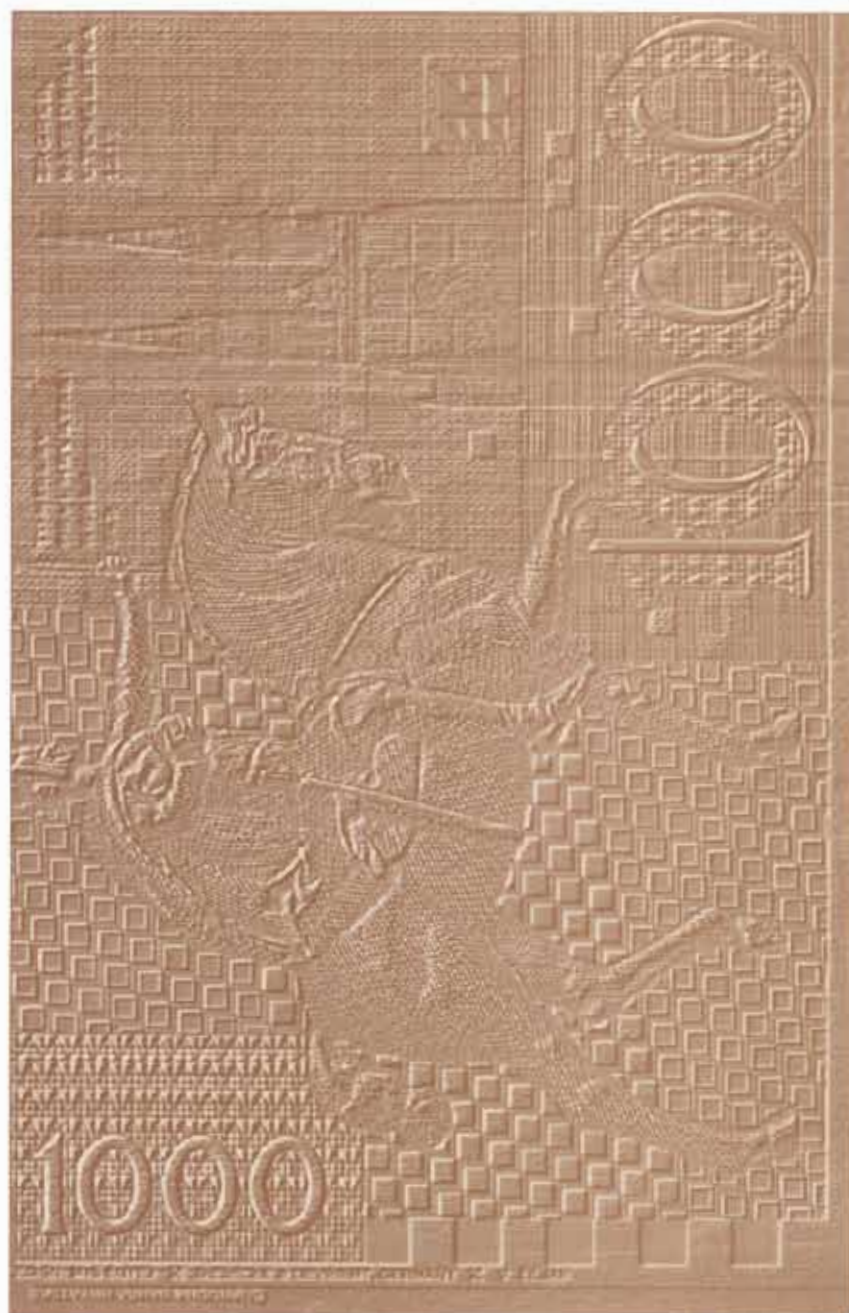


CROATIAN NATIONAL BANK



BULLETIN

YEAR III
No. 29

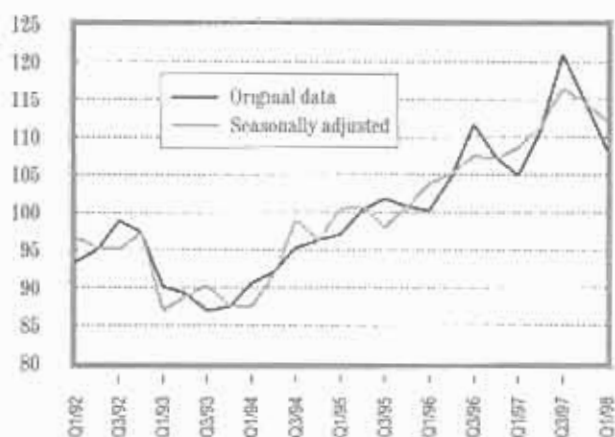
JULY 1998

REAL SECTOR

The first six months of the year were marked by the continuation of upward trends in industrial production, retail trade turnover, tourist night-stays and tourist arrivals, and construction activity. Production of other non-metallic mineral products, which includes the production of almost all kinds of construction materials, increased by 20.8 percent at the annual level, while transportation services decreased further. Data on other activities generating value added are not yet available due to statistical adjustments. In addition to physical indicators, the increase in economic activity in 1997 is confirmed by the financial results recorded in the enterprise sector. According to the preliminary report issued by the Payments Institute, gross profits increased in 1997 by 31.8 percent, while total losses decreased by 10.8 percent compared to the previous year. The 20.1 percent increase in gross earnings was induced by developments in the real sector of the economy. The aggregate results for all enterprises indicate that losses still exceed after tax profits. However, this difference is three times smaller than that recorded in 1996.

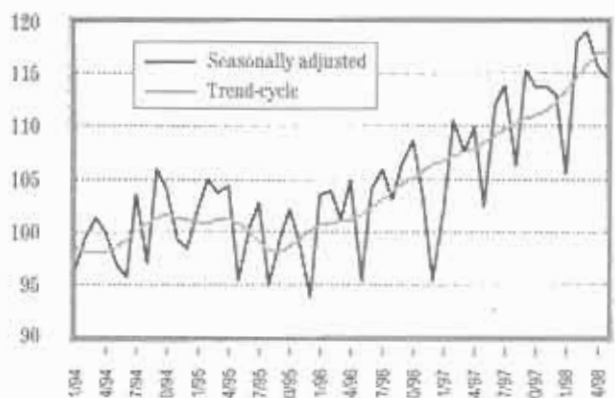
Among various current developments in the real sector, this month's highlight is (again) the 7.4 percent increase in production of the processing sector of the industry at the annual level. This growth is based on the 6.4 percent increase in production of food and beverages, a 6.0 percent increase in production of chemicals and chemical products, and a 10.4 percent increase in publishing and printing. The next group of industries which supported growth were industries accounting for over four percent in the production of the total value-added in industrial production: production of other non-metallic mineral products, production of metallic products and production of other transportation devices. Along with such favorable developments in processing industry, a mild increase was recorded in the area of supply of electrical energy, gas and water, as well as a stagnation in the area of mining and extraction.

