70	6.40	5.30
	April	8.03	8.80	7.99	10.84	7.85	6.18	8.62	7.08	9.31	6.55	6.77	6.31
	May	8.07	8.31	7.66	10.86	8.02	6.74	8.49	7.12	9.27	4.60	6.00	4.03
	June	7.68	8.46	7.88	10.53	7.49	5.77	8.58	7.02	9.44	5.84	6.11	5.62
	July	8.05	8.67	8.17	10.54	7.90	6.41	8.62	7.04	9.47	4.74	6.31	4.20
	August	7.96	8.72	7.62	11.44	7.81	5.92	8.80	7.18	9.73	6.19	6.51	5.97
	September	8.12	7.79	7.25	10.21	8.24	6.64	8.77	7.10	9.81	4.77	5.14	4.42
	October	8.09	7.93	7.67	9.18	8.14	6.64	8.80	7.18	9.66	5.73	6.00	5.28
	November	7.39	7.42	7.24	8.46	7.38	5.38	8.78	6.92	9.80	5.58	6.25	5.08
	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	January	7.00	7.51	7.24	9.65	6.85	5.51	7.72	5.38	9.91	5.26	5.71	4.77
	Relative significance <sup>a</sup>	26.74	6.00	5.33	0.67	20.74	8.16	12.58	6.08	6.50	7.14	3.76	3.38

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1992	December	434.47	184.69	1,867.18	....	....	....	....	....	....
1993	December	27.42	18.16	52.16	....	....	....	....	....	....
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	November	1.58	0.94	3.52	3.44	4.36	2.80	5.56	7.11	2.37
	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	January	1.61	0.92	3.45	3.34	4.21	2.77	6.62	7.27	1.53
	February	1.64	0.95	3.51	3.43	4.31	2.87	6.45	6.68	1.33
	March	1.44	0.83	3.36	3.29	3.82	2.83	4.44	5.37	3.90
	April	1.40	0.80	3.16	3.12	3.87	2.62	4.73	5.31	2.23
	May	1.35	0.80	3.13	3.08	3.74	2.58	4.30	5.54	1.62
	June	1.37	0.80	3.37	3.31	3.74	2.96	5.20	5.79	2.37
	July	1.36	0.79	3.28	3.21	3.59	2.99	4.93	5.53	1.86
	August	1.50	0.75	3.83	3.80	3.62	3.90	4.90	5.25	2.01
	September	1.79	0.74	5.25	5.25	3.88	5.66	4.98	5.30	4.22
	October	1.70	0.74	4.72	4.72	3.66	5.15	4.66	4.71	4.22
	November	1.50	0.78	3.56	3.54	3.58	3.52	4.50	4.49	4.51
	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	January	1.77	0.75	4.96	4.96	3.88	5.22	4.84	5.08	4.08
Relative significance <sup>a</sup>		43.72	30.72	9.43	9.30	1.77	7.53	0.13	0.10	0.03

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits						
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits					
						Households		Enterprises			
						EUR	USD	EUR	USD		
1	2	3	4	5	6	7	8	9	10	11	
1992	December	6.04	....	....	....	....	....	....	....	....	....
1993	December	5.91	....	....	....	....	....	....	....	....	....
1994	December	6.95	....	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53	....
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39	....
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40	....
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74	....
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30	....
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29	....
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40	....
2002	November	3.58	3.97	4.87	2.54	0.51	0.52	0.42	0.56	0.42	....
	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38	....
2003	January	3.61	3.47	4.45	2.54	0.50	0.52	0.42	0.50	0.35	....
	February	3.30	2.82	5.17	2.50	0.45	0.47	0.31	0.54	0.30	....
	March	3.61	3.15	4.92	2.37	0.38	0.40	0.26	0.45	0.32	....
	April	3.52	3.42	4.85	2.36	0.36	0.37	0.24	0.46	0.28	....
	May	2.98	2.62	4.47	2.26	0.35	0.37	0.23	0.37	0.25	....
	June	3.61	3.37	4.43	2.24	0.34	0.37	0.23	0.31	0.20	....
	July	3.25	3.26	4.69	2.22	0.32	0.35	0.24	0.22	0.19	....
	August	3.14	2.71	4.77	2.17	0.32	0.36	0.24	0.25	0.18	....
	September	3.40	3.46	4.89	2.22	0.32	0.36	0.24	0.26	0.19	....
	October	3.37	3.18	4.74	2.20	0.32	0.36	0.23	0.26	0.27	....
	November	3.25	3.53	4.61	2.14	0.32	0.35	0.23	0.26	0.25	....
	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15	....
2004	January	3.67 <sup>a</sup>	3.44	4.43	2.46	0.31	0.33	0.22	0.26	0.17	....
Relative significance <sup>a</sup>		1.72	1.27	0.40	54.56	31.28	22.13	3.97	4.23	0.94	....

<sup>a</sup> Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table). <sup>b</sup> Of the total amount of deposits to which this interest rate refers, 43.96 percent refers to enterprises.

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

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

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

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

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

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

Up to December 2001, interest rates on foreign currency deposits

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

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

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

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

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

**Table G4b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits**

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

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total Average	On short-term deposits				Total Average	On long-term deposits				
			Households		Enterprises			Households		Enterprises		
		EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	
1	2	12	13	14	15	16	17	18	19	20	21	22
1992	December	....	....	....	....	....	....	....	....	....	....	....
1993	December	....	....	....	....	....	....	....	....	....	....	....
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	November	3.12	3.00	3.25	2.19	3.20	1.49	4.46	4.61	3.80	3.53	–
	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	January	3.09	2.91	3.29	2.20	2.76	1.44	4.42	4.63	3.85	3.28	4.60
	February	3.06	2.90	3.25	2.10	2.81	1.43	4.30	4.47	3.73	3.13	3.00
	March	2.91	2.78	3.12	1.90	2.72	1.46	4.33	4.53	3.29	3.22	2.00
	April	2.91	2.76	3.14	1.88	2.61	1.37	3.98	4.07	3.12	3.31	–
	May	2.72	2.60	2.94	1.83	2.56	1.42	4.25	4.41	2.96	3.65	1.84
	June	2.76	2.62	3.01	1.74	2.36	1.29	4.46	4.60	3.43	3.58	–
	July	2.75	2.57	2.91	1.75	2.37	1.20	4.31	4.44	3.01	2.61	1.33
	August	2.68	2.48	2.89	1.67	2.13	1.22	4.59	4.86	3.04	2.86	1.17
	September	2.64	2.46	2.89	1.70	2.21	1.15	4.23	4.90	3.00	3.07	–
	October	2.68	2.50	2.85	1.61	2.39	1.29	4.76	4.85	3.22	6.37	2.04
	November	2.52	2.36	2.79	1.59	2.15	1.12	4.19	4.31	2.98	3.37	0.00
	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	January	2.73	2.47	2.86	1.65	2.22	1.08	3.88	4.86	3.29	3.28	1.67
Relative significance <sup>a</sup>		23.28	18.92	11.28	1.62	4.70	1.32	4.36	1.65	0.21	2.50	0.00

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

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

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

**Table G5: Banks' Trade with Foreign Exchange**

Million EUR, current exchange rate

	1999	2000	2001	2002	2003	2003				2004	
						Mar.	Jun.	Sep.	Dec.	Jan. <sup>a</sup>	Feb. <sup>a</sup>
<b>A. Purchase of foreign exchange</b>											
1. Legal persons	2,924.9	3,316.4	5,012.4	7,112.1	12,862.8	1,006.4	1,077.1	1,328.9	1,537.6	1,467.3	1,930.0
2. Natural persons	2,170.0	2,549.2	3,339.9	3,342.7	3,571.5	271.2	334.4	295.8	288.3	215.8	232.2
2.1. Residents	1,794.7	2,021.1	2,684.5	2,842.0	3,103.1	250.4	276.3	250.8	275.1		
2.2. Non-residents	375.3	528.0	655.4	500.8	468.2	20.9	58.1	45.8	13.2		
3. Commercial banks	1,204.4	2,441.4	3,985.8	5,996.0	7,490.9	407.9	479.5	851.4	801.2	849.3	793.6
4. Croatian National Bank	934.8	168.2	481.7	294.4	438.3	150.1	–	–	63.1	33.0	
Total (1+2+3+4)	7,234.0	8,475.2	12,820.1	16,745.2	24,363.6	1,835.7	1,890.9	2,476.1	2,690.3	2,565.4	2,955.8
<b>B. Sale of foreign exchange</b>											
1. Legal persons	4,487.0	5,414.8	8,534.2	11,227.4	16,860.5	1,399.6	1,396.3	1,722.1	1,757.8	1,721.4	2,141.7
2. Natural persons	893.1	963.6	1,253.5	1,333.6	1,403.1	119.1	93.5	141.9	137.4	113.4	94.3
2.1. Residents	892.7	962.8	1,252.3	1,329.9	1,393.0	118.9	92.6	140.3	136.2		
2.2. Non-residents	0.4	0.6	1.2	3.7	10.1	0.3	0.9	1.6	1.2		
3. Commercial banks	1,204.4	2,441.4	3,985.8	5,996.0	7,490.9	407.9	479.5	851.4	801.2	849.3	793.6
4. Croatian National Bank	48.3	284.2	915.7	745.3	84.5	–	–	–	84.5		
Total (1+2+3+4)	6,632.8	9,104.1	14,689.5	19,302.4	25,838.9	1,926.7	1,969.3	2,715.4	2,780.9	2,684.0	3,029.6
<b>C. Net purchase (A-B)</b>											
1. Legal persons	-1,562.1	-2,098.4	-3,521.9	-4,115.1	-3,997.9	-393.2	-319.2	-393.3	-220.2	-254.3	-211.7
2. Natural persons	1,276.8	1,585.4	2,086.3	2,009.1	2,168.5	152.1	240.9	153.9	151.0	102.4	137.9
2.1. Residents	901.9	1,058.2	1,432.2	1,512.3	1,710.3	131.5	183.6	110.5	138.9		
2.2. Non-residents	374.9	527.3	654.2	497.0	458.2	20.6	57.3	43.4	12.1		
3. Croatian National Bank	886.5	-116.0	-434.0	-450.9	353.8	150.1	–	–	-21.4	33.0	
Total (1+2+3)	601.2	-628.9	-1,869.6	-2,557.0	-1,475.6	-91.0	-78.4	239.4	-90.6	-118.9	-73.8
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	1,044.9	405.8	536.8	197.5	570.8	–	–	–	164.4		
Sale of foreign exchange	100.4	86.9	2.6	3.3	94.9	–	5.3	–	–		44.0

<sup>a</sup> Preliminary data.

