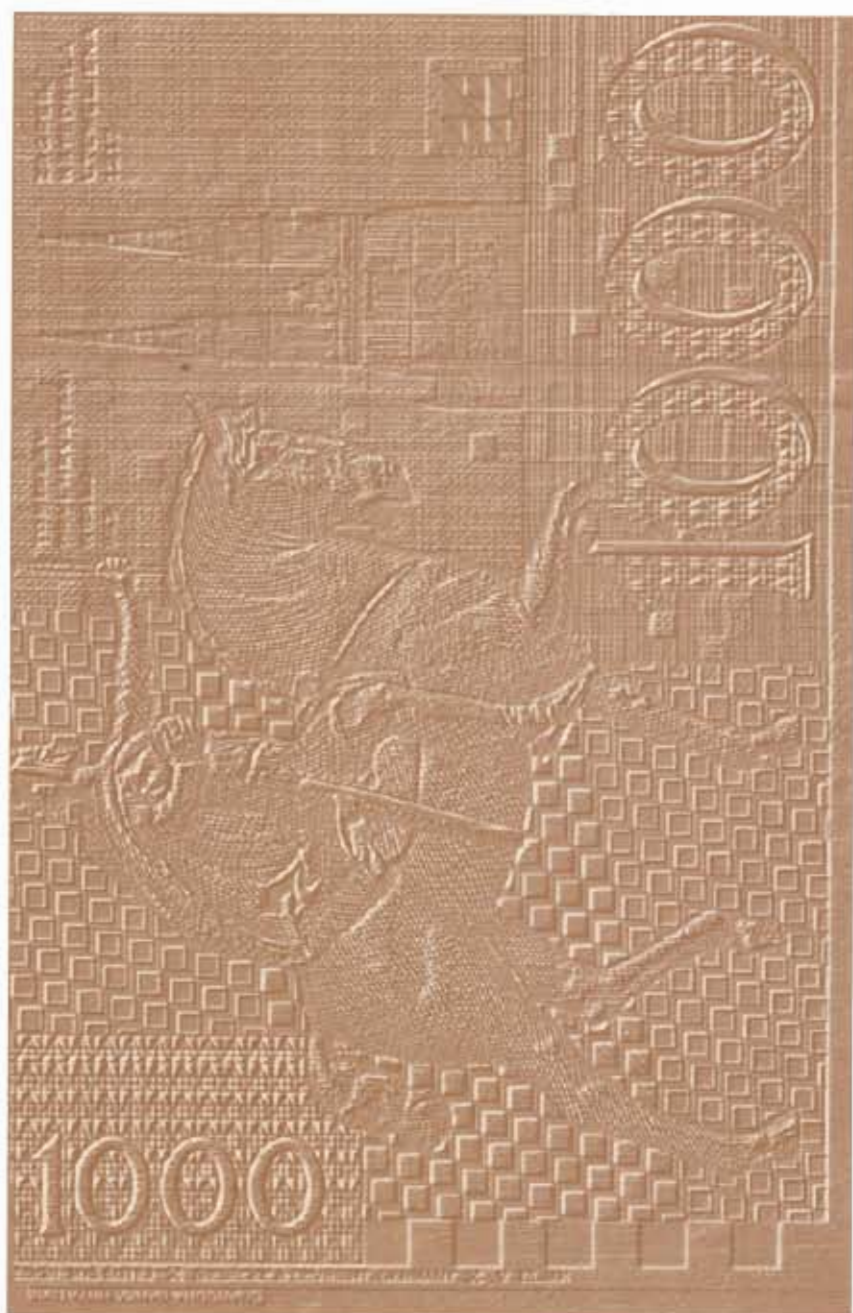


# CROATIAN NATIONAL BANK



## BULLETIN

YEAR III  
No. 33

DECEMBER 1998



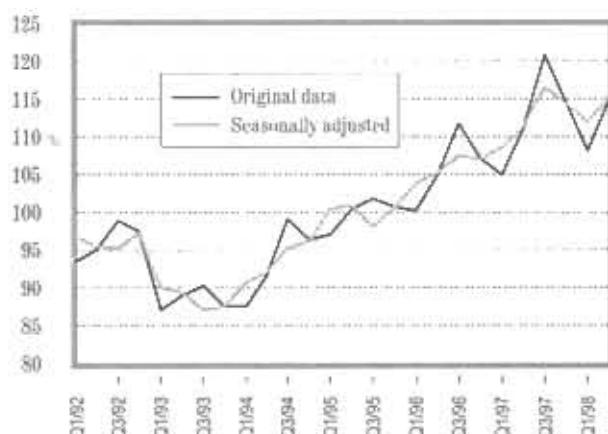
## REAL SECTOR

Indicators of economic activity in the third quarter show that only industrial production and tourist overnights grew on a year-on-year basis. Delayed data on construction activity makes it even harder to draw a definite conclusion on gross domestic product. The estimation of quarterly gross domestic product includes both a large number of indicators and additional quarterly research; therefore the above indicators are not sufficient for a credible appraisal of total economic activity in the third quarter.

In the period January - October 1998, industrial production grew 5.3 percent compared to the corresponding period of the preceding year, while production decreased 5.4 percent in October alone. October was the first month in 1998 in which industrial production decreased compared to the corresponding month of the preceding year. Therefore, the year-on-year cumulative increase in industrial production in the first ten months of the year failed to exceed the annual increase recorded at the end of September. The largest decrease in production, which had the greatest influence on the decrease in processing industry (i.e. total industry) output, came from the chemical industry (44.1 percent). The chemical industry's cumulative year-on-year growth of 7.1 percent for the first nine months of the year turned into a decrease in production of 0.6 percent at the end of October. Further significant changes in the growth of industrial production were caused by the decrease in the production of food and beverages (by 2.8 percent), production of clothes (11.6 percent) and production of coke and petroleum products (9.6 percent).