REAL GROSS DOMESTIC PRODUCT, 1995 = 100



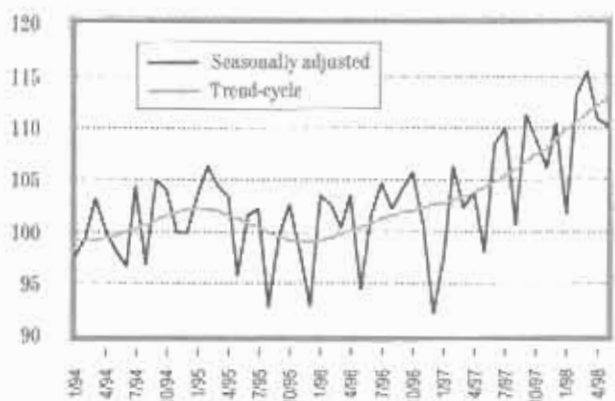
MANUFACTURING PRODUCTION INDEX

Seasonally adjusted and trend-cycle (1995 = 100)



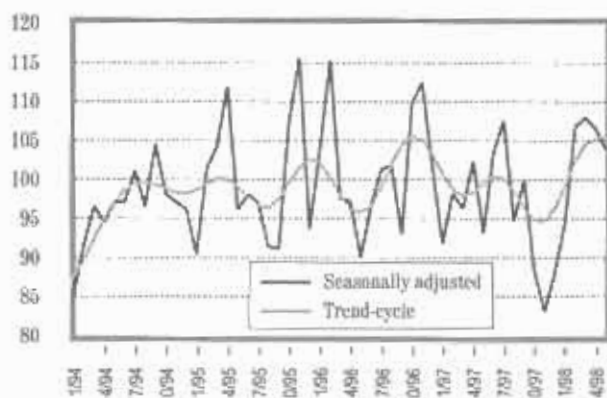
PROCESSING INDUSTRY

Seasonally adjusted and trend-cycle (1995 = 100)



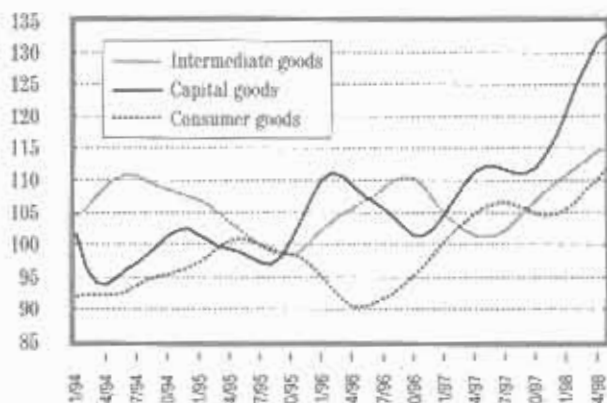
PRODUCTION OF FOOD AND BEVERAGES

Seasonally adjusted and trend-cycle (1995 = 100)



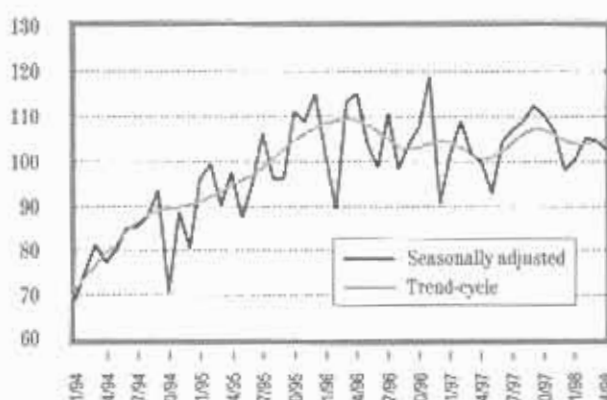
INDEX OF PRODUCTION VOLUME IN INDUSTRY BY MAIN INDUSTRIAL GROUPS

Trend-cycle (1995 = 100)



TRANSPORTATION - GOODS

Seasonally adjusted and trend-cycle (1995 = 100)



Inventories of finished products in industrial production recorded in the first quarter of the year are equivalent to inventories of finished products in the same period last year. At the end of 1997, the balance of inventories was 6.0 percent higher than the 1996 figure. Rules of statistics advise the comparison of inventories in consecutive periods. The most significant increase in inventories in March compared to February was recorded in the production of radio, television and communications devices and equipment, while the most significant decrease in inventories was recorded in the production of other transportation devices.

The index of consumption of energy for propulsion and technological purposes in industry increased by 2.6 percent in the first quarter of the year compared to the same period last year. At the same time, average monthly consumption in 1998 exceeds average monthly consumption recorded in the preceding year. The structure of energy consumption indicates that the majority of final consumption (80 percent) refers to three energy products: warm and hot water and steam, natural gas and electric energy.

Real retail trade turnover in the period January - April 1998 grew by 3.6 percent at the annual level. Prices in this activity grew 4.1 percent in the same period. The number of employed in retail trade at the end of April this year exceeds the April 1997 number by 4.3 percent. The majority of turnover has occurred in various non-specialized shops, as well as in the sale, maintenance and repair of motor vehicles, and in the sale of motor oils and lubricants.

The number of passengers transported in the first four months of the year decreased by 6.8 percent compared to the same period last year. An even more significant decrease (26.8 percent) was recorded in the transportation of goods. In the transportation of passengers, the most significant decrease came in railroad and road transport, while maritime, coastal and air transport increased the number of passengers transported. The entire decrease in the trans-

portation of goods refers to international transportation. Railroads lead in the transportation of goods, followed very closely by maritime transport. These two branches transport 80 percent of all goods transported in Croatia. Road transport is not particularly prominent in the transportation of goods, holding only a 17 percent share.

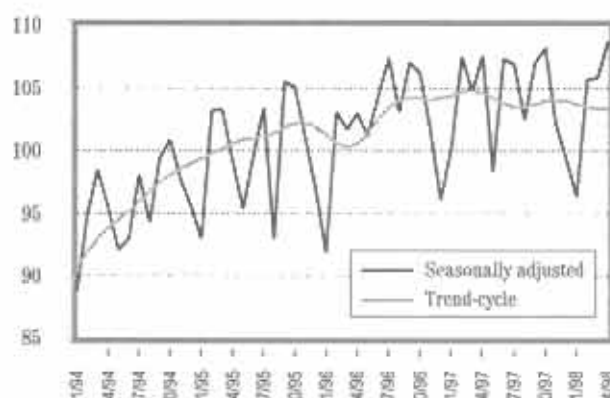
Tourist night-stays decreased by 3.8 percent in the first five months of the year compared to the same period last year. Foreign tourist night stays decreased by 4.2 percent, while domestic tourist night-stays decreased by 3.0 percent. The decrease in the number of tourist arrivals and night-stays is due to the fact that the years of intensive tourist return to our shores are behind us. However, the decrease is also due to an inflexible tourist economy, which has not managed to make any major breakthrough in terms of prices and quality of supply. According to estimates by two Croatian tourism institutions, the Ministry of Tourism and Croatian Tourist Association, about six million tourists will visit Croatia this year, while tourist revenues will amount to USD 2,850 million (compared to USD 2,529 million in 1997). Although the beginning of the current year was characterized by attempts at cutting expenses, the Government granted 194 million kuna subsidies to the hotel industry from the state budget. The main criteria used in this decision was registered foreign turnover in 1997. However, hotels involved in accommodating refugees were also supported.