**Table G5: Banks' Trade with Foreign Exchange**

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

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

**Table H1: Balance of Payments – Summary**

Million US dollars

	1999	2000	2001	2002 <sup>b</sup>	2003 <sup>a</sup>	2003			
						Q1 <sup>a</sup>	Q2 <sup>a</sup>	Q3 <sup>a</sup>	Q4 <sup>a</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-1,397.2	-459.4	-725.1	-1,916.4	-2,038.8	-1,071.6	-1,450.5	1,994.4	-1,511.1
1. Goods, services, and income (2+5)	-2,029.7	-1,342.6	-1,690.8	-2,992.6	-3,432.5	-1,400.0	-1,821.2	1,648.8	-1,860.1
1.1. Credit	8,372.6	9,008.9	10,053.1	10,999.4	15,386.8	2,447.1	3,480.8	6,277.8	3,181.1
1.2. Debit	-10,402.2	-10,351.4	-11,743.8	-13,992.1	-18,819.2	-3,847.1	-5,302.0	-4,629.0	-5,041.2
2. Goods and services (3+4)	-1,673.4	-935.9	-1,174.3	-2,493.9	-2,279.5	-1,179.7	-1,024.9	1,706.6	-1,781.5
2.1. Credit	8,117.8	8,663.1	9,634.2	10,571.0	14,906.7	2,325.9	3,366.7	6,155.5	3,058.5
2.2. Debit	-9,791.1	-9,598.9	-10,808.5	-13,064.9	-17,186.1	-3,505.6	-4,391.6	-4,449.0	-4,839.9
3. Goods	-3,298.6	-3,203.8	-4,101.3	-5,648.6	-7,921.0	-1,450.7	-2,123.1	-2,119.4	-2,227.9
3.1. Credit	4,394.7	4,567.2	4,758.7	5,003.6	6,285.2	1,485.8	1,547.5	1,500.2	1,751.7
3.2. Debit	-7,693.3	-7,770.9	-8,860.0	-10,652.2	-14,206.3	-2,936.5	-3,670.6	-3,619.6	-3,979.6
4. Services	1,625.2	2,267.9	2,927.0	3,154.7	5,641.6	271.0	1,098.2	3,826.0	446.4
4.1. Credit	3,723.0	4,095.9	4,875.5	5,567.4	8,621.4	840.1	1,819.2	4,655.3	1,306.8
4.2. Debit	-2,097.8	-1,828.0	-1,948.5	-2,412.7	-2,979.9	-569.1	-721.1	-829.3	-860.4
5. Income	-356.3	-406.7	-516.5	-498.8	-1,153.0	-220.3	-796.3	-57.7	-78.6
5.1. Credit	254.8	345.8	418.9	428.4	480.1	121.1	114.1	122.3	122.6
5.2. Debit	-611.1	-752.5	-935.3	-927.2	-1,633.1	-341.5	-910.4	-180.0	-201.2
6. Current transfers	632.5	883.2	965.7	1,076.2	1,393.7	328.4	370.7	345.6	349.0
6.1. Credit	967.4	1,101.0	1,174.5	1,358.5	1,727.2	393.0	449.3	430.1	454.8
6.2. Debit	-335.0	-217.8	-208.8	-282.3	-333.5	-64.6	-78.6	-84.5	-105.8
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	2,497.1	1,197.4	1,270.5	2,761.8	3,005.5	1,089.8	1,110.2	-357.5	1,162.9
B1. Capital account	24.9	20.9	133.0	443.4	83.7	6.5	62.4	4.5	10.3
B2. Financial account, excl. reserves	2,850.7	1,758.7	2,450.6	3,015.3	4,313.2	1,257.9	1,338.4	-84.9	1,801.8
1. Direct investment	1,420.0	1,084.8	1,406.7	591.1	1,650.5	316.6	590.8	70.1	673.1
1.1. Abroad	-47.2	-3.9	-154.6	-532.9	-62.4	-22.3	-21.1	-0.4	-18.6
1.2. In Croatia	1,467.2	1,088.7	1,561.3	1,124.0	1,713.0	338.9	611.9	70.5	691.7
2. Portfolio investment	532.4	707.6	600.7	-259.8	1,006.1	811.8	244.3	-207.7	157.7
2.1. Assets	-38.3	-22.7	-129.3	-669.8	173.5	78.3	79.3	-152.8	168.7
2.2. Liabilities	570.8	730.3	730.0	410.0	832.6	733.6	165.0	-54.9	-11.0
3. Other investment	898.2	-33.7	443.2	2,684.0	1,656.5	129.5	503.3	52.7	971.0
3.1. Assets	-24.7	-986.5	349.6	384.4	-2,535.7	-73.5	-295.1	-981.2	-1,185.9
3.2. Liabilities	922.9	952.8	93.6	2,299.6	4,192.2	203.0	798.4	1,033.9	2,157.0
B3. Reserve assets (CNB)	-378.5	-582.1	-1,313.1	-696.9	-1,391.4	-174.5	-290.6	-277.1	-649.1
<b>C. NET ERRORS AND OMISSIONS</b>	-1,099.8	-738.0	-545.5	-845.4	-966.7	-18.2	340.3	-1,637.0	348.2

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

**Table: H1-H5: Balance of Payments**

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

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

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

Exports and Imports are shown on an f.o.b. basis. The basic data source for these items is the Report of the Central Bureau of Statistics

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

Regarding exports, beginning with the first quarter of 1999, coverage has been increased via estimates on purchases by individual foreign travellers in the Republic of Croatia. These estimates are based on the Survey on Consumption of Foreign Travellers in Croatia, carried out jointly by the Croatian National Bank and an external agency. Regarding imports, the difference between c.i.f. and f.o.b. is estimated on the basis of research studies of the CNB on samples of the largest and large importers, and the resulting value of f.o.b. imports is adjusted on the basis of foreign payments for repairs of ships and supply purchases in foreign ports, as well as estimates on purchases by individual Croatian citizens abroad, obtained via a research study of the CNB. From the first quarter of 1999 on, estimates are based on the Survey on Consumption of Domestic Travellers Abroad, carried out jointly by the Croatian National Bank and an external agency. For the 1995 to 1996 period, merchandise imports from the merchandise trade statistics are modified by estimates on imports in duty-free zones (prepared by the CNB), while from 1997 on, data on these imports are included in the merchandise trade statistics.

Beginning with the first quarter of 1999, income and expenditures

**Table H2: Balance of Payments – Goods and Services**

Million US dollars

	1999	2000	2001	2002 <sup>a</sup>	2003 <sup>a</sup>	2003			
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>
1. Goods	-3,298.6	-3,203.8	-4,101.3	-5,648.6	-7,921.0	-1,450.7	-2,123.1	-2,119.4	-2,227.9
1.1. Credit	4,394.7	4,567.2	4,758.7	5,003.6	6,285.2	1,485.8	1,547.5	1,500.2	1,751.7
1.1.1. Exports f.o.b. in trade statistics	4,302.5	4,431.6	4,665.9	4,903.6	6,164.2	1,463.0	1,516.3	1,470.2	1,714.7
1.1.2. Adjustments for coverage	92.2	135.6	92.8	100.0	121.0	22.9	31.2	30.0	37.0
1.2. Debit	-7,693.3	-7,770.9	-8,860.0	-10,652.2	-14,206.3	-2,936.5	-3,670.6	-3,619.6	-3,979.6
1.2.1. Imports c.i.f. in trade statistics	-7,798.6	-7,886.5	-9,147.1	-10,722.0	-14,198.9	-2,952.3	-3,663.1	-3,595.1	-3,988.4
1.2.2. Adjustments for coverage	-448.4	-444.4	-362.3	-330.1	-537.0	-94.3	-144.1	-158.6	-139.9
1.2.3. Adjustments for classification	553.7	559.9	649.4	399.9	529.6	110.1	136.6	134.1	148.8
2. Services	1,625.2	2,267.9	2,927.0	3,154.7	5,641.6	271.0	1,098.2	3,826.0	446.4
2.1. Transportation	83.8	178.6	166.8	163.4	284.6	53.7	73.8	96.6	60.6
2.1.1. Credit	484.0	557.3	588.6	590.2	787.7	153.9	206.3	228.3	199.2
2.1.2. Debit	-400.1	-378.7	-421.8	-426.8	-503.0	-100.2	-132.6	-131.6	-138.7
2.2. Travel	1,742.0	2,189.9	2,728.6	3,030.2	5,704.1	270.7	1,098.0	3,802.5	532.8
2.2.1. Credit	2,493.4	2,758.0	3,335.0	3,811.4	6,376.4	397.8	1,245.6	4,025.5	707.5
2.2.2. Debit	-751.4	-568.1	-606.4	-781.3	-672.4	-127.1	-147.6	-223.0	-174.7
2.3. Other services	-200.6	-100.6	31.6	-38.9	-347.1	-53.4	-73.6	-73.2	-146.9
2.3.1. Credit	745.7	780.6	951.9	1,165.8	1,457.3	288.4	367.3	401.5	400.1
2.3.2. Debit	-946.3	-881.2	-920.3	-1,204.6	-1,804.4	-341.8	-440.9	-474.7	-547.0
Total (1+2)	-1,673.4	-935.9	-1,174.3	-2,493.9	-2,279.5	-1,179.7	-1,024.9	1,706.6	-1,781.5

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

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

Income from travel-tourism is calculated on the basis of the Survey on Consumption of Foreign Travellers in Croatia starting in the first quarter of 1999. Additional data from the Croatian Institute for Health Insurance on health services provided to non-residents is also used.

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

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

The income account includes data from the foreign payments statistics on compensation of employees, payments on the basis of interest, data from the CNB's research on income paid from foreign direct and portfolio investment of the private sector, Croatian National Bank data and Financial Agency data on income paid from foreign portfolio investment in the official sector and estimates on residents' income from factor services to peacekeeping and humanitarian missions in the Republic of Croatia, based on the research of the Croatian National Bank for the period 1993 to 1996, data on foreign direct investment do not include data on retained profit.

Current transfers to the government include data from the foreign

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

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

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

The foreign exchange expenditures of the household sector include purchases of foreign cash from exchange offices and withdrawals of foreign cash from households' foreign exchange accounts at domestic banks. Realized foreign payments and expenditures from business trips, education and training, tourist payments and other tourist expenditures are added to this. The total outflow is decreased by: individuals' expenditures for goods abroad and expenditures for foreign tourism by residents (Survey on Consumption of Domestic Travellers Abroad, which is carried out jointly by the Croatian National Bank and an external agency). Expenditures on transfers of other sectors are based on foreign payments statistics data on the total value of foreign exchange transfers abroad.

**Table H3: Balance of Payments – Income and Current Transfers**

Million US dollars

	1999	2000	2001	2002 <sup>a</sup>	2003 <sup>a</sup>	2003			
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>
1. Income	-356.3	-406.7	-516.5	-498.8	-1,153.0	-220.3	-796.3	-57.7	-78.6
1.1. Compensation of employees	60.3	69.6	124.5	154.8	202.9	46.8	41.0	55.4	59.6
1.1.1. Credit	75.2	82.7	137.3	173.2	241.2	51.7	54.4	62.9	72.2
1.1.2. Debit	-14.9	-13.1	-12.8	-18.4	-38.3	-4.9	-13.4	-7.5	-12.5
1.2. Direct investment income	-65.5	-152.9	-290.5	-320.3	-948.6	-61.4	-783.3	-45.3	-58.5
1.2.1. Credit	4.6	9.3	20.2	23.3	21.4	10.7	6.0	5.3	-0.6
1.2.2. Debit	-70.1	-162.2	-310.7	-343.7	-970.0	-72.2	-789.3	-50.5	-58.0
1.3. Portfolio investment income	-129.4	-178.8	-218.1	-193.5	-258.9	-176.1	-18.2	-31.8	-32.9
1.3.1. Credit	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Debit	-129.5	-178.8	-218.1	-193.6	-258.9	-176.1	-18.2	-31.8	-32.9
1.4. Other investment income	-221.6	-144.5	-132.4	-139.7	-148.4	-29.6	-35.9	-36.1	-46.9
1.4.1. Credit	174.9	253.8	261.4	231.8	217.5	58.7	53.7	54.1	51.0
1.4.2. Debit	-396.6	-398.3	-393.7	-371.5	-365.9	-88.3	-89.6	-90.2	-97.9
2. Current transfers	632.5	883.2	965.7	1,076.2	1,393.7	328.4	370.7	345.6	349.0
2.1. General government	-130.3	21.7	56.7	28.6	76.4	23.8	29.8	17.2	5.6
2.1.1. Credit	76.2	118.0	125.5	132.2	237.8	58.5	70.1	55.6	53.5
2.1.2. Debit	-206.5	-96.3	-68.9	-103.6	-161.4	-34.7	-40.3	-38.5	-47.9
2.2. Other sectors	762.7	861.5	909.0	1,047.6	1,317.3	304.6	340.9	328.4	343.4
2.2.1. Credit	891.2	983.0	1,049.0	1,226.3	1,489.4	334.4	379.2	374.4	401.3
2.2.2. Debit	-128.5	-121.5	-139.9	-178.7	-172.1	-29.8	-38.3	-46.0	-57.9
Total (1+2)	276.2	476.5	449.2	577.4	240.7	108.1	-425.6	287.9	270.4

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

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

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

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

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

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

Item Assets – Currency and deposits – Banks in the 1993 to 1998 period shows the change in the total liquid foreign exchange of banks authorized to do business abroad reduced by the amount of foreign exchange deposited by banks with the CNB in fulfilment of a part of their reserve requirements. Beginning with the first quarter of 1999, transaction-based changes are estimated by converting changes in the original currencies into US dollar changes using the average monthly exchange rate of currencies held in the banks' assets against the US

dollar. Item Assets – Currency and deposits – Other sectors, in the 1993 to 1998 period includes a part of the net foreign exchange inflows of the household sector which is not classified on the current account, and which amounts to 85% of the unexplained foreign exchange inflows to the household sector. Beginning with the first quarter of 1999, this item is no longer estimated.