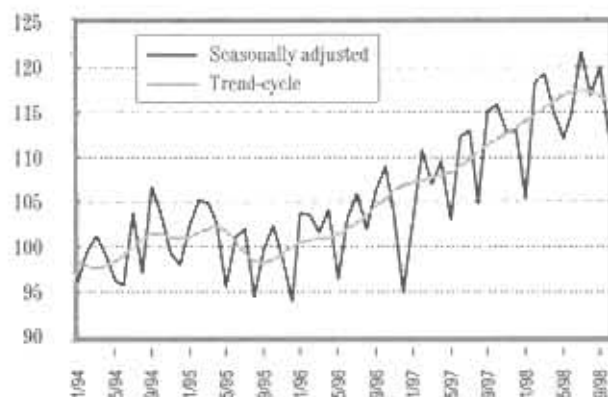
The trend curve of industrial production, which had been rising constantly since the end of 1995, started to decline in August 1998. The year-on-year index of industrial production reached its highest level in the third quarter (8.8 percent), in spite of a slight decline recorded toward the end of the

REAL GROSS DOMESTIC PRODUCT, 1995 = 100



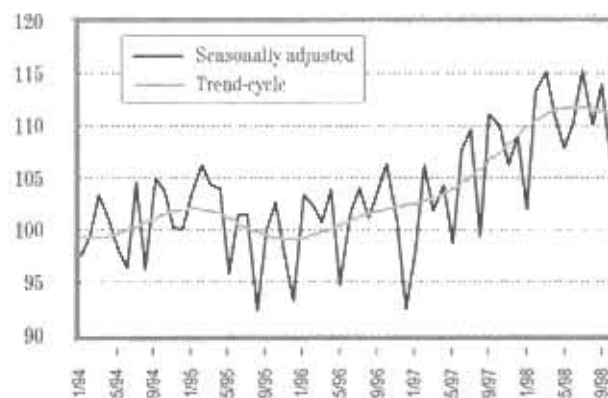
MANUFACTURING PRODUCTION INDEX

Seasonally adjusted and trend-cycle (1995 = 100)



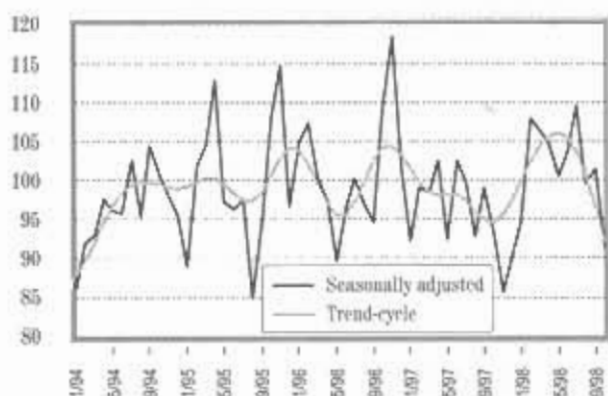
PROCESSING INDUSTRY

Seasonally adjusted and trend-cycle (1995 = 100)



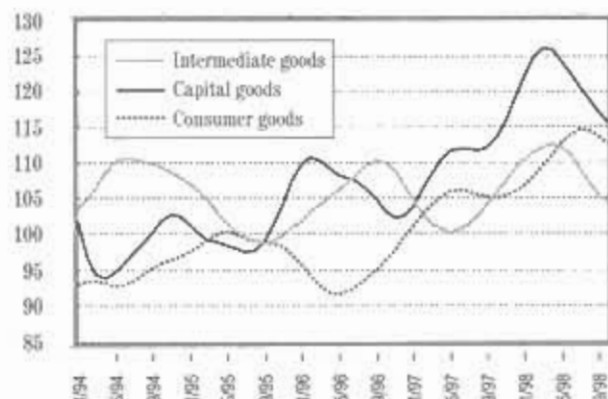
### PRODUCTION OF FOOD AND BEVERAGES

Seasonally adjusted and trend-cycle (1995 = 100)



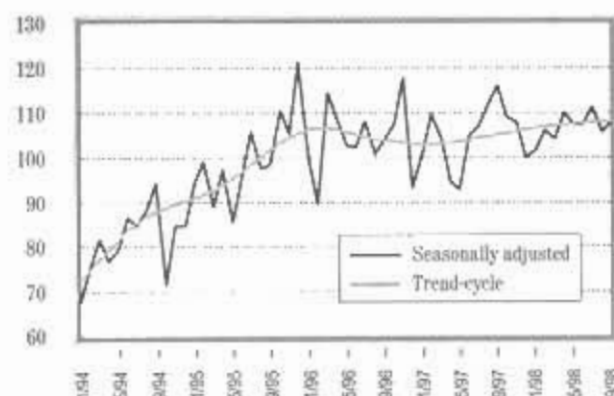
### INDEX OF PRODUCTION VOLUME IN INDUSTRY BY MAIN INDUSTRIAL GROUPS

Trend-cycle (1995 = 100)



### TRANSPORTATION - GOODS

Seasonally adjusted and trend-cycle (1995 = 100)



third quarter. Year-on-year indices of growth of industrial production were slightly lower in the first and second quarter - they amounted to 6.3 percent and 5.2 percent respectively.

If we take a closer look at the period during which industrial production decreased (i.e. the period from August to October 1998), we see a 0.4 percent decrease in industrial production compared to the three preceding months. The largest decline (among major industrial groups) was in production of intermediary products (3.3 percent decrease), the largest group. On the other hand, the most significant increase was in the energy sector (5.9 percent), followed by durable consumer goods (3.8 percent).

However, compared to the same period last year, the index of industrial production for the period August - October 1998 rose 4.9 percent, again mainly due to the 7.1 percent increase in the production of energy.