PRICES

June is seasonally a month of stabilization in prices. This is best supported by the zero change recorded in retail prices, and a 0.3 percent decrease in the cost of living. The stagnation of retail prices was above all due to the decrease in prices of foodstuffs and agricultural products. The index of agricultural products non-inclusive of seasonal products decreased 6.1 percent in May. At the same time, the prices of agricultural products inclusive of seasonal

TRANSPORTATION - PASSENGERS

Seasonally adjusted and trend-cycle (1995 = 100)

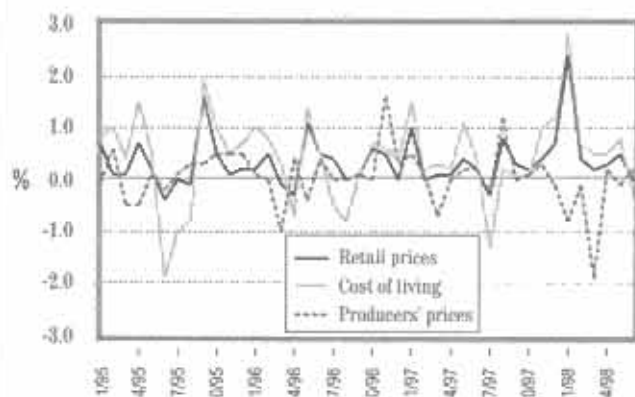


TOURISM - OVERNIGHT STAYS

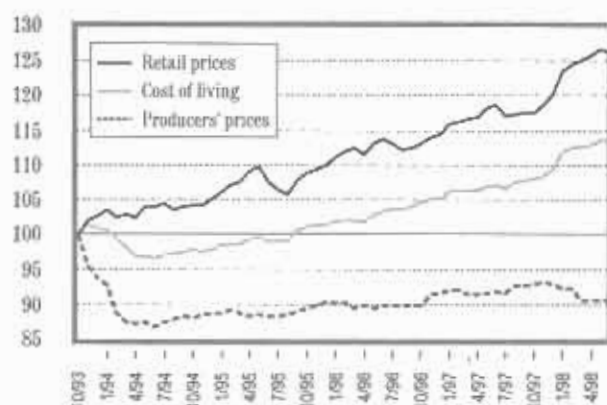
Seasonally adjusted and trend-cycle (1995 = 100)



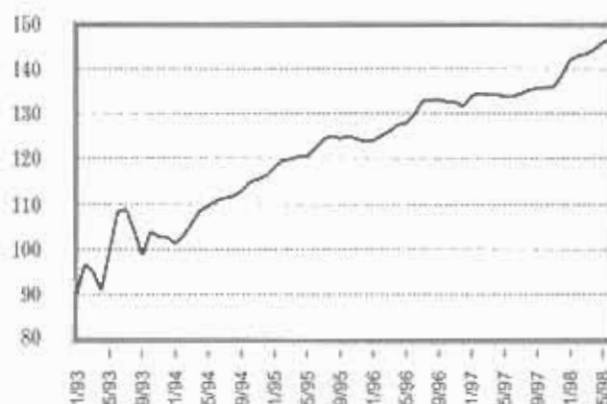
MONTHLY RATES OF CHANGE (%) OF RETAIL PRICES, PRODUCERS' PRICES AND COST OF LIVING



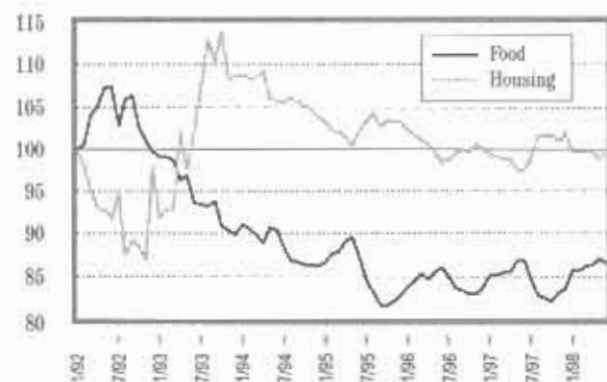
INDICES OF RETAIL PRICES, COST OF LIVING AND PRODUCERS' PRICES
October 1993 = 100



RELATIVE PRICE INDEX FOR NON-TRADABLE GOODS
(prices of services relative to goods' prices), 1992 = 100



INDICES OF RELATIVE PRICES OF FOOD AND HOUSING
January 1992 = 100



Note: index is calculated as ratio of food prices and housing prices to total cost of living index.

products decreased 4.1 percent. Among various retail prices, industrial non-foodstuffs prices also decreased (0.1 percent). As expected, services prices increased 0.4 percent.

On the annual level, i.e. compared to June 1997, retail prices increased by 5.8 percent. Within this, the prices of goods increased by 4.0 percent, while the prices of services increased 14.3 percent. This clearly indicates that the introduction of the value added tax of the rate of 22 percent (and the discontinuation of the sales tax on services of 10 percent) significantly affected the increase in prices of services.

Developments in the cost of living were similar to those in retail prices. In June, the expenses on goods decreased by 0.4 percent, while expenses on services grew at the rate of 0.3 percent. The most significant decrease in June was in expenses on nutrition (-0.8 percent), followed by expenses on hygiene and health (-0.3 percent) and expenses on education and culture (-0.1 percent). The most significant increase in June was recorded in expenses on accommodation, clothes and footwear (0.3 percent).

Prices of industrial products increased 0.2 percent for the second time this year. On the annual level, prices of industrial products decreased by 0.3 percent. Since the beginning of the year, prices of industrial products also decreased by 2.5 percent.

EMPLOYMENT AND WAGES

Registered unemployment continued its seasonal decrease throughout the month of May. By the end of the month, it decreased by 7,988, reaching 279,990. If we compare May 1998 with May 1997, we notice an increase in registered unemployment of 5,469. At the same time, average unemployment in the first five months of the current year exceeded the average in the corresponding period in 1997 by 9,627. In the first five months of the year, 47,502 people were employed through the Croatian Employment Bureau. This

represents a 21.7 percent increase in employment compared to the same period last year. At the same time, the number of first-time registrations amounted to 76,440, i.e. 6 percent less than in the same period last year.

Following a decrease in employment of 1,383 persons, total employment amounted to 1,348,927 at the end of May. The decrease in the labor force of 9,371 persons recorded in May, indicates the continuation of the trend of transfer of workers from the formal sector, which is covered in the monthly statistical data, to the informal sector, which eludes official statistics. The rate of unemployment amounted to 17.2 percent in May - a decrease compared to 17.6 percent at the end of April. This due to a more rapid decrease in registered unemployment than in total employment.

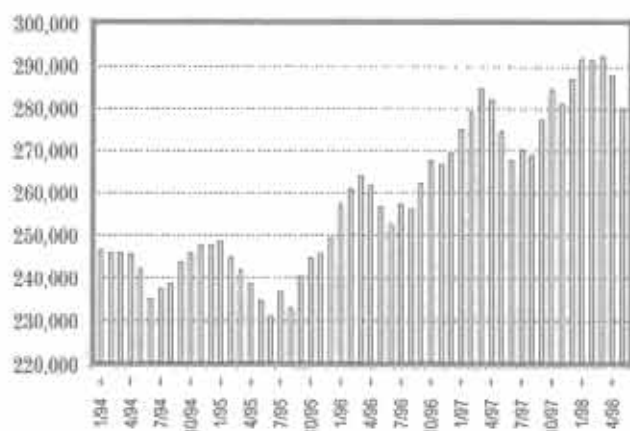
Real net wages paid in May continued their April growth, increasing 4.6 percent compared to May of last year, and a total of 5.0 percent for the first five months of the year. Real gross wages outgrew real net wages, increasing 6.3 percent compared to May of last year, and 6.4 percent in the first five months of the year. Nominal net wages in the first five months of the year showed 12.3 percent growth compared to the same period last year, while gross wages showed nominal growth at the rate of 13.9 percent for the same period.

MONETARY DEVELOPMENTS

The main characteristics of monetary developments in the month of May were: a prominent substitution of maturity in foreign liabilities with a stagnation in net foreign assets; slightly more moderate, but still very significant increase in credit; and a very mild increase in total assets, with currency substitution in savings.