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

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

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

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

**Table H4: Balance of Payments – Other Investments**

Million US dollars

	1999	2000	2001	2002 <sup>b</sup>	2003 <sup>a</sup>	2003			
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>a</sup>
<b>ASSETS</b>	-24.7	-986.5	349.6	384.3	-2,535.8	-73.5	-295.1	-981.2	-1,185.9
1. Trade credits	-292.1	97.8	56.7	-91.5	-167.3	-29.0	-6.5	-8.7	-123.2
1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other sectors	-292.1	97.8	56.7	-91.5	-167.3	-29.0	-6.5	-8.7	-123.2
1.2.1. Long-term	-20.7	2.4	8.3	-14.6	-8.5	-6.4	2.7	5.6	-10.5
1.2.2. Short-term	-271.4	95.4	48.4	-77.0	-158.8	-22.6	-9.3	-14.3	-112.7
2. Loans	-97.5	-93.2	34.7	-55.1	-39.3	11.1	26.4	-42.8	-34.0
2.1. General government	1.1	0.0	-3.2	0.6	-1.3	-0.6	-0.4	-0.3	0.0
2.1.1. Long-term	1.1	0.0	-3.2	0.6	-1.3	-0.6	-0.4	-0.3	0.0
2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Banks	-24.6	2.7	-9.2	-20.0	-2.3	-1.0	6.0	-2.1	-5.2
2.2.1. Long-term	-14.8	2.3	-3.0	-15.5	7.2	7.8	3.0	0.0	-3.6
2.2.2. Short-term	-9.8	0.4	-6.3	-4.5	-9.5	-8.9	2.9	-2.0	-1.6
2.3. Other sectors	-74.0	-96.0	47.1	-35.7	-35.6	12.8	20.8	-40.4	-28.8
2.3.1. Long-term	-74.0	-96.0	47.1	-35.6	-35.6	12.8	20.8	-40.4	-28.8
2.3.2. Short-term	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
3. Currency and deposits	364.9	-991.1	258.1	531.0	-2,329.2	-55.7	-315.1	-929.7	-1,028.7
3.1. General government	12.3	-26.7	-15.2	-28.4	27.6	69.3	-15.6	68.7	-94.7
3.2. Banks	185.6	-921.4	-1,613.7	1,366.8	-2,308.8	-194.9	-259.4	-920.4	-934.1
3.3. Other sectors	167.0	-43.0	1,887.0	-807.4	-48.0	70.0	-40.0	-78.0	0.0
<b>LIABILITIES</b>	922.9	952.8	93.6	2,299.6	4,192.2	203.0	798.4	1,033.9	2,157.0
1. Trade credits	310.6	276.9	72.7	474.0	570.0	-291.4	443.0	207.9	210.5
1.1. General government	0.9	-3.2	1.1	0.1	-0.5	-0.2	-0.1	-0.2	-0.1
1.1.1. Long-term	-1.0	-0.5	1.1	0.1	-0.5	-0.2	-0.1	-0.2	-0.1
1.1.2. Short-term	1.9	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other sectors	309.7	280.1	71.6	474.0	570.6	-291.1	443.1	208.1	210.6
1.2.1. Long-term	-9.3	-12.7	-14.9	-8.4	-66.5	-8.4	-14.1	-17.6	-26.4
1.2.2. Short-term	319.0	292.8	86.5	482.3	637.1	-282.7	457.2	225.6	237.0
2. Loans	576.7	780.8	-179.8	658.0	2,267.1	393.8	-136.1	854.8	1,154.6
2.1. Monetary authorities	-31.4	-28.7	-30.8	-129.6	0.0	0.0	0.0	0.0	0.0
2.1.1. Use of Fund credit and loans	-31.4	-28.7	-30.8	-129.6	0.0	0.0	0.0	0.0	0.0
2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.1.2. Repayments	-31.4	-28.7	-30.8	-129.6	0.0	0.0	0.0	0.0	0.0
2.2. General government	186.1	300.8	-189.8	390.1	509.1	-18.2	-1.1	127.5	401.0
2.2.1. Long-term	170.6	13.9	170.2	390.1	509.1	-18.2	-1.1	127.5	401.0
2.2.1.1. Drawings	236.1	264.6	325.3	547.3	731.4	34.5	67.2	183.1	446.5
2.2.1.2. Repayments	-65.5	-250.6	-155.1	-157.2	-222.3	-52.7	-68.3	-55.7	-45.6
2.2.2. Short-term (net)	15.5	286.9	-360.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Banks	-5.7	101.5	127.6	65.6	792.0	250.3	-227.0	340.5	428.2
2.3.1. Long-term	-7.2	107.9	133.1	65.4	729.5	250.4	-194.2	331.2	342.1
2.3.1.1. Drawings	494.6	652.6	750.0	610.6	1,443.5	450.6	47.8	556.1	388.9
2.3.1.2. Repayments	-501.8	-544.7	-616.9	-545.2	-713.9	-200.3	-242.0	-224.9	-46.7
2.3.2. Short-term (net)	1.5	-6.4	-5.5	0.2	62.5	-0.1	-32.8	9.2	86.1
2.4. Other sectors	427.7	407.2	-86.8	331.8	966.0	161.7	92.0	386.8	325.4
2.4.1. Long-term	439.3	466.5	-38.7	252.0	861.5	131.4	74.4	369.4	286.2
2.4.1.1. Drawings	979.8	971.1	690.1	1,106.1	1,767.8	363.5	306.2	627.6	470.5
2.4.1.2. Repayments	-540.5	-504.6	-728.8	-854.1	-906.3	-232.2	-231.8	-258.1	-184.2
2.4.2. Short-term (net)	-11.6	-59.3	-48.1	79.9	104.6	30.4	17.6	17.4	39.2
3. Currency and deposits	35.6	-104.9	200.7	1,167.6	1,355.1	100.5	491.5	-28.7	791.8
3.1. Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Banks	35.6	-104.9	200.7	1,167.6	1,355.1	100.5	491.5	-28.7	791.8
4. Other liabilities (short-term)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

**Table H5: Balance of Payments – Summary**

Million kuna

	1999	2000	2001	2002 <sup>a</sup>	2003 <sup>a</sup>	2003			
						Q1 <sup>b</sup>	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>
<b>A. CURRENT ACCOUNT (1+6)</b>	-9,953.0	-3,894.0	-6,052.7	-15,676.6	-13,320.3	-7,553.0	-9,494.1	13,314.6	-9,587.8
1. Goods, services, and income (2+5)	-14,456.2	-11,217.5	-14,108.1	-24,176.6	-22,752.2	-9,892.9	-11,974.1	10,959.5	-11,844.8
1.1. Credit	59,736.5	74,694.1	83,975.4	85,409.6	102,930.5	17,300.2	23,281.5	41,821.7	20,527.0
1.2. Debit	-74,192.7	-85,911.5	-98,083.6	-109,586.1	-125,682.7	-27,193.1	-35,255.6	-30,862.2	-32,371.8
2. Goods and services (3+4)	-11,928.5	-7,894.9	-10,019.2	-20,108.6	-14,960.0	-8,332.3	-6,745.8	11,456.1	-11,338.1
2.1. Credit	57,919.7	71,797.8	80,246.0	82,071.6	99,827.5	16,444.6	22,525.5	41,115.3	19,742.1
2.2. Debit	-69,848.2	-79,692.7	-90,265.2	-102,180.2	-114,787.5	-24,776.9	-29,271.3	-29,659.2	-31,080.2
3. Goods	-23,586.6	-26,686.7	-34,327.9	-44,138.0	-52,868.1	-10,249.3	-14,184.2	-14,133.7	-14,300.9
3.1. Credit	31,369.6	37,910.1	39,690.9	39,196.2	42,021.4	10,504.7	10,258.2	9,997.1	11,261.4
3.2. Debit	-54,956.2	-64,596.7	-74,018.8	-83,334.2	-94,889.5	-20,754.0	-24,442.4	-24,130.7	-25,562.3
4. Services	11,658.1	18,791.7	24,308.7	24,029.4	37,908.0	1,917.0	7,438.4	25,589.8	2,962.8
4.1. Credit	26,550.1	33,887.7	40,555.2	42,875.5	57,806.1	5,939.9	12,267.3	31,118.2	8,480.7
4.2. Debit	-14,892.0	-15,096.0	-16,246.4	-18,846.0	-19,898.1	-4,022.9	-4,828.9	-5,528.4	-5,517.9
5. Income	-2,527.7	-3,322.5	-4,089.0	-4,068.0	-7,792.2	-1,560.6	-5,228.3	-496.6	-506.7
5.1. Credit	1,816.8	2,896.3	3,729.4	3,338.0	3,103.0	855.6	755.9	706.4	784.9
5.2. Debit	-4,344.5	-6,218.8	-7,818.4	-7,405.9	-10,895.2	-2,416.2	-5,984.3	-1,203.1	-1,291.6
6. Current transfers	4,503.2	7,323.5	8,055.5	8,500.0	9,431.9	2,339.9	2,480.0	2,355.1	2,257.0
6.1. Credit	6,898.2	9,131.4	9,795.4	10,465.9	11,360.3	2,757.9	2,928.6	2,832.3	2,841.6
6.2. Debit	-2,394.9	-1,807.9	-1,740.0	-1,965.9	-1,928.4	-418.0	-448.6	-477.3	-584.6
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	17,191.0	9,958.9	10,184.5	21,603.9	20,144.9	7,702.3	7,373.0	-2,405.7	7,475.3
B1. Capital account	178.0	172.1	1,140.1	3,695.5	545.0	45.8	402.5	30.7	66.0
B2. Financial account, excl. reserves	20,005.0	14,596.5	20,079.4	23,480.7	28,884.8	8,866.1	8,974.3	-559.9	11,604.2
1. Direct investment	10,132.2	8,760.9	11,693.8	4,501.8	10,948.6	2,236.2	3,883.6	470.8	4,357.9
1.1. Abroad	-347.2	-32.9	-1,279.6	-4,375.9	-418.1	-157.6	-140.9	-0.5	-119.1
1.2. In Croatia	10,479.3	8,793.8	12,973.4	8,877.7	11,366.7	2,393.9	4,024.5	471.3	4,477.0
2. Portfolio investment	3,697.3	5,658.5	4,975.0	-1,889.0	6,967.1	5,737.2	1,606.0	-1,385.4	1,009.4
2.1. Assets	-277.4	-189.8	-1,081.7	-5,201.6	1,125.4	550.3	514.2	-1,019.0	1,079.9
2.2. Liabilities	3,974.8	5,848.2	6,056.7	3,312.6	5,841.7	5,186.9	1,091.7	-366.4	-70.5
3. Other investment	6,175.5	177.1	3,410.6	20,867.9	10,969.1	892.7	3,484.8	354.8	6,236.9
3.1. Assets	-503.7	-8,136.7	2,531.2	3,291.3	-16,340.8	-539.9	-1,776.6	-6,542.7	-7,481.7
3.2. Liabilities	6,679.1	8,313.8	879.4	17,576.6	27,310.0	1,432.6	5,261.3	6,897.4	13,718.6
B3. Reserve assets (CNB)	-2,992.0	-4,809.8	-11,035.1	-5,572.2	-9,284.8	-1,209.6	-2,003.9	-1,876.5	-4,194.9
<b>C. NET ERRORS AND OMISSIONS</b>	-7,238.0	-6,064.9	-4,131.8	-5,927.3	-6,824.6	-149.4	2,121.1	-10,908.9	2,112.5