A more detailed analysis of production of energy products in Croatia will be shown further in the Bulletin. In 1997, energy accounted for 14.8 percent of total industry value added, while the production of energy in the same year grew 17.0 percent. In 1998, the growth trend slowed significantly. The energy group comprises the production of primary energy and transformed forms of energy. This production is carried out in four branches: coal extraction, extraction of crude oil and natural gas, production of coke, oil products and nuclear fuel, and supply of electric energy, gas, steam and hot water. In the last couple of years, production of transformed energy in Croatia exceeded the needs of domestic users. The surplus has been exported. Production of primary energy in the period 1992 - 1997 grew mildly until 1996, only to decrease in 1997, reaching the 1992 level. In 1997, production decreased 8.9 percent compared to the preceding year. A very significant decrease occurred in the production of hydro-energy and coal, while production of firewood and crude oil increased. Natural gas (33.3

percent) followed by crude oil (31.6 percent) and hydro-energy (26.1 percent) account for the largest shares of primary energy.

The number of passengers transported in the first nine months of the year was 7.5 percent lower than in the same period last year, while the index of traveler mileage was 7.2 percent lower. The index of the quantity of goods transported increased 3.1 percent in the same period (mainly due to the 7.2 percent increase in the second quarter), while the index of ton kilometers decreased 14.0 percent.

The number of tourist night-stays in 1998 increased 3.3 percent compared to the year before. The increase was solely due to the increase in the number of foreign tourist overnights. Domestic tourist night-stays have constantly been lower than last year's. Most of the increases in total tourist night-stays came in the second quarter (a 12.3 percent increase). This favorable picture is somewhat blemished by the first quarter, during which the number of tourist night-stays decreased by 11.9 percent compared to last year.

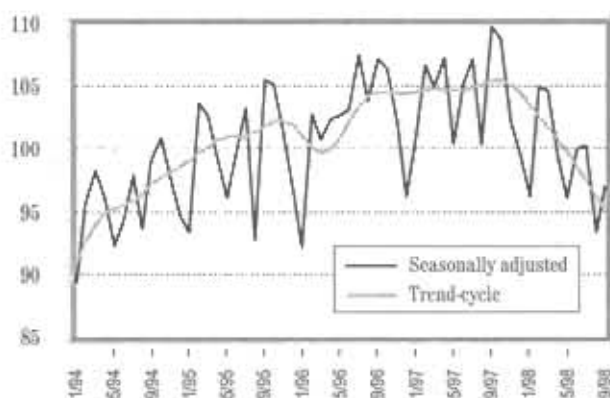
## PRICES

Retail prices increased 0.2 percent in November, significantly less than in September (0.9 percent) and October (0.5 percent). Exclusive of seasonal products, prices increased 0.1 percent in November. On the annual level, prices have increased by 5.9 percent, 0.2 percentage points less than the annual change in October.

Such a modest increase in retail prices was in large part the result of the 1.0 percent decrease in the prices of services in November. This decrease was to a great extent the result of a decrease in the price of public transportation in Zagreb (which, as a reminder, increased its prices at the beginning of October, only to return them to their original levels at the beginning of November). Prices of goods increased 0.4 percent in November (the prices of agri-

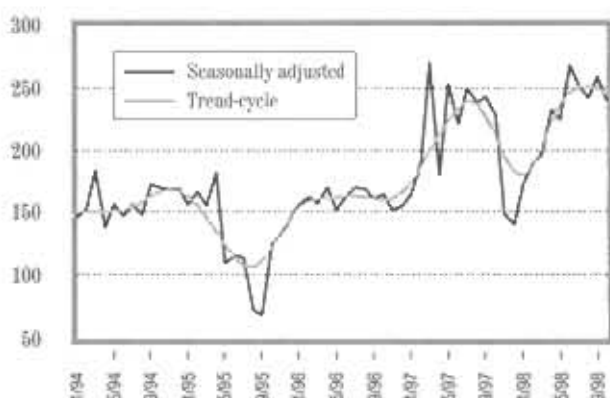
### TRANSPORTATION - PASSENGERS

Seasonally adjusted and trend-cycle (1995 = 100)

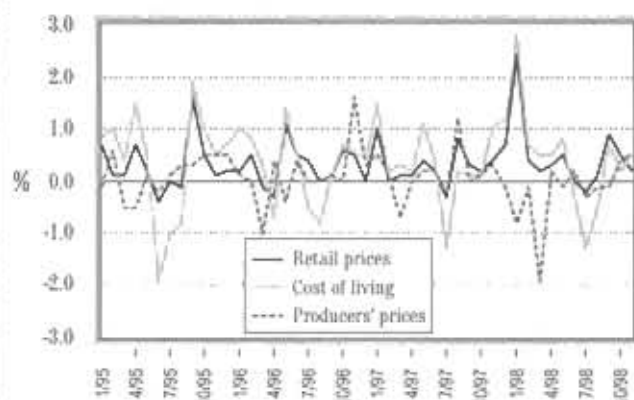


### TOURISM - OVERNIGHT STAYS

Seasonally adjusted and trend-cycle (1995 = 100)