The money supply increased by 0.2 billion kuna, entirely due to the increase in deposit money in business organizations. Deposit money in business organizations has been decreasing since the beginning of the year. At the end of

NUMBER OF THE UNEMPLOYED



REAL AVERAGE GROSS WAGE

Constant prices, January 1994

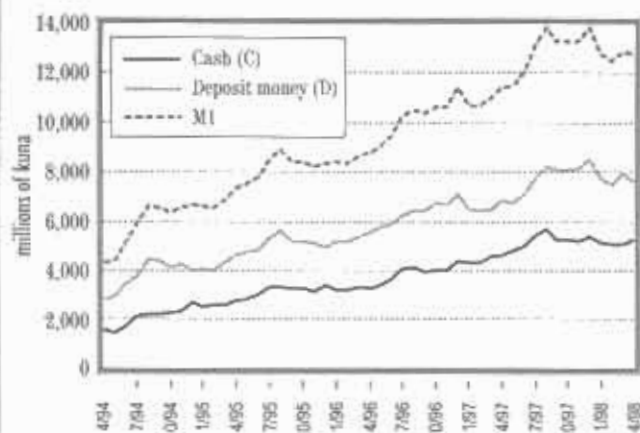


REAL AVERAGE NET WAGE

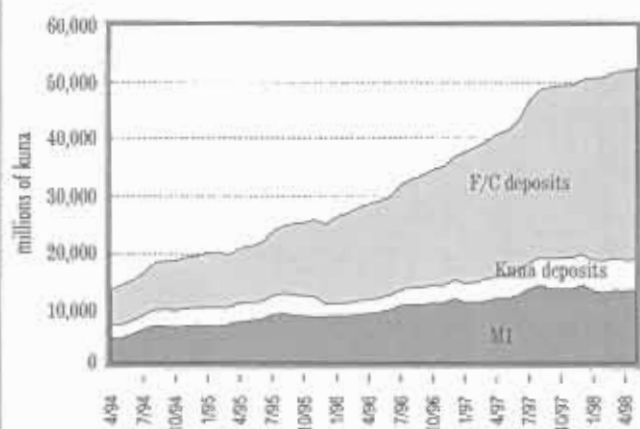
Constant prices, January 1994



MONEY SUPPLY

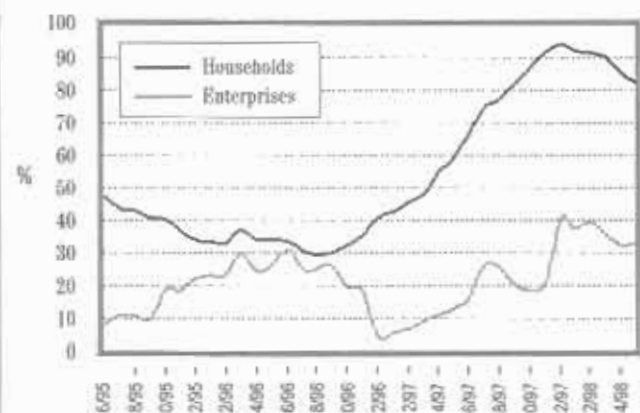


MONETARY AGGREGATE M4



GROWTH RATES OF CREDITS TO HOUSEHOLDS AND ENTERPRISES

Relative to the same month previous year



May 1998, business organizations' giro accounts were 0.9 billion kuna lower than on 31 December 1997. Deposit money as well as cash of the household sector stagnated in May compared to April.

Along with the mild depreciation of the kuna against the German mark, currency substitution in savings has been present within the household sector for the second consecutive month. Kuna savings of the household sector decreased in these two months by 350 million kuna, while foreign currency savings increased by 850 million kuna.

As a result of these developments, total liquid assets grew by a moderate 0.4 billion kuna in May. During the first five months of the year, the total growth of M4 amounted to 1.9 billion kuna, compared to the 4.6 billion kuna recorded in the same period last year.

In contrast to M4, credit has been growing continuously. In May, credit grew by 1 billion kuna, of which 0.45 million kuna is the increase in credit to the household sector, and 0.49 billion kuna is the increase in credit to the enterprise sector. This increase in credit seems slightly more moderate than increases earlier in the year (in recent months it was not entirely unusual to see credit increases of up to 1.5 billion kuna), especially in terms of relative indicators. Nevertheless there can be no talk of a significant slow-down in the growth of credit. The annual year-on-year index amounts to 40.6 percent, which is slightly less than last year's 44.1 percent.

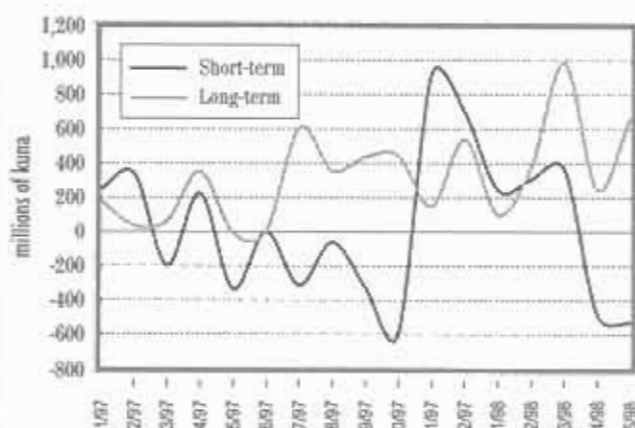
Net foreign assets stagnated at -0.3 billion kuna. Commercial banks' foreign assets as well as foreign liabilities remained at the levels of last month. However, significant and dynamic changes have occurred within the structure of both foreign assets and foreign liabilities. For instance, maturity transformation of liabilities, which started last month, became even more prominent in May. Short-term foreign liabilities decreased 0.53 billion kuna, coming down to 5.6 billion kuna at the end of May. At the same time, long-term foreign liabilities increased 0.67

billion kuna, reaching 10.0 billion kuna at the end of May. In the structure of foreign assets, sight deposits with foreign banks decreased 0.4 billion kuna, while short-term time deposits with foreign banks increased by the same amount, resulting in an unchanged balance of total foreign assets.

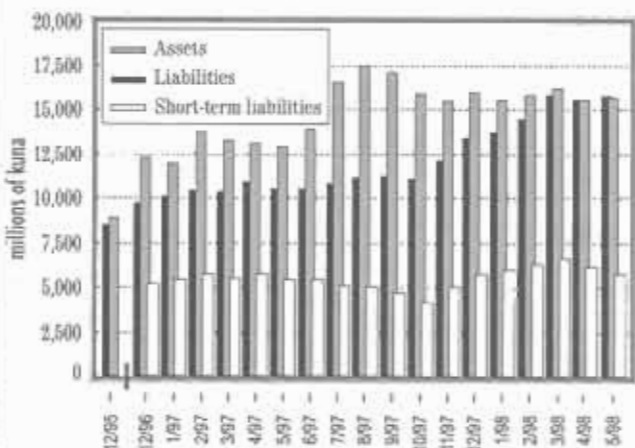
The most significant financial flows recorded between the banking system and the central government in the month of May were as follows¹: The central bank redeemed bonds of banks in the amount of 0.2 billion kuna. At the same time, commercial banks granted credit to the Croatian Retirement Fund of 0.15 billion kuna. On the liability side, the central government granted a 500 million kuna credit to Dubrovačka banka, and the Croatian Bank for Reconstruction and Development increased credit to commercial banks by 131 million kuna. At the same time, Croatian Employment Bureau received a loan from the Council of Europe aimed at increasing employment. This caused an increase in the foreign currency deposits of Republic of Croatia Funds with commercial banks, in the total amount of 118 million kuna. Such a significant increase in deposits of the central government with commercial banks, with an almost unchanged level of claims, caused a 311 million kuna decrease in commercial banks' net claims on the central government compared to the April figure.