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

**Table H6: International Reserves and Banks' Foreign Exchange Reserves**

End of period, million US dollars

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves <sup>a</sup>
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign exchange			
						Total	Currency and deposits	Bonds and notes	
1991	December	–	–	–	–	–	–	–	200.9
1992	December	166.8	–	–	–	166.8	166.8	–	484.0
1993	December	616.2	3.7	–	–	612.5	612.5	–	689.4
1994	December	1,405.0	4.5	–	–	1,400.5	1,400.5	–	878.7
1995	December	1,895.2	139.8	–	–	1,755.4	1,651.0	104.3	1,330.3
1996	December	2,314.0	125.6	–	–	2,188.4	2,016.6	171.8	1,919.5
1997	December	2,539.1	147.1	0.1	–	2,391.9	2,011.7	380.2	2,291.3
1998	December	2,815.7	231.2	0.2	–	2,584.4	1,927.0	657.4	1,885.2
1999	December	3,025.0	189.5	0.2	–	2,835.3	2,459.8	375.5	1,350.2
2000	December	3,524.8	147.7	0.2	–	3,376.9	2,574.3	802.6	2,152.9
2001	December	4,704.2	108.4	0.2	–	4,595.6	3,060.3	1,535.3	3,577.4
2002	November	5,852.9	76.5	0.2	–	5,776.1	3,914.2	1,861.9	2,665.3
	December	5,885.8	2.4	0.2	–	5,883.2	3,945.0	1,938.2	2,688.7
2003	January	5,948.9	2.5	0.2	–	5,946.2	3,982.8	1,963.4	2,653.5
	February	6,429.5	1.4	0.2	–	6,427.9	4,275.8	2,152.1	2,443.1
	March	6,207.8	1.4	0.2	–	6,206.2	3,524.0	2,682.1	2,913.1
	April	6,524.1	1.4	0.2	–	6,522.4	2,898.9	3,623.5	2,601.4
	May	7,003.5	1.2	0.2	–	7,002.0	3,034.4	3,967.6	3,149.0
	June	6,772.2	1.3	0.2	–	6,770.7	3,011.0	3,759.7	3,232.3
	July	6,663.5	1.3	0.2	–	6,662.0	2,839.8	3,822.2	3,569.7
	August	6,624.1	1.0	0.2	–	6,622.8	2,986.4	3,636.4	3,404.9
	September	7,058.5	1.0	0.2	–	7,057.2	3,227.4	3,829.8	3,821.5
	October	7,237.0	1.0	0.2	–	7,235.7	3,332.4	3,903.4	3,810.8
	November	7,860.0	0.8	0.2	–	7,859.0	3,887.7	3,971.2	4,018.7
	December	8,191.3	0.8	0.3	–	8,190.2	4,181.8	4,008.4	4,908.1
2004	January	8,242.8	1.1	0.2	–	8,241.4	4,353.8	3,887.6	4,638.4
	February <sup>b</sup>	8,237.1	0.8	0.3	–	8,236.0	4,170.5	4,065.5	4,381.4

<sup>a</sup> Data starting from May 1999 have been revised. <sup>b</sup> Preliminary data.**Table H6: International Reserves and Banks' Foreign Exchange Reserves**

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

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

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

**Table H7: International Reserves and Foreign Currency Liquidity**

Million US dollars

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec. <sup>a</sup>	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
<b>I. Official reserve assets and other f/c assets (approximate market value)</b>									
A. Official reserve assets	2,847.4	3,432.3	4,704.2	5,885.8	6,207.8	6,772.2	7,058.5	8,191.3	8,242.8
(1) Foreign currency reserves (in convertible f/c)	2,616.3	2,567.4	3,420.3	4,423.1	4,909.2	6,121.6	6,220.8	7,174.0	6,830.0
(a) Securities	375.5	802.6	1,535.3	1,938.2	2,682.1	3,759.7	3,829.8	4,008.4	3,887.6
o/w: issuer headquartered in reporting country but located abroad									
(b) Total currency and deposits with:	2,240.8	1,764.8	1,885.0	2,484.9	2,227.0	2,361.9	2,391.0	3,165.6	2,942.4
(i) other national central banks, BIS and IMF	712.3	545.7	406.9	338.6	335.5	401.6	325.5	338.8	291.9
(ii) banks headquartered in the reporting country									
o/w: located abroad									
(iii) banks headquartered outside the reporting country	1,528.6	1,219.1	1,478.1	2,146.3	1,891.5	1,960.3	2,065.5	2,826.8	2,650.5
o/w: located in the reporting country									
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
(3) SDRs	189.5	147.7	108.4	2.4	1.4	1.3	1.0	0.8	1.1
(4) gold									
(5) other reserve assets	41.4	717.0	1,175.3	1,460.1	1,297.0	649.1	836.4	1,016.2	1,411.4
– reverse repo	41.4	717.0	1,175.3	1,460.1	1,297.0	649.1	836.4	1,016.2	1,411.4
B. Other foreign currency assets (specify)	177.6	92.5							
– time deposits	177.6	92.5							
C. Total (A+B)	3,025.0	3,524.8	4,704.2	5,885.8	6,207.8	6,772.2	7,058.5	8,191.3	8,242.8
<b>II. Predetermined short-term net drains on f/c assets (nominal value)</b>									
1. F/c loans, securities, and deposits (total net drains up to one year)	-932.6	-1,210.8	-1,191.4	-771.6	-846.3	-884.6	-1,448.7	-1,922.2	-1,642.1
(a) Croatian National Bank	-258.7	-265.0	-391.1	-174.4	-199.2	-241.4	-625.9	-808.5	-530.2
Up to 1 month									
Principal	-90.2	-107.6	-172.9	-142.6	-150.6	-184.3	-477.1	-444.8	-386.2
Interest	-5.0	-4.3	-2.8	-2.3	-2.0	-1.9	-2.2	-2.4	-2.5
More than 1 and up to 3 months									
Principal	-123.6	-116.5	-179.6	-27.6	-46.4	-55.0	-146.3	-360.4	-141.0
Interest	-2.7	-2.8	-1.9	-0.1	-0.2	-0.2	-0.3	-0.9	-0.4
More than 3 months and up to 1 year									
Principal	-29.9	-29.0	-30.4	-1.7					
Interest	-7.3	-4.7	-3.4	-0.1					
(b) Central government (excluding extrabudgetary funds)	-673.9	-945.8	-800.3	-597.3	-647.1	-643.2	-822.9	-1,113.7	-1,111.9
Up to 1 month									
Principal	-63.5	-89.3	-89.7	-102.1	-3.1	-104.5	-3.5	-107.4	-3.0
Interest	-58.3	-69.0	-49.0	-44.6	-3.2	-53.6	-3.4	-43.0	-72.4
More than 1 and up to 3 months									
Principal	-6.0	-93.8	-310.1	-9.0	-55.0	-8.3	-31.9	-11.6	-12.5
Interest	-42.9	-77.1	-110.9	-154.3	-20.2	-7.3	-22.8	-210.4	-139.9
More than 3 months and up to 1 year									
Principal	-384.6	-497.1	-150.6	-183.5	-261.0	-186.6	-441.6	-618.9	-726.9
Interest	-118.7	-119.6	-90.0	-103.8	-304.7	-282.9	-319.6	-122.4	-157.2
2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)									
(a) Short positions (-)									
Up to 1 month									
More than 1 and up to 3 months									
More than 3 months and up to 1 year									
(b) Long positions (+)									
Up to 1 month									
More than 1 and up to 3 months									
More than 3 months and up to 1 year									
3. Other	-21.3	-40.7	-66.3	-22.4	-153.8	-129.6	-391.3	-454.3	-947.6
– outflows related to repos (-)	-21.3	-40.7	-66.3	-22.4	-153.8	-129.6	-391.3	-454.3	-947.6
Up to 1 month									
Principal	-21.3	-40.6	-66.3	-22.4	-153.6	-129.5	-391.1	-453.8	-946.6
Interest	0.0	-0.1	-0.1	0.0	-0.2	0.0	-0.3	-0.5	-1.0
More than 1 and up to 3 months									
Principal									
Interest									
More than 3 months and up to 1 year									
Principal									
Interest									
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-954.0	-1,251.5	-1,257.7	-794.1	-1,000.1	-1,014.2	-1,840.1	-2,376.5	-2,589.7
<b>III. Contingent short-term net drains on f/c assets (nominal value)</b>									
1. Contingent liabilities in foreign currency	-869.9	-969.3	-960.3	-1,698.7	-1,424.9	-1,594.3	-1,437.5	-1,625.2	-1,671.4
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-278.6	-714.4	-370.5	-381.0	-406.9	-533.4	-551.7
– Croatian National Bank									
– Central government (excluding extrabudgetary funds)	-263.6	-296.0	-278.6	-714.4	-370.5	-381.0	-406.9	-533.4	-551.7
Up to 1 month	-37.3	-48.4	-43.6	-54.5	-10.9	-59.8	-9.5	-69.7	-48.3
More than 1 and up to 3 months	-57.6	-11.4	-21.8	-36.7	-38.0	-39.8	-44.4	-118.6	-101.4

More than 3 months and up to 1 year	-168.7	-236.2	-213.2	-623.2	-321.6	-281.4	-352.9	-345.0	-402.0	
(b) Other contingent liabilities	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,030.7	-1,091.8	-1,119.7	
– Croatian National Bank	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,030.7	-1,091.8	-1,119.7	
Up to 1 month										
More than 1 and up to 3 months	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,030.7	-1,091.8	-1,119.7	
More than 3 months and up to 1 year										
– Central government (excluding extrabudgetary funds)										
2. F/c sec. issued with embedded options (puttable bonds)										
3. Undrawn, unconditional credit lines provided by	80.0	80.0	150.7							
– BIS (+)	80.0	80.0								
– IMF (+)			150.7							
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency										
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-789.9	-889.3	-809.7	-1,698.7	-1,424.9	-1,594.3	-1,437.5	-1,625.2	-1,671.4	
<b>IV. Memo items</b>										
(a) short-term domestic currency debt indexed to the exchange rate										
o/w: central government (excluding extrabudgetary funds)										
(b) financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)										
(c) pledged assets	177.0									
(d) securities lent and on repo										
– lent or repoed and included in Section I	-20.1	-40.0	-61.7	-20.8	-140.5	-122.8	-374.1	-438.7	-910.6	
– lent or repoed but not included in Section I										
– borrowed or acquired and included in Section I										
– borrowed or acquired but not included in Section I	37.4	685.6	1,089.3	1,385.5	1,231.3	578.3	799.3	981.2	1,351.0	
(e) financial derivative assets (net, marked to market)										
(f) currency composition of official reserves assets <sup>a</sup>										
– currencies in SDR basket	2,983.7	3,524.8	4,704.2	5,885.8	6,207.8	6,772.2	7,058.5	8,191.3	8,242.8	
– currencies not in SDR basket	41.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
– by individual currencies										
	USD	1,186.1	922.5	1,533.2	1,667.2	1,870.9	2,135.4	2,049.1	2,421.7	2,644.6
	EUR	1,405.1	2,453.9	2,062.0	4,215.9	4,335.2	4,427.7	5,008.1	5,768.6	5,596.8
	Other	433.8	148.4	109.0	2.7	1.7	209.2	1.3	1.1	1.4

<sup>a</sup> Until January 2001: Currency structure of official reserve assets and other foreign currency assets. <sup>b</sup> In accordance with the recommendation made by the IMF, time deposits with a maturity over 3 months were also included in Official reserve assets (I.A.). These deposits were previously included in Other foreign currency assets (I.B.).

**Table H7: International Reserves and Foreign Currency Liquidity**

International reserves and foreign currency liquidity are shown in accordance with a Template on international reserves and foreign currency liquidity, drawn up by the IMF. A detailed explanation of the Template is given in “International Reserves and Foreign Currency Liquidity – Guidelines for a Data Template, 2001”.

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (I.A.) show those types of assets that are readily available to the CNB at any moment for bridging imbalances in international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of up to 1 year, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities.

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

Other (II.3.) includes future payments arising from repo agreements with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds), which fall due in the following 12 months. Contingent liabilities in foreign currency (III.1.) include future principal and interest payments on foreign loans guaranteed by the central government, and banks’ foreign currency reserve requirements. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises foreign exchange sources of funds, including ordinary foreign exchange accounts, special foreign exchange accounts, sight foreign exchange accounts and savings deposits, received foreign exchange deposits and received foreign exchange loans, as well as obligations arising from securities issued in foreign exchange (excluding the bank’s equity securities) and hybrid and subordinated instruments). Undrawn credit lines show potential inflows (+) or outflows (-) which would arise from drawdowns under these credits.