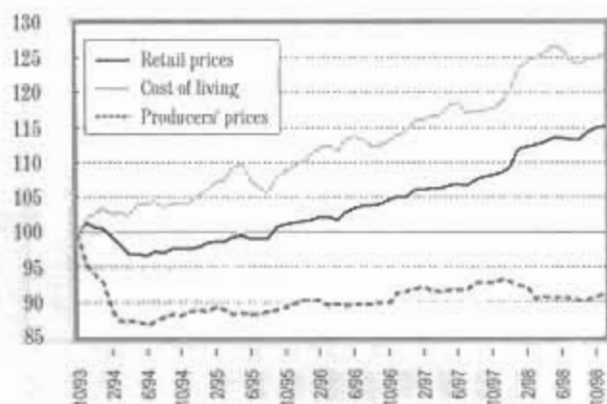


### MONTHLY RATES OF CHANGE (%) OF RETAIL PRICES, PRODUCERS' PRICES AND COST OF LIVING

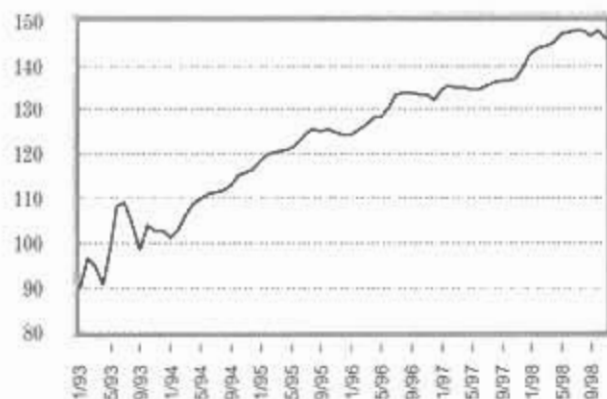




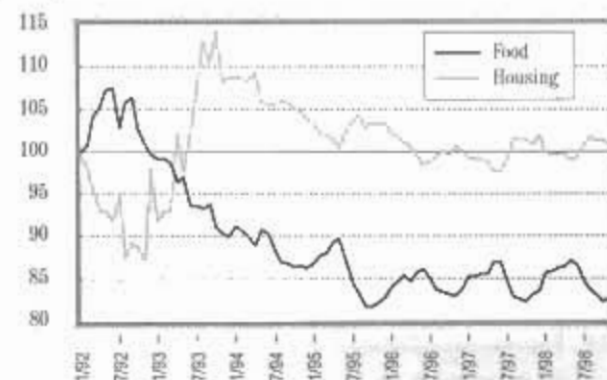
INDICES OF RETAIL PRICES, COST OF LIVING AND PRODUCERS' PRICES  
October 1993 = 100



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.

cultural products including seasonal products increased 4.9 percent and the prices of agricultural products excluding seasonal products increased 1.7 percent. Prices of beverages grew 0.7 percent, while other components of the price of goods increased in November at rates lower than 0.5 percent.

The cost of living index increased 0.5 percent in November. Within this, expenses on goods increased by 0.6 percent, while expenses on services decreased by 0.3 percent. The cost of living increased 5.8 percent on an annual level (expenses on goods increased by 4.6 percent and expenses on services by 12.9 percent). Among other major contributors to the increase in the cost of living on the annual level, the largest increase was in expenses on transportation and postal services (16.1 percent), and expenses on education, culture and entertainment (14.3 percent). Producers' prices of industrial products increased in November at their highest rate in the current year (0.5 percent). This is only the fourth month this year in which producers' prices increased. In November, the price of energy increased by the largest amount this year (4.8 percent) due to seasonal influences.

## EMPLOYMENT AND WAGES

Registered unemployment at the end of October amounted to 294,629, an increase of 7,849 (or 2.7 percent) compared to September. It is the highest registered unemployment yet. The increase is seasonal in character and due to a high inflow into the register. It is comparable to the increase in registered unemployment in the same month last year. However, this year's increase in registered unemployment occurred at a higher level of registered unemployment. During the first ten months of the year, average registered unemployment was 8,881 higher than in the same period last year. Total employment decreased throughout October by 5,004 or 0.4 percent, reaching 1,344,062 persons at the end of the month. In the first ten

months of the year, average total employment was 46,089 or 3.3 percent lower than in the same period last year.

The rate of unemployment reached its highest level ever - 18 percent (i.e. 0.9 percentage points higher than in the same month last year).

Following the disruption of trend in September, wages paid increased again in October. Nominal net wages amounted to 2,729 kuna, which is lower than the wage paid in August, but still 0.3 percent higher than wages paid in September. However, nominal net wages in the current year were on average 12.8 percent higher than those paid in the same period last year. Deflated by the cost of living, real net wages grew by 5.7 percent.

Nominal gross wages increased in October by 0.5 percent. In the current year, nominal gross wages have been on average 13.4 percent higher than in the preceding year. Real growth of gross wages in 1998 (6.3 percent) also exceeded the growth of net wages.

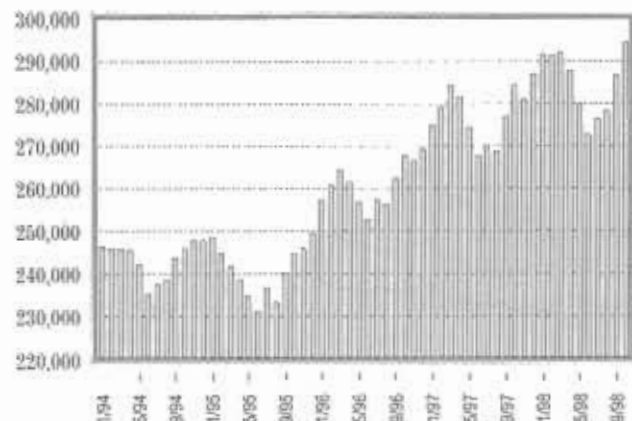
## MONETARY DEVELOPMENTS

October developments represent the continuation of September trends. Total liquid assets decreased significantly, along with commercial banks' net foreign assets, while credit and claims on central government increased (moderately).

Throughout July and August, total liquid assets grew at an average monthly growth rate of 3.0 percent. This growth ceased in September, resulting in a decrease of 0.3 billion kuna or 0.6 percent. The decrease in October was even more significant - 0.7 billion kuna or 1.3 percent. Money supply decreased in October by one billion kuna (i.e. by 7.2 percent) compared to the end of September, reaching 12.9 billion kuna (i.e. less than January's figure).