The main characteristics of the activity of the Croatian National Bank in May continued throughout the month of June - during the second quarter of the year, access to foreign capital was made more costly for commercial banks through measures introduced by the Croatian National Bank. This was done because foreign capital was used to finance banks' excessive credit activity at the beginning of the year. Consequently, banks (who indeed slowed down the growth of new credits) were having difficulty in maintaining their foreign exchange liquidity and meeting

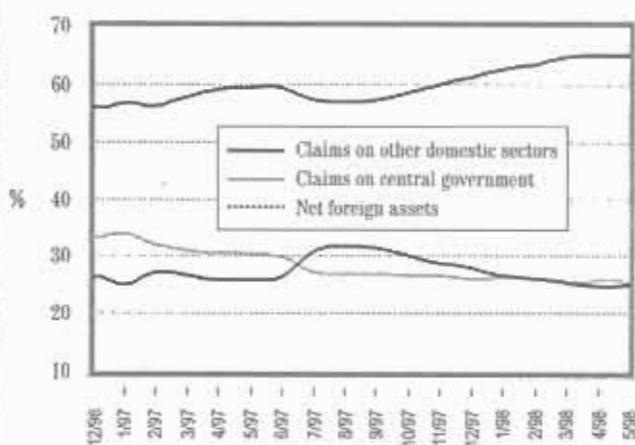
MONTHLY CHANGE OF DMB'S FOREIGN EXCHANGE LIABILITIES



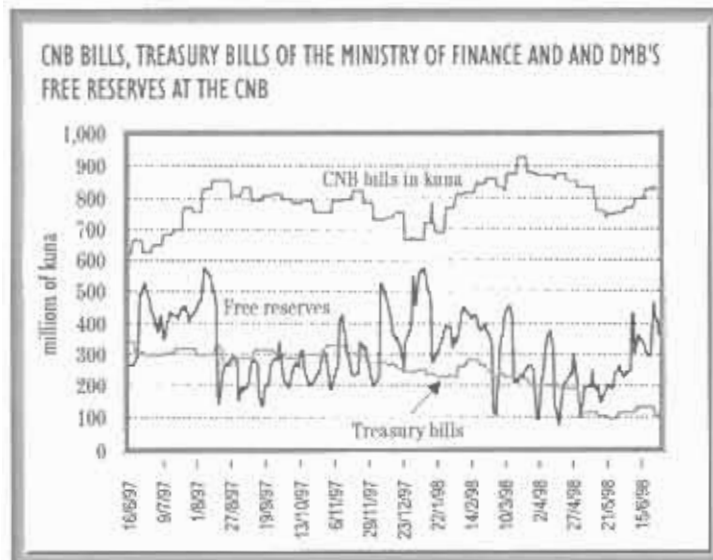
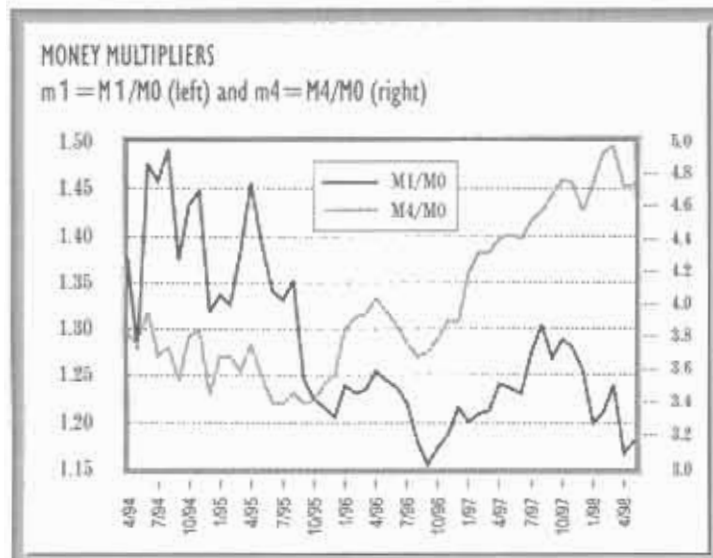
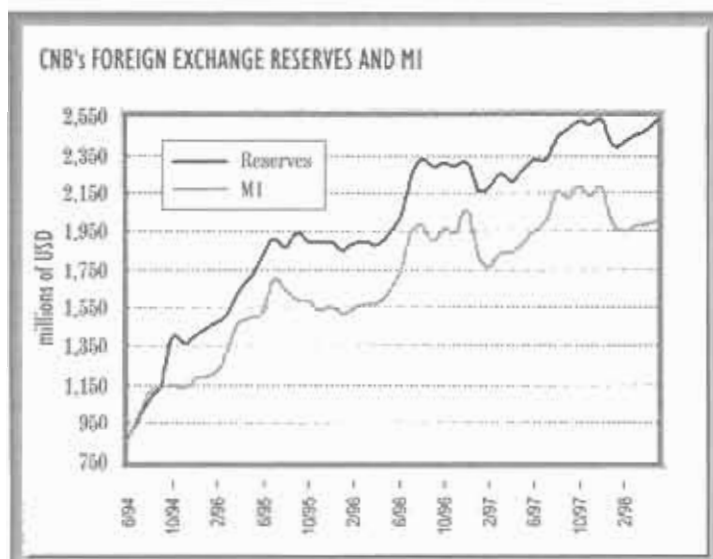
FOREIGN ASSETS AND LIABILITIES



STRUCTURE OF ASSETS OF MONETARY SURVEY



¹ Tables D3 and D11 in the Statistical Overview.



their foreign liabilities due, which caused additional drain on kuna liquidity.

Consequently, commercial banks were forced to continue buying foreign currency in foreign currency auctions with the central bank. Throughout the month of June, commercial banks bought in total USD 47 million for 305 million kuna, while during the same time period they sold USD 12 million for 78 million kuna.

In the first six months of the year, the Croatian National Bank purchased a total of USD 13 million from commercial banks, and sold a total of USD 104 million to commercial banks. Net monetary effect of the above transactions was the withdrawal of kuna in the amount of 584 million kuna. In the same period last year, Croatian National Bank used its foreign exchange transactions to create 754 million kuna, by selling a total of USD 79 million to commercial banks and buying a total of USD 200 million to commercial banks. In 1997, the flow of foreign exchange transactions and management of liquidity occurred in conditions of an appreciation of the kuna, while this year they are taking place in conditions of a depreciation of the kuna.

Along with the maintenance of foreign exchange liquidity, kuna liquidity underwent additional pressure in some banks, due to the process of segmentation in the money market. Consequently, some banks increased their borrowing from the central bank (at the end of June, the Croatian National Bank granted Lombard credits of 80 million kuna, and other credits of 136 million kuna).

Nevertheless, the level of reserve money decreased only a mildly in June (0.05 billion kuna), due to a decrease in the level of legal reserve requirements for kuna deposits. Other categories of reserve money recorded no change. Cash continued to oscillate around the level of 5.3 billion kuna. Within commercial banks' deposits with the Croatian National Bank, the balance on commercial banks' giro accounts remained at 500 million kuna.