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

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1993		4.133563	0.305485	0.621058	0.224018	2.433869	5.369428	3.577417	2.155526
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2003		7.563414				4.977823	10.945665	6.701390	
2002	November	7.467559				5.090816	11.740230	7.464486	
	December	7.423370				5.059394	11.566062	7.297541	
2003	January	7.500084				5.135489	11.424463	7.081599	
	February	7.583557				5.168355	11.367500	7.032163	
	March	7.662875				5.218167	11.233061	7.098993	
	April	7.553503				5.052297	10.967309	6.965821	
	May	7.542339				4.981129	10.611795	6.548923	
	June	7.535980				4.892906	10.710707	6.443352	
	July	7.497616				4.846985	10.726292	6.590582	
	August	7.514508				4.877767	10.754869	6.736661	
	September	7.498390				4.845884	10.782269	6.701337	
	October	7.591783				4.906285	10.874359	6.486725	
	November	7.610261				4.885643	10.991890	6.502923	
	December	7.670232				4.933835	10.933628	6.253412	
2004	January	7.690466				4.913582	11.080823	6.093513	
	February	7.650180				4.864021	11.296065	6.059802	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1993		7.262200	0.540504	1.120052	0.381300	4.471653	9.714800	6.561900	3.801812
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2002	November	7.431178				5.035697	11.613030	7.482809	
	December	7.442292				5.120256	11.451442	7.145744	
2003	January	7.555767				5.139628	11.544335	7.035165	
	February	7.620482				5.210230	11.185208	7.052737	
	March	7.692318				5.210186	11.196969	7.164976	
	April	7.567308				5.021772	10.965524	6.889392	
	May	7.546434				4.937150	10.514747	6.368836	
	June	7.508844				4.856007	10.879229	6.574019	
	July	7.541513				4.870205	10.704774	6.591079	
	August	7.457896				4.853189	10.816383	6.835209	
	September	7.571370				4.914878	10.936545	6.630502	
	October	7.593986				4.892087	11.055446	6.494472	
	November	7.655148				4.949662	11.006683	6.383013	
	December	7.646909				4.901551	10.860544	6.118506	
2004	January	7.670249				4.910845	11.203986	6.188180	
	February	7.607293				4.818707	11.357559	6.138379	

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

Indices 1995=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producers' prices	Retail price index
1997	December	107.96	104.89	103.27
1998	December	111.87	108.03	102.41
1999	December	122.56	116.27	109.49
2000	December	125.97	113.53	107.66
2001	December	122.99	111.96	104.32
2002	November	119.93	109.08	101.89
	December	118.58	108.13	100.64
2003	January	118.31	108.68	100.46
	February	118.95	109.68	101.38
	March	120.10	110.90	102.48
	April	118.17	108.49	101.16
	May	115.76	106.62	98.84
	June	115.10	106.03	98.20
	July	115.50	106.31	98.50
	August	116.45	106.78	99.60
	September	116.10	107.01	99.26
	October	115.93	106.92	98.73
	November	116.20	106.81 <sup>a</sup>	98.89 <sup>a</sup>
	December	115.43	106.16 <sup>a</sup>	98.08 <sup>a</sup>
2004	January	114.73		
	February	114.14		

<sup>a</sup> Preliminary data.

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

showed the currency structure of the total foreign currency assets of the CNB (section I.). From January 2001, the currency structure refers to official reserve assets (section I.).

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

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

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

**Table H11: External Debt by Domestic Sectors**

Million US dollars

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Direct investment	348.6	626.6	635.0	1,060.8	1,282.3	1,469.0	1,600.9	1,828.4	1,838.2
2. Government	3,975.3	4,828.4	5,132.6	6,360.8	6,894.5	7,371.2	7,508.0	8,444.2	8,364.5
2.1 Portfolio investment	2,522.9	3,141.2	3,677.1	4,357.1	4,882.3	5,286.2	5,289.1	5,646.5	5,552.8
Bonds	2,522.9	3,141.2	3,677.1	4,357.1	4,882.3	5,286.2	5,289.1	5,646.5	5,552.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2 Other investment	1,452.4	1,687.2	1,455.5	2,003.7	2,012.2	2,085.1	2,218.9	2,797.7	2,811.8
2.2.1 Trade credits	3.3	0.1	1.1	1.1	1.0	1.0	0.8	1.7	1.5
Long-term	0.6	0.1	1.1	1.1	1.0	1.0	0.8	1.7	1.5
Short-term	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	1,449.1	1,687.1	1,454.4	2,002.6	2,011.2	2,084.1	2,218.1	2,796.0	2,810.3
Long-term	1,373.8	1,327.1	1,454.4	2,002.6	2,011.2	2,084.1	2,218.1	2,796.0	2,810.3
Short-term	75.3	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0
4. Banks	2,184.8	2,086.5	2,299.4	4,032.6	4,473.4	5,002.5	5,684.1	7,436.1	7,095.7
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2 Other investment	2,184.8	2,086.5	2,299.4	4,032.6	4,473.4	5,002.5	5,684.1	7,436.1	7,095.7
4.2.1 Currency and deposits	537.7	432.8	633.5	1,975.7	2,130.0	2,737.1	2,707.9	3,745.1	3,455.9
4.2.2 Credits	1,647.1	1,653.7	1,665.9	2,057.0	2,343.4	2,265.4	2,976.2	3,691.1	3,639.8
Long-term	1,627.0	1,640.0	1,657.7	2,050.3	2,334.0	2,257.0	2,912.9	3,530.0	3,480.1
Short-term	20.1	13.7	8.2	6.7	9.4	8.4	63.3	161.0	159.7
5. Other sectors	3,272.6	3,354.6	3,127.5	3,974.2	4,345.3	4,717.1	5,179.8	5,963.3	5,946.7
5.1 Portfolio investment	48.5	38.4	54.8	167.7	374.7	409.9	428.8	478.0	509.9
Bonds	31.1	28.9	27.3	167.7	374.7	398.6	398.5	436.2	432.6
Money market instruments	17.4	9.5	27.4	0.0	0.0	11.3	30.3	41.8	77.3
5.2 Other investment	3,224.1	3,316.3	3,072.8	3,806.5	3,970.7	4,307.1	4,751.0	5,485.3	5,436.8
5.2.1 Trade credits	383.9	334.0	293.7	325.6	321.6	328.5	326.5	297.6	287.0
Long-term	298.5	269.5	239.9	276.5	270.0	272.3	261.5	231.9	225.3
Short-term	85.4	64.4	53.8	49.2	51.6	56.3	65.0	65.8	61.8
5.2.2 Credits	2,840.2	2,982.3	2,779.1	3,480.9	3,649.0	3,978.6	4,424.4	5,187.6	5,149.8
Long-term	2,611.6	2,838.0	2,691.6	3,394.4	3,469.2	3,809.7	4,226.2	4,954.9	4,922.0
Short-term	228.6	144.3	87.5	86.5	179.9	168.9	198.3	232.7	227.8
Total (1+2+3+4+5)	9,977.9	11,054.8	11,316.6	15,428.5	16,995.5	18,559.7	19,972.7	23,672.0	23,245.1

**Table H11: External Debt by Domestic Sectors**

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

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

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

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

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

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

**Table H12: External Debt by Creditors**

Million US dollars

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Portfolio investment	2,571.4	3,179.6	3,731.8	4,524.8	5,257.0	5,696.1	5,717.9	6,124.5	6,062.7
Bonds	2,554.0	3,170.1	3,704.4	4,524.8	5,257.0	5,684.8	5,687.6	6,082.7	5,985.4
o/w: London Club	1,380.9	1,255.4	1,106.0	956.7	876.1	876.1	795.5	795.5	714.9
Money market instruments	17.4	9.5	27.4	0.0	0.0	11.3	30.3	41.8	77.3
2. Other investment	7,406.5	7,875.2	7,584.8	10,903.7	11,738.5	12,863.6	14,254.8	17,547.6	17,182.5
2.1. Currency and deposits	537.7	432.8	633.5	1,975.7	2,130.0	2,737.1	2,707.9	3,745.1	3,455.9
2.2. Long-term	6,442.8	6,781.7	6,769.0	8,736.8	9,189.2	9,714.1	11,010.0	13,154.2	13,081.9
2.2.1. Public creditors	2,157.6	2,269.1	2,230.4	2,590.1	2,648.9	2,750.0	2,806.8	3,252.2	3,201.0
a) International financial organizations	1,032.8	1,128.6	1,166.1	1,377.0	1,416.9	1,428.5	1,506.6	1,758.2	1,747.8
– IMF	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0
– IBRD	396.3	417.7	468.8	611.0	618.5	629.4	634.7	764.5	756.6
– IFC	28.6	71.9	85.6	132.3	131.2	105.3	101.6	108.9	108.2
– EBRD	219.1	296.8	318.7	374.9	405.3	408.5	431.5	482.1	496.8
– EUROFIMA	78.5	85.6	82.7	109.4	111.6	115.1	115.4	125.2	109.0
– EIB	98.2	74.0	52.2	84.8	84.1	97.4	132.1	160.0	160.6
– CEB	15.4	24.0	36.0	64.5	66.2	72.7	91.4	117.5	116.6
b) Governments and government agencies	1,124.9	1,140.5	1,064.3	1,213.1	1,232.0	1,321.5	1,300.2	1,494.0	1,453.2
– Paris Club	771.9	687.5	622.4	631.2	613.9	630.7	605.8	630.2	597.5
– Other	353.0	453.0	441.9	581.9	618.2	690.8	694.5	863.8	855.8
2.2.2. Private creditors	4,285.1	4,512.6	4,538.6	6,146.8	6,540.3	6,964.1	8,203.2	9,902.0	9,880.9
a) Banks	3,366.8	3,397.6	3,477.9	4,708.8	5,153.6	5,425.7	6,554.6	8,063.7	8,044.3
o/w: guaranteed by government agencies	441.2	634.6	733.9	686.0	615.3	582.2	563.2	630.3	620.1
b) Other sectors	918.3	1,115.0	1,060.6	1,438.0	1,386.8	1,538.4	1,648.6	1,838.2	1,836.6
o/w: guaranteed by government agencies	17.8	13.8	9.8	6.0	5.5	5.8	5.1	3.9	3.9
2.3. Short-term	426.1	660.8	182.3	191.2	419.3	412.5	536.9	648.3	644.7
2.3.1. Public creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Private creditors	426.1	660.8	182.3	191.2	419.3	412.5	536.9	648.3	644.7
a) Banks	246.5	486.5	62.5	46.9	123.6	105.8	196.9	320.8	311.1
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Other sectors	179.5	174.3	119.9	144.3	295.8	306.7	340.0	327.5	333.6
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	9,977.9	11,054.8	11,316.6	15,428.5	16,995.5	18,559.7	19,972.7	23,672.0	23,245.1