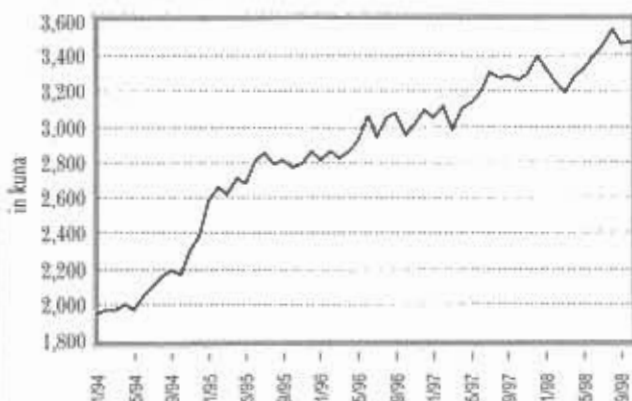
Cash, as well as all kuna deposits of the household sector, has been on the decline for two consecutive months. These deposits are very sensitive to

### NUMBER OF THE UNEMPLOYED



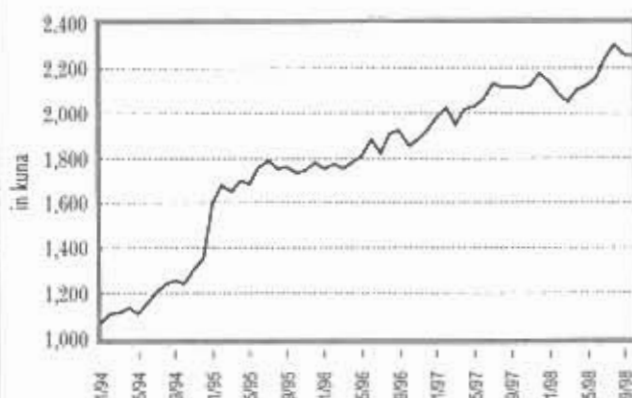
### REAL AVERAGE GROSS WAGE

Constant prices, January 1994

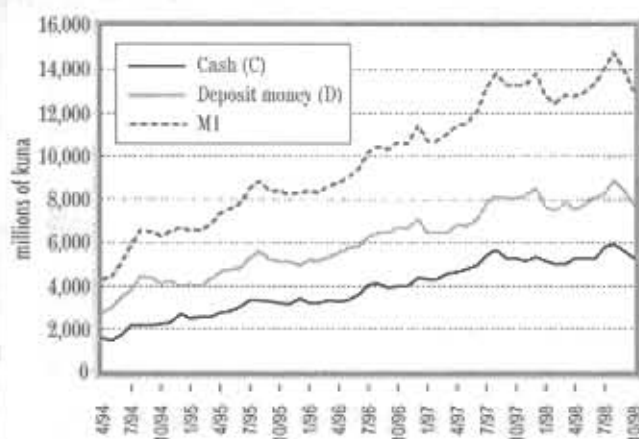


### REAL AVERAGE NET WAGE

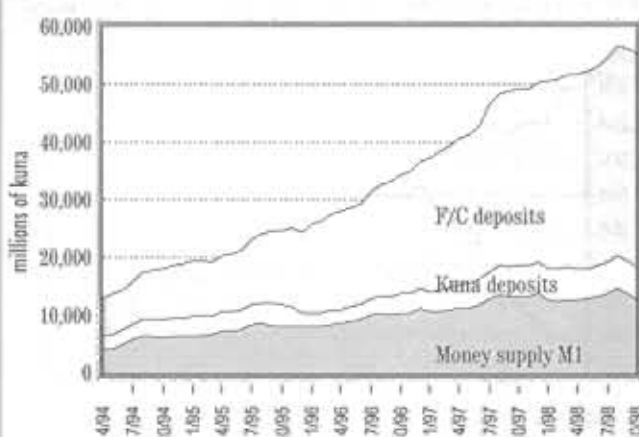
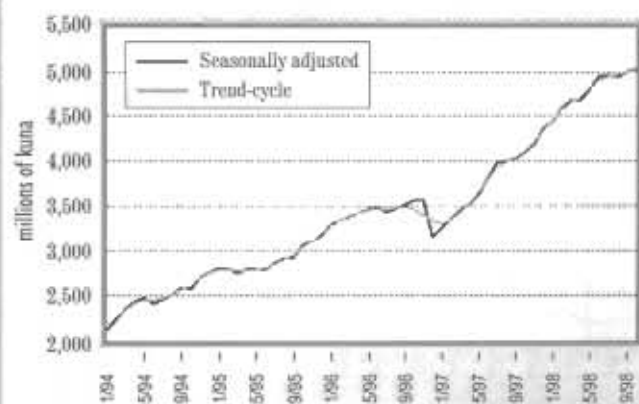
Constant prices, January 1994



## MONEY SUPPLY



## MONETARY AGGREGATE M4

DMB's DOMESTIC CREDITS  
Constant prices, January 1993

fluctuations of the exchange rate, and although there were no major changes in the exchange rate in October, households continued the September substitution by the force of inertia. Foreign exchange deposits of the household sector increased mildly in September and October. Deposit money of the enterprise sector also decreased for the second consecutive month. At the end of October it amounted to 4.6 billion kuna, less than in January of this year (when it stood at 4.9 billion kuna). Furthermore, enterprises' kuna non-monetary and foreign currency deposits with deposit money banks have decreased in the last two months. This illustrates how liquidity problems have grown in the economy. That is, the transformation of kuna non-monetary and foreign currency deposits into deposit money increases the liquidity of solvent economic subjects, allowing them to meet their obligations even if inflows to their giro accounts stop. Hence, the decrease in demand for money occurred for two reasons. Depreciation of the exchange rate induced the substitution of kuna assets for foreign exchange assets and decreased activity induced a decrease in transaction money demand.