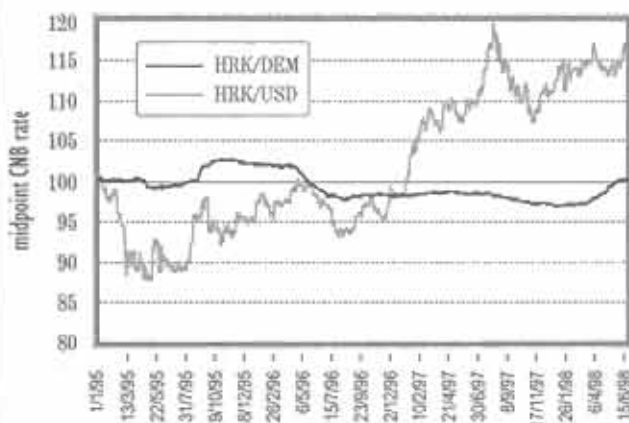
EXCHANGE RATE

The nominal exchange rate of the kuna continued to depreciate against the German mark throughout June, but at a much slower pace than in May. In May, the kuna depreciated against the German mark by 1.64 percent, while during the month of June, the kuna depreciated by 0.52 percent. The change in the exchange rate of the kuna against the German mark during the course of the month was also visible - namely, in the preceding months, the kuna almost continuously depreciated, while in June, the kuna happened to appreciate on several occasions. During last month we witnessed the first week of appreciation of the kuna against the German mark, after nineteen weeks of continuous depreciation. Nonetheless, in June the German mark reached its highest value against the kuna in the last two years. The value of the German mark shot up in the last week of June to 3.6438 kuna, and then came down to 3.6414 kuna at the end of the month. It should be noted that at the beginning of the year, the value of the German mark was 3.5087 kuna. In relation to the highest value of the German mark, recorded last week, this represents a decrease in the value of the kuna by 3.85 percent.

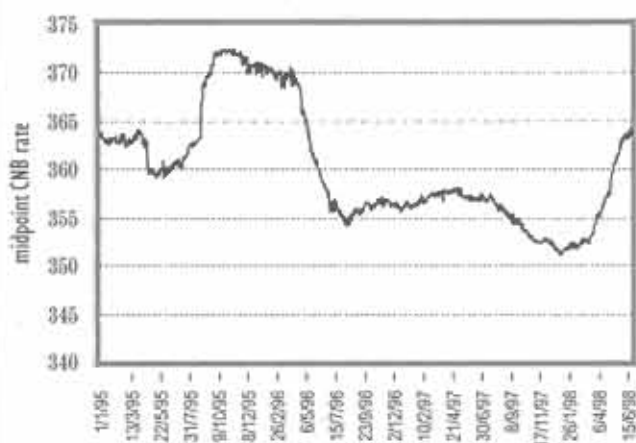
The beginning of the tourist season in June obviously influenced the stabilization of the exchange rate of the kuna, with further stabilization of the value of the kuna expected in the coming summer months.

The real effective exchange rate deflated by producers' prices (i.e. by prices of tradable goods) depreciated for the seventh consecutive month. This indicates an improvement in the export competitiveness of the industrial sector. The real effective exchange rate deflated by producers' prices has depreciated by 5.72 percent since the beginning of the year. The depreciation of the real effective exchange rate deflated by producers' prices was most significantly affected by the depreciation of the nominal exchange rate and decreases in producers' prices. The real effective exchange rate deflated by retail prices depreciated in June by 0.73 percent, which decreased

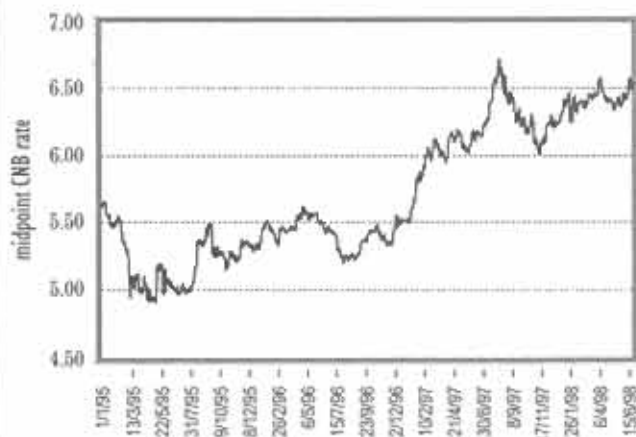
INDICES OF DAILY NOMINAL EXCHANGE RATES OF KUNA VS. DEM AND USD, (January 1, 1995 = 100)



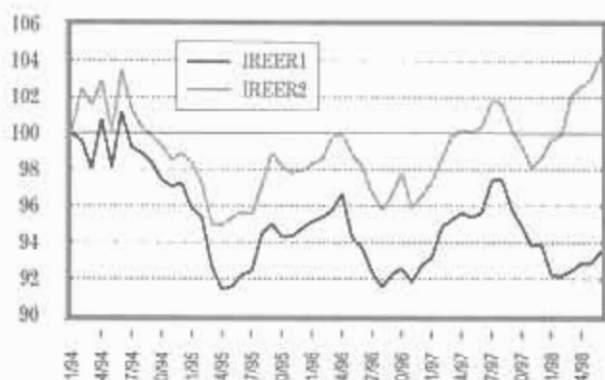
DAILY NOMINAL EXCHANGE RATE - KUNA VS. 100 DEM



DAILY NOMINAL EXCHANGE RATE - KUNA VS. USD

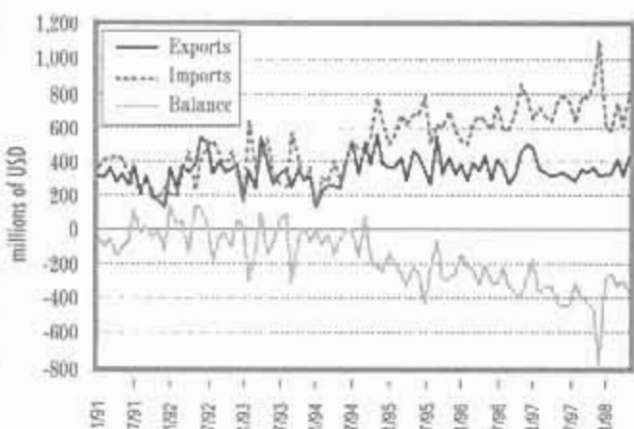


INDEX* OF REAL EFFECTIVE EXCHANGE RATE OF CROATIAN KUNA
(IREER1 - with retail prices, IREER2 - with producers' prices), January 1994=100



* the fall of index denotes real appreciation

MERCHANDISE EXPORTS (f.o.b.), IMPORTS (c.i.f.) AND TRADE BALANCE



BALANCE OF PAYMENTS in millions of USD (preliminary data)

	Jan. - Mar. 1998	Jan. - Mar. 1997	indices Jan. - Mar. 1998/ Jan. - Mar. 1997
Current account	- 713.0	- 665.0	107.2
Capital and financial account	531.5	632.7	84.0
CNB international reserves	81.4	61.5	132.4
Net errors and omissions	- 29.2	100.0	-

Source: CNB

MERCHANDISE EXPORTS AND IMPORTS (in millions of USD)

	Jan. - May 1998	Jan. - May 1997	May 1998	May 1997
Exports f.o.b.	1,844.2	1,830.1	441.1	329.9
Imports c.i.f.	3,353.6	3,433.5	810.2	757.8
Balance	- 1,490.6	- 1,603.4	- 369.1	- 427.9

Source: Bureau of Statistics

the appreciation of this exchange rate to only 0.38 percent relative to the beginning of the year.