**Table H12: External Debt by Creditors**

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

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

Million US dollars

	Outstanding debt 31/1/2004	Nonreported principal payments	Projected future principal payments												
			Q1/04	Q2/04	Q3/04	Q4/04	2004	2005	2006	2007	2008	2009	2010	2011	Other
1. Direct investment	1,838.2	259.3	50.1	78.9	52.1	145.1	326.2	168.5	372.9	263.0	200.9	39.7	38.1	24.2	145.4
2. Government	8,364.5	4.7	95.5	64.4	336.8	360.5	857.2	1,040.8	1,051.9	797.4	659.1	1,238.0	931.5	1,300.9	483.1
2.1. Portfolio investment	5,552.8	0.0	38.5	0.0	270.7	236.5	545.8	781.0	769.6	456.4	339.3	959.0	722.5	954.4	24.8
Bonds	5,552.8	0.0	38.5	0.0	270.7	236.5	545.8	781.0	769.6	456.4	339.3	959.0	722.5	954.4	24.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investment	2,811.8	4.7	57.0	64.4	66.1	124.0	311.5	259.9	282.3	341.0	319.8	279.0	209.0	346.4	458.3
2.2.1. Trade credits	1.5	0.3	0.1	0.1	0.3	0.1	0.6	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0
Long-term	1.5	0.3	0.1	0.1	0.3	0.1	0.6	0.2	0.2	0.2	0.1	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Credits	2,810.3	4.4	56.9	64.3	65.9	123.8	310.9	259.7	282.1	340.8	319.7	279.0	209.0	346.4	458.3
Long-term	2,810.3	4.4	56.9	64.3	65.9	123.8	310.9	259.7	282.1	340.8	319.7	279.0	209.0	346.4	458.3
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Banks	7,095.7	136.4	29.4	78.8	116.6	148.4	373.1	885.6	1,035.6	278.8	331.0	223.4	114.1	82.2	3,635.5
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Other investment	7,095.7	136.4	29.4	78.8	116.6	148.4	373.1	885.6	1,035.6	278.8	331.0	223.4	114.1	82.2	3,635.5
4.2.1. Currency and deposits	3,455.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,455.9
4.2.2. Credits	3,639.8	136.4	29.4	78.8	116.6	148.4	373.1	885.6	1,035.6	278.8	331.0	223.4	114.1	82.2	179.6
Long-term	3,480.1	80.0	29.1	72.3	106.7	61.6	269.8	885.6	1,035.6	278.8	331.0	223.4	114.1	82.2	179.6
Short-term	159.7	56.4	0.3	6.4	9.9	86.8	103.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	5,946.7	562.1	200.5	326.5	294.2	301.9	1,123.0	932.6	776.9	696.4	520.3	282.5	194.4	179.8	678.7
5.1. Portfolio investment	509.9	0.0	32.1	36.8	46.8	0.0	115.7	0.0	0.0	161.1	8.2	8.2	9.3	9.3	198.1
Bonds	432.6	0.0	0.0	0.0	38.4	0.0	38.4	0.0	0.0	161.1	8.2	8.2	9.3	9.3	198.1
Money market instruments	77.3	0.0	32.1	36.8	8.4	0.0	77.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	5,436.8	562.1	168.4	289.6	247.3	301.9	1,007.3	932.6	776.9	535.3	512.2	274.3	185.0	170.5	480.6
5.2.1. Trade credits	287.0	115.8	19.2	40.2	22.6	17.7	99.6	40.7	17.6	7.5	3.5	1.2	0.9	0.2	0.0
Long-term	225.3	73.9	12.6	30.1	19.6	17.6	79.8	40.7	17.6	7.5	3.5	1.2	0.9	0.2	0.0
Short-term	61.8	42.0	6.6	10.0	3.0	0.1	19.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	5,149.8	446.3	149.2	249.5	224.8	284.3	907.7	891.9	759.3	527.8	508.6	273.1	184.1	170.3	480.6
Long-term	4,922.0	368.7	131.3	161.5	208.6	266.0	767.5	882.0	759.3	527.8	508.6	273.1	184.1	170.3	480.6
Short-term	227.8	77.6	17.8	87.9	16.2	18.3	140.2	9.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total (1+2+3+4+5)</b>	<b>23,245.1</b>	<b>962.5</b>	<b>375.4</b>	<b>548.5</b>	<b>799.8</b>	<b>956.0</b>	<b>2,679.6</b>	<b>3,027.5</b>	<b>3,237.3</b>	<b>2,035.6</b>	<b>1,711.4</b>	<b>1,783.6</b>	<b>1,278.0</b>	<b>1,587.0</b>	<b>4,942.7</b>
Supplement: Projected interest payments		98.6	269.5	152.4	161.1	180.3	763.3	734.6	583.5	450.1	358.4	294.5	211.2	149.6	322.9
Note:															
Publicly guaranteed debt	2,866.7														
o/w: Banks and other sectors	1,321.3														

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

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

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

variable interest rates.

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

**Table H14: International Investment Position – Summary**

Million US dollars

	1999	2000	2001	2002	2003 <sup>a</sup>	2003			
						Q1	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>
1. International investment position (net)	-5,196.3	-5,743.5	-4,452.8	-8,867.5	-14,260.4	-9,709.0	-11,964.8	-11,828.5	-14,260.4
2. Assets	7,142.9	8,353.9	11,083.4	12,245.9	17,907.6	12,519.8	14,179.4	14,653.9	17,907.6
2.1. Direct investment abroad	881.7	875.1	967.1	1,818.1	2,294.6	1,480.4	2,152.6	1,551.9	2,294.6
2.2. Portfolio investment	26.0	14.3	22.5	26.3	60.3	23.4	57.8	41.5	60.3
2.2.1. Equity securities	26.0	14.3	22.5	26.3	60.3	23.4	57.8	41.5	60.3
2.2.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	3,210.2	3,942.3	5,389.6	4,515.7	7,361.5	4,808.2	5,197.0	6,002.2	7,361.5
2.4.1. Trade credits	194.4	186.3	181.8	188.6	226.1	195.7	199.6	211.5	226.1
2.4.2. Loans	164.9	154.7	107.3	134.1	140.1	140.7	138.5	125.9	140.1
2.4.3. Currency and deposits	2,850.9	3,601.2	5,100.5	4,193.1	6,995.3	4,471.9	4,858.9	5,664.9	6,995.3
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,025.0	3,522.2	4,704.2	5,885.8	8,191.3	6,207.8	6,772.2	7,058.3	8,191.3
3. Liabilities	12,339.2	14,097.4	15,536.3	21,113.5	32,168.1	22,228.8	26,144.2	26,482.4	32,168.1
3.1. Direct investment in Croatia	2,578.1	3,560.3	4,706.4	6,710.7	11,351.3	6,356.4	8,876.9	8,879.0	11,351.3
3.2. Portfolio investment	2,700.0	3,288.4	3,880.0	4,694.6	6,312.6	5,410.8	5,872.7	5,866.0	6,312.6
3.2.1. Equity securities	128.3	108.8	148.2	169.8	188.1	153.8	176.6	148.1	188.1
3.2.2. Debt securities	2,571.8	3,179.6	3,731.8	4,524.8	6,124.5	5,257.0	5,696.1	5,717.9	6,124.5
Bonds	2,554.4	3,170.1	3,704.4	4,524.8	6,082.7	5,257.0	5,684.8	5,687.6	6,082.7
Money market instruments	17.4	9.5	27.4	0.0	41.8	0.0	11.3	30.3	41.8
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,061.0	7,248.6	6,949.8	9,708.2	14,504.2	10,461.6	11,394.6	11,737.4	14,504.2
3.4.1. Trade credits	390.9	334.0	294.8	312.9	321.7	322.6	329.5	327.3	321.7
3.4.2. Loans	6,132.4	6,481.8	6,021.5	7,419.6	10,437.5	8,003.6	8,328.1	8,702.3	10,437.5
3.4.3. Currency and deposits	537.7	432.8	633.5	1,975.7	3,745.0	2,135.3	2,737.0	2,707.8	3,745.0
3.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

**Table H14: International Investment Position**

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

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

by applying the current rate of exchange or the average monthly midpoint exchange rate of the Croatian National Bank to transactions;

by applying the midpoint exchange rate of the Croatian National Bank on the reporting date to balances.

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

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

Item Portfolio debt investment – Assets and liabilities comprises data on investments of residents into debt securities issued by non-residents (assets) and investments of non-residents into debt se-

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

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

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

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

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

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

**Table H15: International Investment Position – Direct Investment**

Million US dollars

	1999	2000	2001	2002	2003 <sup>a</sup>	2003			
						Q1	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>a</sup>
Direct investment (net)	-1,696.4	-2,685.2	-3,739.3	-4,892.6	-9,056.6	-4,876.0	-6,724.3	-7,327.1	-9,056.6
1. Abroad	881.7	875.1	967.1	1,818.1	2,294.6	1,480.4	2,152.6	1,551.9	2,294.6
1.1. Equity capital and reinvested earnings	839.7	824.1	926.8	1,776.0	2,211.4	1,428.1	2,089.8	1,483.7	2,211.4
Claims	839.7	824.1	926.8	1,776.0	2,211.4	1,428.1	2,089.8	1,483.7	2,211.4
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	42.0	51.0	40.3	42.1	83.2	52.3	62.7	68.2	83.2
Claims	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	2,578.1	3,560.3	4,706.4	6,710.7	11,351.3	6,356.4	8,876.9	8,879.0	11,351.3
2.1. Equity capital and reinvested earnings	2,205.5	2,904.1	3,760.6	5,304.4	7,838.0	4,663.4	6,984.0	5,938.0	7,838.0
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	2,205.5	2,904.1	3,760.6	5,304.4	7,838.0	4,663.4	6,984.0	5,938.0	7,838.0
2.2. Other capital	372.6	656.2	945.9	1,406.3	3,513.3	1,693.0	1,892.8	2,941.1	3,513.3
Claims	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

**Table H16: International Investment Position – Portfolio Investment**

Million US dollars

	1999	2000	2001	2002	2003 <sup>a</sup>	2003			
						Q1	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>a</sup>
Portfolio investment (net)	-2,674.0	-3,274.1	-3,857.5	-4,668.3	-6,252.3	-5,387.4	-5,814.9	-5,824.4	-6,252.3
1. Assets	26.0	14.3	22.5	26.3	60.3	23.4	57.8	41.5	60.3
1.1. Equity capital and reinvested earnings	26.0	14.3	22.5	26.3	60.3	23.4	57.8	41.5	60.3
Banks	0.7	7.2	7.1	8.5	6.1	3.9	5.7	4.4	6.1
Other sectors	25.3	7.1	15.4	15.7	51.4	16.4	48.8	34.5	51.4
1.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,700.0	3,288.4	3,880.0	4,694.6	6,312.6	5,410.8	5,872.7	5,866.0	6,312.6
2.1. Equity capital and reinvested earnings	128.3	108.8	148.2	169.8	188.1	153.8	176.6	148.1	188.1
Banks	61.5	36.5	36.5	40.4	49.2	31.0	43.9	35.7	49.2
Other sectors	66.8	72.3	111.7	129.4	138.9	122.8	132.7	112.4	138.9
2.2. Debt securities	2,571.8	3,179.6	3,731.8	4,524.8	6,124.5	5,257.0	5,696.1	5,717.9	6,124.5
Bonds	2,554.4	3,170.1	3,704.4	4,524.8	6,082.7	5,257.0	5,684.8	5,687.6	6,082.7
General government	2,523.2	3,141.2	3,677.1	4,357.1	5,646.5	4,882.3	5,286.2	5,289.1	5,646.5
Other sectors	31.2	28.9	27.3	167.7	436.2	374.7	398.6	398.5	436.2
Money market instruments	17.4	9.5	27.4	0.0	41.8	0.0	11.3	30.3	41.8
Other sectors	17.4	9.5	27.4	0.0	41.8	0.0	11.3	30.3	41.8

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

**Table H17: International Investment Position – Other Investment**

Million US dollars

	1999	2000	2001	2002	2003 <sup>a</sup>	2003			
						Q1	Q2 <sup>b</sup>	Q3 <sup>b</sup>	Q4 <sup>b</sup>
Other investment (net)	-3,850.8	-3,306.3	-1,560.2	-5,192.5	-7,142.7	-5,653.3	-6,197.6	-5,735.2	-7,142.7
1. Assets	3,210.2	3,942.3	5,389.6	4,515.7	7,361.5	4,808.2	5,197.0	6,002.2	7,361.5
1.1. Trade credits	194.4	186.3	181.8	188.6	226.1	195.7	199.6	211.5	226.1
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	194.4	186.3	181.8	188.5	226.1	195.6	199.5	211.4	226.1
Long-term	182.4	154.4	158.9	176.6	219.0	186.7	191.5	203.3	219.0
Short-term	12.0	31.9	22.9	11.9	7.1	9.0	8.0	8.1	7.1
1.2. Loans	164.9	154.7	107.3	134.1	140.1	140.7	138.5	125.9	140.1
1.2.1. General government	3.7	3.5	5.4	5.8	6.6	5.7	5.9	6.3	6.6
Long-term	3.7	3.5	5.4	5.8	6.6	5.7	5.9	6.3	6.6
1.2.2. Banks	94.8	121.7	73.0	97.5	98.7	104.1	101.4	88.6	98.7
Long-term	60.0	83.6	41.4	62.7	70.7	64.9	67.9	62.6	70.7
Short-term	34.8	38.1	31.6	34.8	28.0	39.2	33.5	26.1	28.0
1.2.3. Other sectors	66.4	29.6	28.9	30.7	34.8	30.9	31.2	31.0	34.8
Long-term	66.4	29.6	28.9	30.6	34.8	30.8	31.1	31.0	34.8
Short-term	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0
1.3. Currency and deposits	2,850.9	3,601.2	5,100.5	4,193.1	6,995.3	4,471.9	4,858.9	5,664.9	6,995.3
1.3.2. General government	46.0	69.0	83.5	120.5	102.3	53.2	70.7	1.5	102.3
1.3.3. Banks	1,562.9	2,389.2	3,915.0	2,868.6	5,689.0	3,110.7	3,472.2	4,407.4	5,689.0
1.3.4. Other sectors	1,242.0	1,143.0	1,102.0	1,204.0	1,204.0	1,308.0	1,316.0	1,256.0	1,204.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,061.0	7,248.6	6,949.8	9,708.2	14,504.2	10,461.6	11,394.6	11,737.4	14,504.2
2.1. Trade credits	390.9	334.0	294.8	312.9	321.7	322.6	329.5	327.3	321.7
2.1.1. General government	3.3	0.1	1.1	1.3	0.6	1.0	1.0	0.8	0.6
Long-term	0.6	0.1	1.1	1.3	0.6	1.0	1.0	0.8	0.6
Short-term	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	387.6	334.0	293.7	311.6	321.1	321.6	328.5	326.5	321.1
Long-term	302.1	269.5	239.9	262.1	256.2	270.0	272.3	261.5	256.2
Short-term	85.4	64.4	53.8	49.6	65.0	51.6	56.3	65.0	65.0
2.2. Loans	6,132.4	6,481.8	6,021.5	7,419.6	10,437.5	8,003.6	8,328.1	8,702.3	10,437.5
2.2.1. Croatian National Bank	196.7	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	196.7	158.7	122.1	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,450.8	1,687.1	1,454.4	1,988.0	2,768.3	2,011.2	2,084.1	2,218.1	2,768.3
Long-term	1,375.4	1,327.1	1,454.4	1,988.0	2,768.3	2,011.2	2,084.1	2,218.1	2,768.3
Short-term	75.5	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,650.2	1,653.7	1,665.9	2,004.3	2,493.1	2,343.4	2,265.4	2,059.8	2,493.1
Long-term	1,630.1	1,640.0	1,657.7	1,995.0	2,419.7	2,334.0	2,257.0	1,996.5	2,419.7
Short-term	20.1	13.7	8.2	9.3	73.4	9.4	8.4	63.3	73.4
2.2.4. Other sectors	2,834.7	2,982.3	2,779.1	3,427.4	5,176.1	3,649.0	3,978.6	4,424.4	5,176.1
Long-term	2,606.5	2,838.0	2,691.6	3,258.3	4,932.2	3,469.2	3,809.7	4,226.2	4,932.2
Short-term	228.2	144.3	87.5	169.1	243.9	179.9	168.9	198.3	243.9
2.3. Currency and deposits	537.7	432.8	633.5	1,975.7	3,745.0	2,135.3	2,737.0	2,707.8	3,745.0
2.3.1. Banks	537.7	432.8	633.5	1,975.7	3,745.0	2,135.3	2,737.0	2,707.8	3,745.0
2.4. Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