The slow down in money supply growth was also caused by a slow down of growth of bank credit, which increased 0.8 billion kuna (i.e. 1.4 percent) in October. However, this moderate growth was in line with expectations. On the annual level, the increase in total bank credit amounts to 30 percent, while compared to December 1997 it amounts to 20 percent. At the end of October, total credit amounted to 57.8 billion kuna. The growth rate of credit to the household sector continues to decrease reaching 54 percent at the end of October. Doubtful and disputed claims from the household sector for loans granted in domestic currency have been rising continuously since 1996. However, their absolute amount, as well as their share in total credit to the household sector, is still very low. The annual rate of growth of credit to the enterprise sector amounted to 22 percent in Octo-



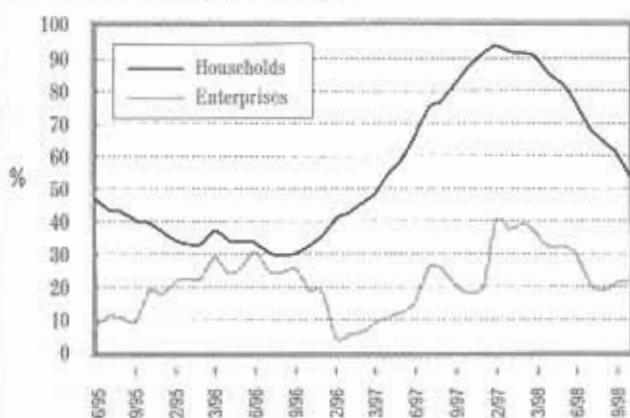
ber (compared to 41 percent in the preceding year).

In contrast to this, banks' claims on central government increased in both September and October. Since significant payments on foreign exchange loans became due in October, the central government decreased its foreign currency deposits with commercial banks and arranged for additional foreign exchange loans with commercial banks. In September, the central government incurred 100 million US dollars debt with the central bank. No additional debt with the central bank was incurred by the central government in October. Banks' claims on central government amounted to 7.1 billion kuna at the end of October. This represents a 0.6 billion kuna increase compared to September, and 1.1 billion compared to August this year.

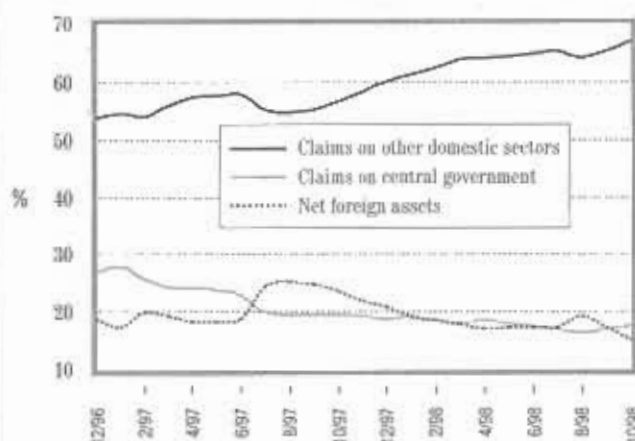
Net foreign assets of the banking system decreased compared to September. Although this is in part the result of a gradual transfer of foreign exchange from accounts abroad to accounts with the Croatian National Bank, it is also in part the result of autonomous developments. Commercial banks' foreign exchange liabilities have (again) grown for the second consecutive month, while their foreign exchange assets decreased almost twice as much as the transfer of the redeposit obligation to deposit with the Croatian National Bank would have demanded.

The net decrease in foreign exchange reserves of the central bank recorded throughout September and October 1998 was replaced in November by a net increase of 20 million US dollars. This increase was caused by several factors. First is the regular transfer of a portion of foreign exchange required reserves to foreign exchange reserves of the central bank around 60 million US dollars (on average) per month. The above process should, according to the Decision of the Croatian National Bank, proceed until May of next year. Second, net sales of foreign exchange to commercial banks during regular foreign exchange auctions with the Croatian National Bank (144 million in

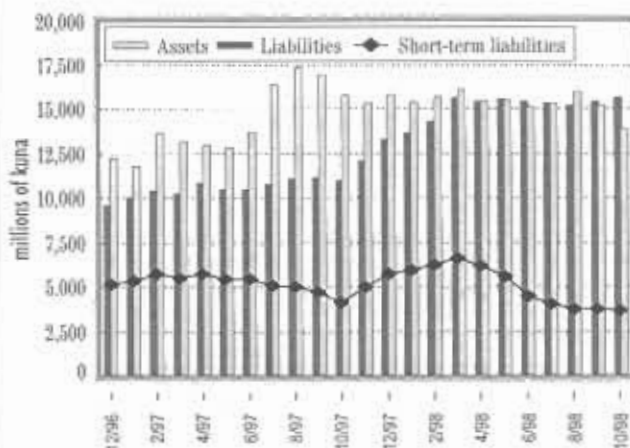
GROWTH RATES OF CREDITS TO HOUSEHOLDS AND ENTERPRISES  
Relative to the same month previous year