BALANCE OF PAYMENTS

According to information provided by the State Bureau of Statistics, the merchandise imports at c.i.f. parity amounted to USD 810.2 million, which represents a 32.2 percent or USD 197.2 million increase compared to April. Merchandise imports in the five months of the year amounted to USD 3,353.6 million, a 2.3 percent decrease compared to the same period last year. At the same time, merchandise exports at f.o.b. parity amounted to USD 1,844.2 million, a 0.8 percent increase. The negative balance on merchandise trade amounted to USD -1,490.6, a 7.0 percent decrease compared to last year. Significant oscillations of the exchange rate of the dollar relative to European currencies, which amount to approximately 70 percent of total Croatian merchandise trade, distort the actual picture. Expressed in kuna, Croatian exports amounted to 11,822.6 million kuna in the first five months of the year. This represents a 9.2 percent increase compared to the same period last year. At the same time, Croatian imports amounted to 21,484.4 million kuna, a 4.7 percent increase. The merchandise trade deficit in the same period amounted to 9,661.8 kuna, or 0.2 percent less than in the preceding year.

If observed by the different sectors of the SITC, the most significant growth in exports in the last five months was recorded in machines and transportation devices (40.3 percent increase), and in oil and greases (81.4 percent). At the same time, the most significant decrease in exports compared to last year was in mineral fuels and lubricants (-43.2 percent).

In the first quarter of 1998, the deficit on the current account of the balance of payments was USD 713.0 million, a 7.2 percent increase compared to the same period last year. Due to a higher exchange rate of the US dollar, there has been a decrease in the dollar value of imports and exports of goods and services. At the same time, the in-

come and transfers accounts increased in absolute amounts. The financial account amounted to USD 531.5 million in the first three months of the year, a 16.0 percent decrease compared to the same period last year. Direct investment in the Republic of Croatia remained at approximately the same level as in the first quarter of 1997, while portfolio investment decreased. The increase in net loan liabilities to foreign countries and institutions decreased from USD 352.6 million in the first quarter of the last year to USD 270 million in the first quarter of this year.

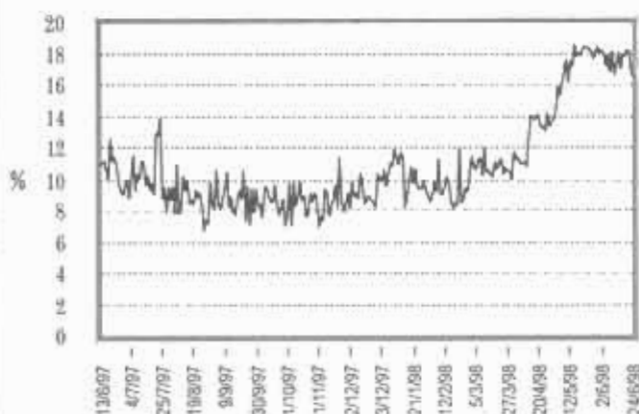
MONEY MARKET AND INTEREST RATES

The main characteristics of the situation in the Money Market Zagreb were: decreased pressure to increase the price of money, and a mild decrease in average daily interest rates. Daily averages continued to oscillate at high levels, between 16.55 and 18.25 percent, with the mean value of daily averages for the monthly level slightly nearer the upper bound. The imbalance of supply and demand for money was not as significantly on the side of the demand as in May. Moreover, in the second half of the month, supply almost continuously exceeded demand. The improved liquidity situation was most likely caused by the Croatian National Bank's decision to allow the use of required reserves to cover negative balance on the giro account. Although the liquidity situation was much better than in the previous month, the average interest rate on the money market failed to decrease significantly. For instance, the interest rate on callable loans was almost constantly at 18 percent during the first half of the month (the interest rate on callable loans has been oscillating around 18 percent since mid-May). It was only in the second half of the month that the interest rate on callable loans started to decrease slightly, reaching the (still very high) level of 17 percent at the end of the month.

The improved liquidity of the banking system was reflected in an increase in voluntary purchase of treasury

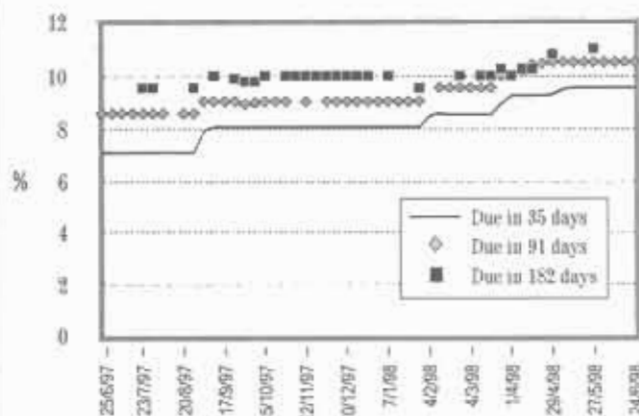
ANNUAL INTEREST RATE ON THE ZAGREB MONEY MARKET

Daily data



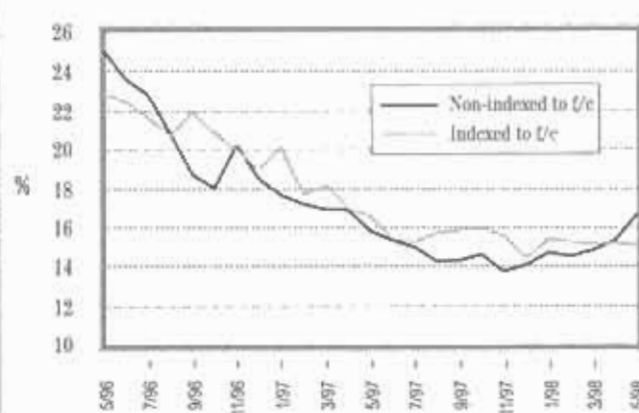
INTEREST RATES ON CNB BILLS

Annual level, on auction days



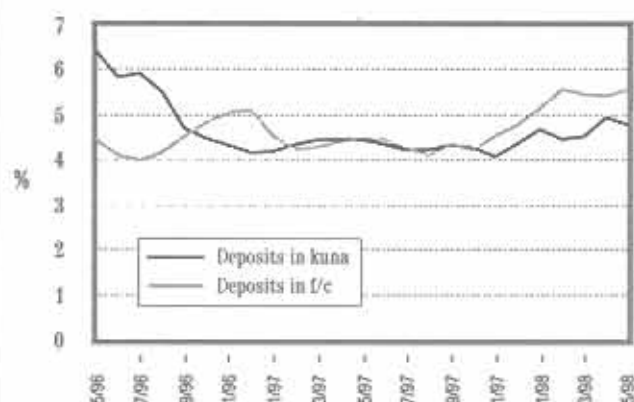
DMBs' AVERAGE INTEREST RATES ON CREDITS IN KUNA