**Table I1: Consolidated Central Government**

Million kuna

	1999	2000	2001	2002	2003 <sup>a</sup>	2003					
						Mar.	Jun.	Sep.	Oct.	Nov.	Dec. <sup>a</sup>
<b>REVENUE AND GRANTS</b>											
1. Budgetary central government	46,355.5	44,635.7	52,747.4	66,932.2	74,953.7	5,739.7	6,026.8	6,085.1	6,537.7	9,427.7	7,037.9
2. Extrabudgetary funds	21,185.5	22,099.3	18,098.2	4,026.3	6,038.3	380.1	532.2	541.3	480.0	517.0	629.1
2.1. Pension Fund	10,799.8	11,254.2	5,806.8	129.8	108.9	7.9	5.5	10.6	6.7	5.2	10.4
2.2. Health Insurance Fund	8,686.4	8,967.4	10,314.5	473.7	822.3	47.9	116.6	59.4	51.4	50.8	112.7
2.3. Employment Fund	760.6	822.4	910.9	25.4	17.9	2.2	1.6	1.7	1.1	1.7	-1.0
2.4. Child Benefit Fund	9.1	7.1	5.1	-	-	-	-	-	-	-	-
2.5. Croatian Waters	929.6	1,048.2	1,060.9	1,098.8	1,144.8	63.9	88.3	117.6	121.1	123.8	144.0
2.6. Development and Employment Fund	-	-	-	1,797.8	-	-	-	-	-	-	-
2.7. Regional Development Fund	-	-	-	500.9	-	-	-	-	-	-	-
2.8. Croatian Highways	-	-	-	-	1,932.4	136.1	161.0	195.6	177.4	136.4	183.4
2.9. Croatian Roads	-	-	-	-	1,185.0	94.2	111.5	121.5	104.3	77.9	98.9
2.10. State Agency for Deposit Insurance and Bank Rehabilitation	-	-	-	-	584.5	15.3	8.5	4.5	10.3	112.0	39.4
2.11. Croatian Privatization Fund	-	-	-	-	242.5	12.6	39.3	30.3	7.7	9.1	41.4
A. Total (1+2)	67,541.0	66,735.0	70,845.6	70,958.5	80,992.0	6,119.8	6,559.0	6,626.4	7,017.7	9,944.7	7,667.1
<b>EXPENDITURE AND LENDING (minus repayments)</b>											
3. Budgetary central government	35,979.1	36,730.8	44,844.5	67,543.8	74,713.8	6,666.0	5,842.1	5,967.9	6,691.6	6,734.4	6,875.1
4. Extrabudgetary funds	34,363.9	37,701.4	30,044.6	7,030.5	11,920.5	655.3	1,337.5	1,139.6	1,120.2	859.3	1,802.4
4.1. Pension Fund	18,998.5	20,180.8	12,125.3	1,558.1	1,838.0	139.8	152.0	155.1	163.1	167.6	205.0
4.2. Health Insurance Fund	11,919.6	13,918.1	13,192.7	1,261.1	875.0	33.6	155.6	22.8	118.0	60.5	143.0
4.3. Employment Fund	824.9	995.5	983.4	236.7	136.5	11.8	9.9	10.5	11.7	11.6	12.7
4.4. Child Benefit Fund	1,136.2	1,250.6	2,467.0	-	-	-	-	-	-	-	-
4.5. Croatian Waters	1,484.8	1,356.4	1,276.1	1,409.9	1,691.0	49.8	105.3	149.4	149.7	195.1	382.3
4.6. Development and Employment Fund	-	-	-	2,288.0	-	-	-	-	-	-	-
4.7. Regional Development Fund	-	-	-	276.6	-	-	-	-	-	-	-
4.8. Croatian Highways	-	-	-	-	5,583.5	291.8	653.4	588.7	570.8	327.3	802.5
4.9. Croatian Roads	-	-	-	-	1,369.9	102.7	150.2	104.7	101.2	92.1	138.1
4.10. State Agency for Deposit Insurance and Bank Rehabilitation	-	-	-	-	253.2	22.5	106.5	1.2	1.4	1.1	94.5
4.11. Croatian Privatization Fund	-	-	-	-	173.3	3.2	4.6	107.1	4.3	4.1	24.4
B. Total (3+4)	70,343.0	74,432.3	74,889.1	74,574.3	86,634.3	7,321.3	7,179.6	7,107.5	7,811.8	7,593.7	8,677.5
C. Overall surplus/deficit (A-B)	-2,802.1	-7,697.3	-4,043.5	-3,615.8	-5,642.3	-1,201.5	-620.6	-481.1	-794.1	2,351.1	-1,010.5
5. Budgetary central government (1-3)	10,376.4	7,904.8	7,902.9	-611.6	239.9	-926.3	184.8	117.2	-154.0	2,693.3	162.9
6. Extrabudgetary funds (2-4)	-13,178.4	-15,602.1	-11,946.4	-3,004.2	-5,882.2	-275.2	-805.3	-598.3	-640.2	-342.3	-1,173.3

<sup>a</sup> Preliminary data. Source: Ministry of Finance.

**Table I2: Budgetary Central Government Operations**

Million kuna

	1999	2000	2001	2002	2003 <sup>c</sup>	2003					
						Mar.	Jun.	Sep.	Oct.	Nov.	Dec. <sup>e</sup>
1. Total revenue	46,355.5	44,635.7	53,503.6	69,869.1	78,249.6	6,012.1	6,315.6	6,382.9	6,761.3	9,687.3	7,299.1
1.1. Current revenue	40,044.6	41,535.0	48,906.3	69,651.1	74,652.1	5,989.9	6,297.3	6,359.9	6,732.9	6,324.6	7,253.8
1.1.1. Tax revenue	38,317.6	39,939.0	47,274.0	67,965.5	72,697.9	5,850.0	6,202.7	6,246.9	6,611.0	5,855.8	7,005.7
1.1.2. Nontax revenue	1,727.0	1,595.9	1,632.3	1,685.6	1,954.1	139.8	94.7	113.0	121.9	468.7	248.1
1.2. Capital revenue	6,310.9	3,100.7	4,597.3	218.0	3,597.6	22.2	18.3	23.0	28.4	3,362.8	45.3
2. Grants	0.0	0.0	0.0	0.0	10.4	0.0	0.0	0.0	9.6	0.8	0.1
2.1. Current	0.0	0.0	0.0	0.0	10.4	0.0	0.0	0.0	9.6	0.8	0.1
2.2. Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A. Total revenue and grants (1+2)	46,355.5	44,635.7	53,503.6	69,869.1	78,260.0	6,012.1	6,315.6	6,382.9	6,770.8	9,688.1	7,299.2
3. Total expenditure	47,379.6	49,567.5	56,723.3	71,992.1	79,113.1	6,716.0	6,003.5	6,388.9	7,033.5	7,086.8	7,691.8
3.1. Current expenditure	38,476.1	44,237.4	52,819.2	68,923.5	75,041.4	6,540.0	5,569.5	6,046.7	6,636.7	6,507.2	6,956.4
3.2. Capital expenditure	8,903.5	5,330.1	3,904.1	3,068.7	4,071.7	176.1	434.0	342.2	396.8	579.6	735.4
4. Lending minus repayments	1,499.2	1,176.1	1,089.5	1,377.5	1,333.5	388.8	326.3	96.0	119.3	171.1	-272.3
B. Total expenditure and lending minus repayment	48,878.8	50,743.5	57,812.8	73,369.6	80,446.6	7,104.8	6,329.8	6,484.9	7,152.7	7,257.9	7,419.5
5. Current account surplus without grants (1.1.-3.1.)	1,568.5	-2,702.4	-3,912.9	727.6	-389.3	-550.1	727.8	313.2	96.2	-182.6	297.4
6. Current account surplus with current grants (5+2.1.)	1,568.5	-2,702.4	-3,912.9	727.6	-378.9	-550.1	1,727.8	313.2	105.7	-181.8	297.4
7. Gross fixed capital formation <sup>a</sup>	-2,216.9	-395.4	-3,101.4	966.7	-1,627.6	45.0	127.5	178.8	130.4	-3,024.8	346.7
8. Gross capital formation <sup>b</sup>	-2,216.9	-395.4	-3,101.4	966.7	-1,627.6	45.0	127.5	178.8	130.4	-3,024.8	346.7
C. Overall surplus/deficit (A-B)	-2,523.3	-6,107.9	-4,309.1	-3,500.5	-2,186.6	-1,092.8	-14.2	-102.0	-381.9	2,430.2	-120.3
9. Foreign financing	4,615.1	6,921.5	2,299.6	2,347.8	3,050.0	3,014.4	1,046.3	-74.1	602.5	-21.4	-18.8
10. Domestic financing	-2,091.8	-813.6	2,009.6	1,152.7	-863.4	-1,921.6	-1,032.2	176.1	-220.6	-2,408.8	139.0
10.1. From other general government	-87.0	-92.0	-11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	2.0	-12.5	-389.1	241.7	-1,026.8	-2,027.6	-947.5	189.1	-829.5	-1,866.9	1,610.1
10.3. From deposit money banks	-1,859.4	-288.8	2,559.1	782.9	168.6	83.4	-121.0	-109.5	595.3	-471.3	-1,294.3
10.4. Other domestic financing	-147.4	-420.3	-149.4	128.1	-5.2	22.6	36.3	96.6	13.6	-70.6	-176.8
D. Total financing (9+10)	2,523.3	6,107.9	4,309.1	3,500.5	2,186.6	1,092.8	14.2	102.0	381.9	-2,430.2	120.3