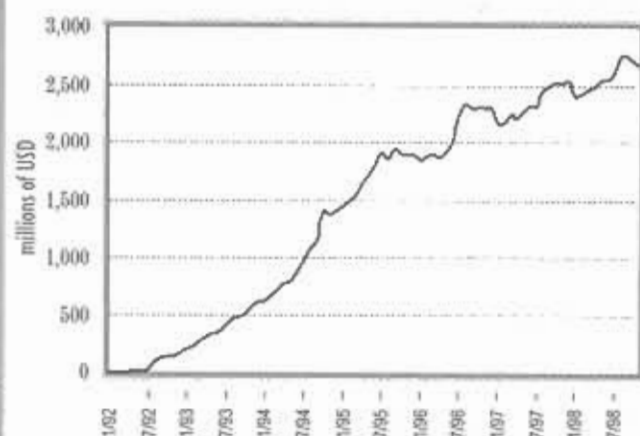
STRUCTURE OF ASSETS OF MONETARY SURVEY



FOREIGN ASSETS AND LIABILITIES OF COMMERCIAL BANKS

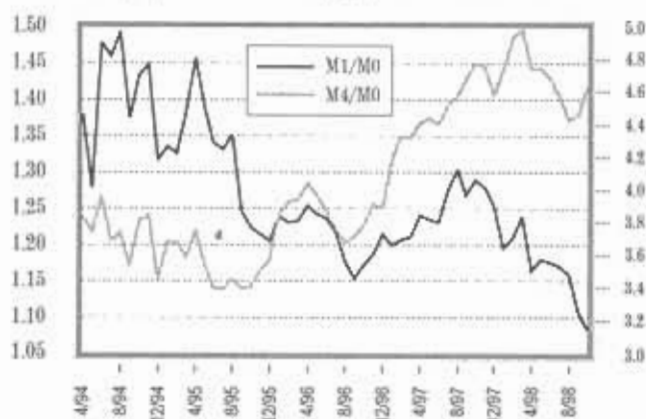


## CNB's INTERNATIONAL RESERVES

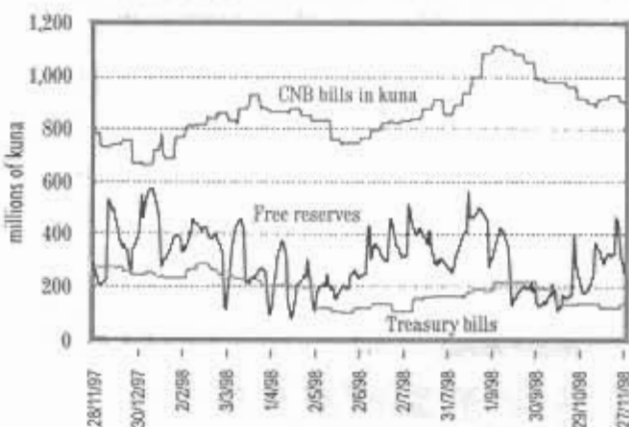


## MONEY MULTIPLIERS

$m1 = M1/M0$  (left) and  $m4 = M4/M0$  (right)



## CNB BILLS, TREASURY BILLS OF THE MINISTRY OF FINANCE AND DMB'S FREE RESERVES AT THE CNB



October, 99 million in November) decreased, as did net purchase Croatian National Bank bills (9 million US dollars). Finally, purchase of 50 million US dollars from the central government cut the kuna liabilities of the central government to the Croatian National Bank in half.

The total net monetary effect of foreign exchange transactions between the central bank and commercial banks was negative, just like in preceding months. This effect amounted to 0.6 billion kuna. The outflow of kuna from banks' giro accounts caused by foreign exchange transactions was made up for by an additional use of lombard credit. However, the demand for liquidity was not as great in November as it was in October when commercial banks were forced to buy significantly higher amounts of foreign exchange from the central bank. Consequently, the average daily balance of lombard credit in use decreased from 179 million kuna in October to 143 million kuna in November.

Although banks' liquidity was higher in November than in October (resulting in an increase in banks' giro account balances from 281 million to 301 million kuna), reserve money decreased by 334 million kuna, or 4.1 percent. This decrease was due to a decrease in cash of 115 million kuna and a further decrease in banks' required reserves in kuna caused by a decrease in the calculation base. The base for calculation comprises, most of all, of kuna quasi money, i.e. kuna savings deposits and kuna time deposits of all sectors.

## EXCHANGE RATE

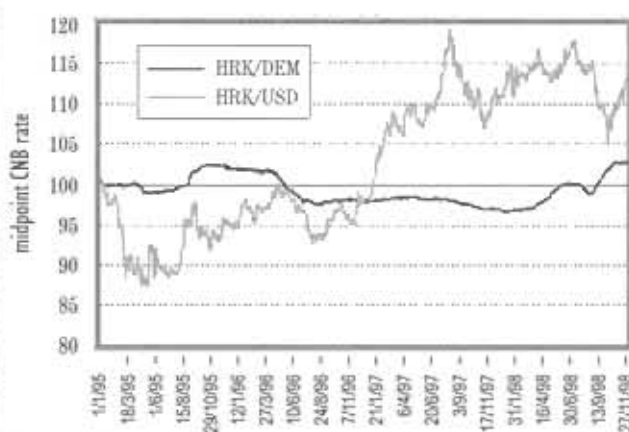
One of the primary tasks of the Croatian National Bank is maintaining the stability of the national currency. This task was entirely fulfilled during the month of November. Following two months of (almost continuous) depreciation, the kuna has become stable again. The exchange rate of the German mark on the exchange list of the Croatian National Bank oscillated be-

tween 3.73 and 3.74 kuna for one German mark throughout the entire month of November. At the beginning of November, the exchange rate of the German mark amounted to 3.7358 kuna, while at the end of the month it amounted to 3.7362 kuna. The stable exchange rate in November was the result of persistent interventions by the Croatian National Bank on the foreign exchange market through foreign exchange auctions. In these auctions (which were held four times during November), 98.9 million US dollars worth of foreign exchange was sold (mainly German marks). This represents a 31.4 percent decrease compared to October when seven auctions were held (the highest number of auctions held in one month). In spite of this, the highest exchange rate since February 1994 was reached one day in November. The National Bank exchange rate of the German mark reached 3.7385 kuna at the end of November. Still, the nominal effective exchange rate of the kuna continued to depreciate, in spite of the cessation of depreciation of the kuna against the German mark. Depreciation of the nominal effective exchange rate amounted to 1.01 percent in November. This was mainly caused by the increase in the value of the US dollar and the British pound. The real effective exchange rate also depreciated during October and November, as a consequence of the nominal depreciation of the kuna, as well as of the increase in retail prices and in prices of industrial products. The real effective exchange rate deflated by producers' prices depreciated by 5.17 percent in the first eleven months of the year (according to the preliminary data), while the real effective exchange rate deflated by retail prices depreciated (according to the same preliminary data) by 0.03 percent.