Annual level

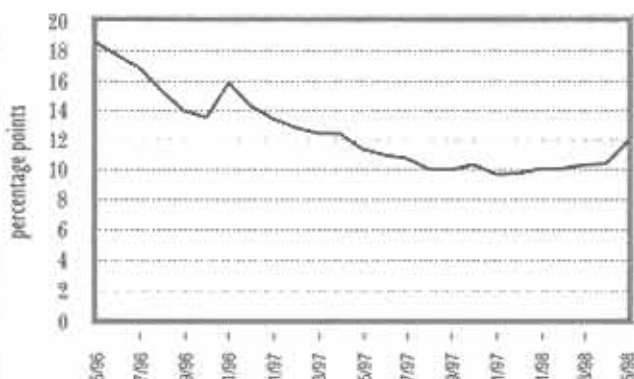


DMBs' AVERAGE INTEREST RATES ON DEPOSITS

Annual level

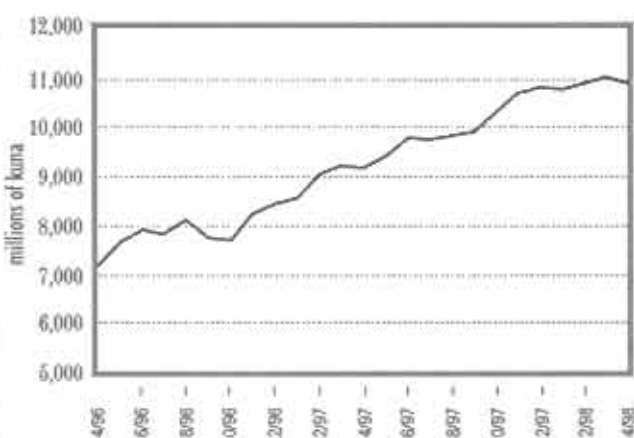


DIFFERENCE BETWEEN INTEREST RATES ON CREDITS IN KUNA AND INTEREST RATES ON DEPOSITS IN KUNA



Note: spread is calculated as a difference between interest rates on non-indexed credits in kuna and interest rates on non-indexed deposits in kuna.

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bills. The kuna bills of the Croatian National Bank, yielding 9.50 percent for 35 days, 10.50 percent for 91 days and 11.00 percent for 182 days, continue to be very profitable investments for commercial banks, since they serve as good coverage in case of problems with liquidity. Treasury Bills of the Ministry of Finance achieved in June 10.00 percent interest for both 42 days and 91 days. Foreign exchange treasury bills in German marks yielded 3.39 percent for 63 days and 3.42 percent for 91 days, while foreign exchange treasury bills in US dollars yielded 5.57 percent for 63 days.

Commercial banks' lending rates recorded diverse tendencies in May. The average interest rate on kuna loans without the currency clause recorded a significant increase of almost 1.4 percentage points, reaching the level of 16.67 percent (short-term loans 16.71 percent, long-term loans 14.82 percent). Such a strong increase in interest rates on kuna loans without the currency clause was most likely caused by two main factors: increases in the interest rate on the Money Market Zagreb, and the depreciation of the kuna against the German mark. The average interest rate on kuna loans with the currency clause decreased by a mild 0.1 percentage points, reaching 15.05 percent (short-term loans 17.30 percent, long-term loans 12.26 percent). The average interest rate on foreign exchange loans decreased by 0.8 percentage points, reaching 15.05 percent.

May brought a slight decrease in the average interest rates on kuna deposits. The average interest rate on kuna deposits decreased by 0.2 percentage points, which brought it to 4.77 percent. The average interest rate on foreign currency deposits increased by slightly more than 0.1 percentage point, currently holding at 5.55 percent.

The substantial growth of interest rates on kuna loans without the currency clause, as well as the mild decrease in the interest rate on kuna deposits, caused a significant expansion of the interest rate spread in May. The interest rate spread increased by a significant 1.5 percentage points, currently holding at 11.90 percentage points.

STATE BUDGET

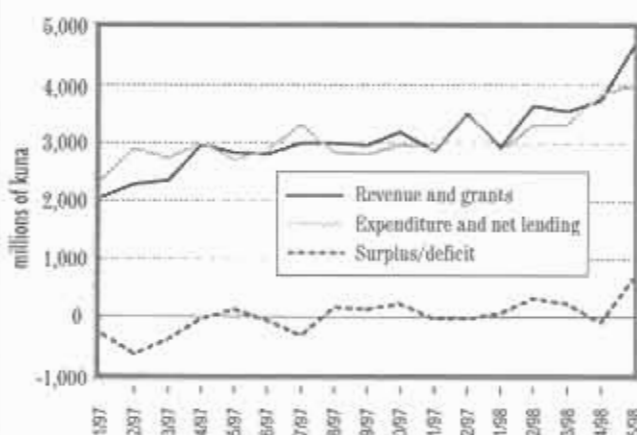
In the period from the beginning of the year until the end of May, the balance in the account of the Central Government differed significantly from the budget accepted at the beginning of the year, both in size and sign. The actual surplus amounted to 1.18 billion kuna. Compared to the same period last year, revenues collected in the first five months of 1998 increased 48.1 percent, while at the same time expenditures increased only 26.2 percent.

The Croatian parliament voted at the end of June in favor of the Proposal for the Revision of the State Budget of the Republic of Croatia in 1998. The new State Budget is balanced and amounts to 44.6 billion kuna. This is 5.5 billion kuna more than the previously accepted budget. The reason for the budget rebalance lies in the government's motion to discontinue payment of contributions for child support (calculated at the rate of 2.2 percent on the gross wage, payable by all employed persons) as well as the water tax (payable by employers at the rate of 0.76 percent on gross wages). This rebalance increases government support to the Croatian Health Insurance Institute, to road construction, to existing and new capital projects, as well as to the project of financial reconstruction of Dubrovačka Banka, which is already in process. Funds to cover these new expenditures are expected to come (in major part) from the effective collection of tax revenues, especially the value added tax.

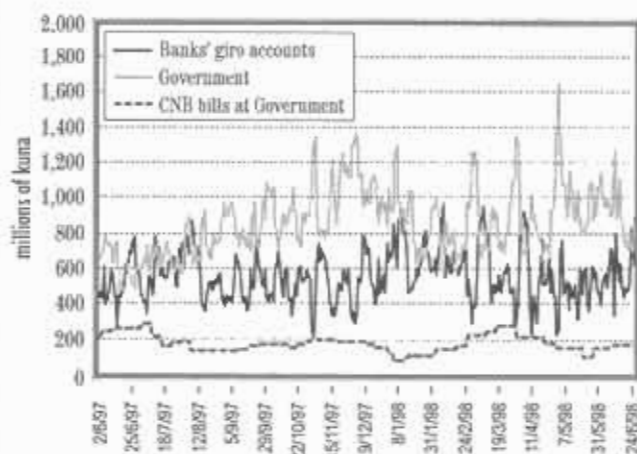
Residual revenues from the sales tax and re-estimated revenues from the value added tax are the most significant source of increased revenues. Re-estimation of revenues was based on tendencies noted in the first four months of the year. Other revenue items experienced only minor modifications.

In addition to financing expenditures, the increase in revenues was also used to decrease the level of foreign indebtedness.

OUTTURN OF CENTRAL GOVERNMENT BUDGET



CENTRAL GOVERNMENT DEPOSITS AT THE CNB AND BANKS' GIRO ACCOUNTS

FINANCING OF CENTRAL BUDGET DEFICIT
(in millions of kuna)

	Jan. - May 1998	1998 Budget
TOTAL FINANCING	-1,179	0
DOMESTIC FINANCING	-1,578	-2,292
From monetary authorities	12	0
From deposit money banks	-1,719	-1,921
Other domestic financing	129	-371
FOREIGN FINANCING	399	2,292
From international develop. institutions	154	1,102
From foreign governments	-222	-503
Other foreign financing	466	1,693