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

**Table I3: Central Government Debt**

End of period, million kuna

	1999	2000	2001	2002	2003				2004
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. <sup>a</sup>	Jan.
1. Domestic debt of central government	16,754.6	21,324.2	24,907.3	28,746.7	30,814.2	32,554.8	32,186.9	32,053.4	32,115.4
1.1. Domestic debt of the Republic of Croatia	16,012.1	18,509.7	21,467.9	24,735.0	27,000.1	28,759.7	28,262.8	28,861.7	26,026.9
Treasury bills	776.7	2,564.6	4,892.3	5,632.7	5,696.1	5,983.8	5,645.9	6,548.1	6,526.3
Money market instruments	153.3	14.2	7.4	0.1	0.0	0.1	0.1	0.3	0.9
Bonds	13,720.7	14,082.5	15,415.8	16,021.7	17,472.6	17,980.8	17,508.1	16,657.8	14,974.5
Credits from the CNB	24.1	0.0	–	0.5	2.0	1.5	3.0	1.4	–
Credits from DMBs	1,337.3	1,848.4	1,152.4	3,080.0	3,829.3	4,793.5	5,105.8	5,654.1	4,525.2
1.2. Domestic debt of central government funds	742.5	2,814.4	3,439.4	4,011.8	3,814.1	3,795.1	3,924.1	3,191.7	6,088.5
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	–	1,686.8	1,636.1	1,652.2	1,707.7	1,667.0	1,680.8	1,697.6	3,428.6
Credits from DMBs	742.5	1,127.6	1,803.3	2,359.6	2,106.4	2,128.1	2,243.2	1,494.0	2,659.9
2. External debt of central government	29,981.4	38,927.2	42,413.4	45,056.1	49,025.3	48,100.0	49,452.0	51,338.8	51,461.2
2.1. External debt of the Republic of Croatia	28,617.0	36,845.7	39,656.8	41,296.8	45,243.0	44,432.9	45,602.7	46,336.6	46,482.1
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	18,903.3	25,231.2	30,029.0	30,115.3	33,936.6	33,747.4	34,056.8	33,547.8	33,356.3
Credits	9,713.7	11,614.5	9,627.8	11,181.6	11,306.4	10,685.5	11,545.9	12,788.8	13,125.8
2.2. External debt of central government funds	1,364.3	2,081.5	2,756.7	3,759.3	3,782.2	3,667.1	3,849.3	5,002.2	4,979.1
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	390.6	386.5	696.6	1,019.3	1,045.1	1,004.0	1,012.4	1,000.3	1,005.3
Credits	973.7	1,695.0	2,060.0	2,739.9	2,737.2	2,663.1	2,836.9	4,002.0	3,973.8
3. Total (1+2)	46,735.9	60,251.4	67,320.8	73,802.9	79,839.4	80,654.8	81,638.9	83,392.2	83,576.6
Supplement: Central government guaranteed debt									
– guarantees for domestic debt	....	3,412.3	6,025.6	7,528.1	7,683.7	6,807.7	6,534.8	6,895.4	6,930.8
– guarantees for external debt	8,844.0	9,636.0	8,548.9	7,929.2*	8,231.6	7,741.8	8,104.9	8,314.6	8,274.3

<sup>a</sup> Revised data.**Table I3: Central Government Debt**

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

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

**Table J1: Retail Prices and Producer Prices Indices**

Year	Month	Chain indices		Monthly year-on-year indices		Cumulative year-on-year indices of producer prices
		Retail prices <sup>a</sup>	Producer prices	Retail prices <sup>a</sup>	Producer prices	
1992	December	122.4	129.1	1,053.4	1,120.9	846.6
1993	December	99.5	98.5	1,249.7	1,175.6	1,610.4
1994	December	100.2	100.2	97.0	94.5	177.7
1995	December	100.2	100.5	103.7	101.6	100.8
1996	December	100.0	100.3	103.4	101.5	101.4
1997	December	100.7	99.9	103.8	101.6	102.3
1998	December	100.2	100.0	105.4	97.9	98.8
1999	December	100.3	100.3	104.4	105.9	102.6
2000	December	100.0	100.2	107.4	111.2	109.7
2001	December	99.8	99.0	102.6	96.9	103.6
2002	November	99.7	99.4	102.0	101.5	99.4
	December	100.1	99.9	102.3	102.3	99.6
2003	January	100.4	100.5	101.6	102.9	102.9
	February	100.2	100.4	101.7	102.7	102.8
	March	100.4	100.8	101.7	104.7	103.4
	April	99.6	99.1	100.9	102.8	103.3
	May	100.2	99.2	100.9	101.8	103.0
	June	100.1	100.2	101.1	101.7	102.8
	July	100.0	100.2	101.5	101.4	102.5
	August	100.1	100.5	101.7	102.0	102.5
	September	100.4	99.6	101.6	101.2	102.4
	October	100.3	100.2	101.5	100.0	102.1
	November	100.1	100.3	101.9	100.9	102.0
	December	100.0	100.0	101.8	101.0	101.9
2004.	January	101.0	100.3	102.1	100.8	100.8
	February	99.9	99.7	101.8	100.1	100.5

<sup>a</sup> The CBS started to publish the consumer price index in January 2004. Accordingly, the retail price index and the cost of living index have been replaced by the consumer price index.  
Source: Central Bureau of Statistics.

**Table J2a: Core Retail Prices Indices**

Year	Month	Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services
1994	December	100.1	99.9	101.2	96.3	94.8	109.1
1995	December	100.1	100.0	100.5	103.1	102.6	107.1
1996	December	100.0	100.0	100.0	102.8	101.9	109.5
1997	December	100.2	100.2	100.5	102.5	102.3	104.5
1998	December	100.1	100.0	100.2	105.7	105.3	107.8
1999	December	100.1	100.2	100.0	104.2	104.2	104.1
2000	December	100.1	100.1	100.2	104.6	104.8	103.5
2001	December	99.8	99.7	100.8	101.7	101.1	105.6
2002	December	100.0	100.0	100.0	101.2	101.4	100.2
2003	January	99.7	99.6	100.1	100.6	100.7	99.2
	February	99.9	99.9	99.9	100.3	100.5	98.9
	March	100.1	100.1	100.2	100.2	100.4	99.1
	April	100.0	99.9	100.5	100.1	100.1	99.5
	May	100.3	100.2	100.7	100.3	100.3	100.1
	June	100.2	100.2	100.1	100.5	100.5	100.2
	July	99.8	99.7	100.8	100.6	100.5	101.0
	August	99.9	99.8	100.1	100.5	100.3	101.3
	September	100.7	100.9	100.2	100.9	100.9	101.4
	October	100.5	100.4	100.6	101.0	100.8	101.5
	November	100.2	100.2	100.3	101.3	100.9	103.5
	December	99.9	99.8	100.1	101.2	100.7	103.6

Source: Central Bureau of Statistics.

**Table J2a: Core Retail Prices Indices**

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

and services used in the calculation of the retail price index. A total of 92 goods and services are excluded and their share in the retail price basket stood at 25.14% in 2003 (of which: agricultural products accounted for 2.18 percentage points, and administrative prices for 22.96 percentage points). The zero weighting method is used to exclude the prices of goods and services.

**Table J2b: Core Consumer Price Indices**

Year	Month	Basic indices, 2001 = 100		
		Total	Goods	Services
2001	December	100.3	100.1	101.8
2002	December	101.5	101.1	104.2
2003	January	101.3	100.8	104.3
	February	101.2	100.6	104.7
	March	101.1	100.5	104.8
	April	100.8	100.2	105.0
	May	101.3	100.6	105.4
	June	101.6	100.8	106.5
	July	102.0	100.6	110.7
	August	102.1	100.6	110.8
	September	101.7	101.0	106.7
	October	102.3	101.7	106.2
	November	102.5	101.9	106.3
	December	102.7	102.0	107.3
2004	January	102.7	101.8	108.1
	February	102.5	101.5	108.5

Source: Central Bureau of Statistics

**Table J2b: Core Consumer Price Indices**

The Central Bureau of Statistics calculates the core consumer price index in the manner that agricultural products prices and administrative prices (which among others include the prices of electric-

ity and refined petroleum products) are excluded from the basket of goods and services used in the calculation of the total consumer price index. The zero weighting method is used to exclude the prices of goods and services.

**Table J3: Average Monthly Net Wages**

In current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1992	December	74.4	120.2	681.7	409.4
1993	December	1,073.2	105.2	1,442.1	1,605.3
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	November	3,916.0	104.0	105.7	104.8
	December	3,839.0	98.0	107.2	105.0
2003	January	3,891.0	101.4	108.2	108.2
	February	3,786.0	97.3	108.2	108.2
	March	3,846.0	101.6	106.2	107.5
	April	3,892.0	101.2	105.3	106.9
	May	3,973.0	102.1	104.6	106.5
	June	3,988.0	100.4	107.2	106.6
	July	3,981.0	99.8	106.0	106.5
	August	3,915.0	98.4	104.7	106.3
	September	3,899.0	99.6	106.1	106.3
	October	3,996.0	102.5	106.1	106.3
	November	4,054.0	101.5	103.5	106.0
	December	4,045.0	99.8	105.4	105.9

Source: Central Bureau of Statistics.

# List of Banks & Savings Banks

1 March 2004

## Licensed Banks

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

## Licensed Housing Savings Banks

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

## Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

## Representative Offices of Foreign Banks

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

## Banks and Savings Banks under Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Adria štedionica d.o.o., Zagreb	12/10/2000
2. Agroobrtnička banka d.d., Zagreb	14/06/2000
3. Alpe Jadran banka d.d., Split	15/06/2002
4. Cibalae banka d.d., Vinkovci	20/10/2000
5. Glumina banka d.d., Zagreb	30/04/1999
6. Gold štedionica d.o.o., Split	05/10/2001
7. Gospodarska štedionica d.d., Vrbovec	03/04/2003
8. Gradska banka d.d., Osijek	03/05/1999
9. Građanska štedionica d.o.o., Karlovac	03/11/1998
10. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
11. Ilirija banka d.d., Zagreb	06/04/1999
12. Invest štedionica d.o.o., Zagreb	30/06/1999
13. Kaptol banka d.d., Zagreb	25/11/2002
14. Komercijalna banka d.d., Zagreb	30/04/1999
15. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
16. Promdei banka d.d., Zagreb	22/12/1999
17. Razvojna banka "Dalmacija" d.o.o., Split	24/09/2001
18. Slavenska štedionica d.d., Zagreb	04/12/2002
19. Štedionica Dugi pogled d.o.o., Zagreb	19/01/2001
20. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
21. Štedionica Mediteran d.o.o., Split	5/12/2001
22. Štedionica za razvoj i obnovu d.o.o., Zagreb	02/07/2001
23. Trgovačko-turistička banka d.d., Split	08/09/2000
24. Vukovarska banka d.d., Vukovar	25/02/1998
25. Županjska banka d.d., Županja	03/05/1999

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

**Banks and Savings Banks under Liquidation Proceedings**

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Convest banka d.d., Zagreb	01/11/2003
2. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
3. Međimurska štedionica d.d., Čakovec	15/10/2003
4. Štedionica Dora d.d., Zagreb	01/01/2002
5. Štedionica SA-GA d.d., Zagreb	31/12/2001

6. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001
7. Trgovačka štedionica d.o.o., Zagreb	01/01/2002

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

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

# Management of the Croatian National Bank

1 March 2004

## Members of the Council of the Croatian National Bank

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

## Management of the CNB

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

## Executive Directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operation Area	Irena Kovačec
International Affairs and External Relations Area	Jadranka Granić
Banker Supervision Area	Marija Mijatović-Jakšić
Planning, Analysis and Accounting Area	
Payment Operations Area	Neven Barbaroša
Information Technology Area	Mario Žgela
Legal, Human Resources, General Support and Administrative Services Area	Boris Ninić

## List of Abbreviations & Symbols

bn	– billion
b.p.	– basis points
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Central Bureau of Statistics
CEFTA	– Central European Free Trade Agreement
CEI	– Croatian Employment Institute
CH	– Croatian Highways
CNB	– Croatian National Bank
consumpt.	– consumption
CPF	– Croatian Privatization Fund
CPII	– Croatian Pension Insurance Institute
CR	– Croatian Roads
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation
dep.	– deposit
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– European Monetary Union
EU	– European Union
f/c	– foreign currency
FDI	– foreign direct investment
FEMPI	– Foreign Exchange Market Pressure Index
FINA	– Financial Agency
FISIM	– Financial Intermediation Services Indirectly Measured
GDP	– gross domestic product
GVA	– gross value added
HICP	– Harmonized Index of Consumer Prices
ILO	– International Labour Organization
IMF	– International Monetary Fund
MoF	– Ministry of Finance
o.w.	– of which
PPI	– producer price index

Q	– quarterly
RPI	– retail price index
RR	– reserve requirement
SAL	– Structural Adjustment Loan
SDR	– special drawing rights
VSE	– Varaždin Stock Exchange
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange
VAT	– Value Added Tax
WTO	– World Trade Organization

### Abbreviations for Currency

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

### Symbols

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