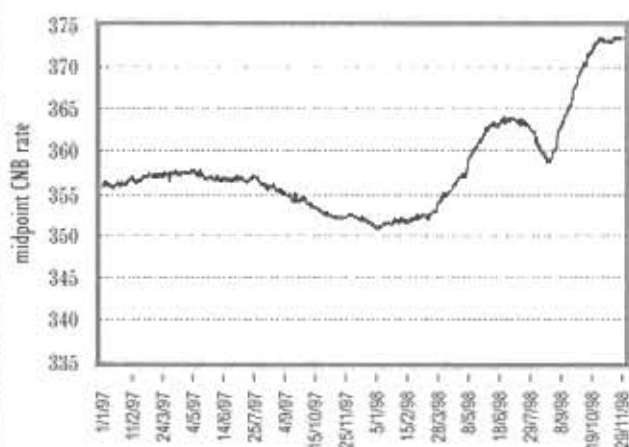
## BALANCE OF PAYMENTS

The favorable trend in the merchandise trade continued throughout the month of October. According to data supplied by the State Bureau of

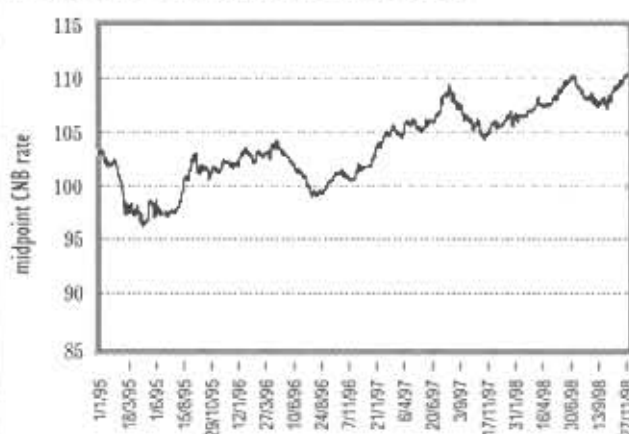
INDICES OF DAILY NOMINAL EXCHANGE RATES OF KUNA VS. DEM AND USD, (January 1, 1995 = 100)



DAILY NOMINAL EXCHANGE RATE - KUNA VS. 100 DEM

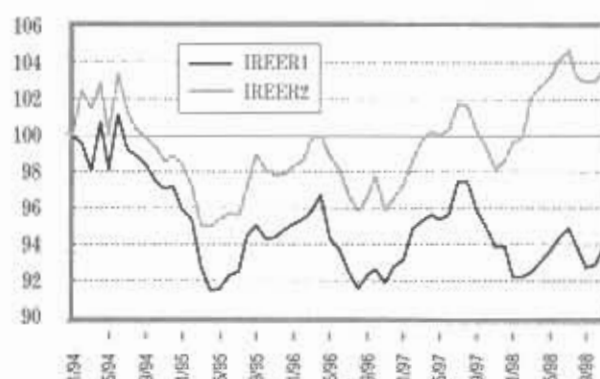


INDEX OF DAILY NOMINAL EFFECTIVE EXCHANGE RATE



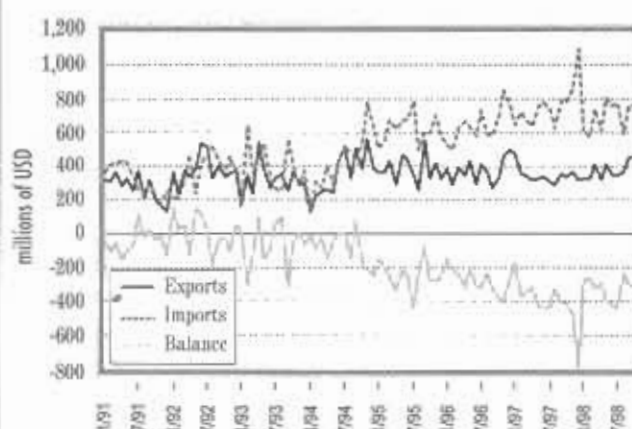
\* the fall of index denotes appreciation

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. - Sept. 1998	Jan. - Sept. 1997	indices Jan. - Sept. 1998/ Jan. - Sept. 1997
Current account	-878.2	-1,085.3	80.9
Capital and financial account	581.4	866.2	67.1
CNB international reserves	-218.4	-173.8	125.7
Net errors and omissions	296.8	219.1	135.5

Source: CNB

MERCHANDISE EXPORTS AND IMPORTS (in millions of USD)

	Jan. - Oct. 1998	Jan. - Oct. 1997	Oct. 1998	Oct. 1997
Exports f.o.b.	3,812.1	3,482.2	464.5	341.4
Imports c.i.f.	7,015.4	7,148.3	770.4	776.2
Balance	-3,203.3	-3,666.1	-305.9	-434.8

Source: Bureau of Statistics

Statistics, merchandise exports f.o.b. amounted to USD 3,812.1 million in the first ten months of the year, a 9.5 percent increase compared to the same period last year. At the same time, merchandise imports c.i.f. amounted to USD 7,015.4 million, a 1.9 percent decrease compared to the same period last year. The merchandise trade deficit amounted to USD -3,203.3 million; a 12.6 percent decrease compared to the same period last year. Such developments resulted in an increase in coverage of imports by exports from 48.7 percent in the first ten months of last year to 53.3 percent in the first ten months of this year.

Expressed in kuna, Croatian exports amounted to 24,303.3 million kuna in the first ten months of the year (a 14.3 percent increase compared to the same period last year), while imports amounted to 44,774.7 million kuna (a 1.8 percent increase compared to the corresponding period last year).

The largest shares in merchandise imports (based on economic use) are held by energy and intermediate products (39.8 percent), followed by capital products (31.3 percent) and consumer goods (20.4 percent), while 8.6 percent of imports remained unclassified. Compared to the same period last year, the most significant increase came in imports of capital products (8.6 percent), while the most significant decrease came in imports of consumer goods (-8.0 percent).

At the end of August, the balance of foreign debt for subjects from the Republic of Croatia amounted to USD 7,486.5 million. Of that figure, 91.6 percent was medium and long-term debt, while 8.4 percent was short-term. The change in indebtedness in 1998 amounted to USD 824.9 million, in which medium and long-term indebtedness changed by USD 736.0 million, and short-term indebtedness changed by USD 88.9 million. By sectors, the largest indebtedness was recorded by the central government (45.3 percent of the total foreign indebtedness), followed by other sectors (36.4 percent), banks (15.3

percent) and the Croatian National Bank (3.0 percent). Other sectors and the central government recorded an increase in indebtedness in 1998, while banks recorded a decrease in net debt.

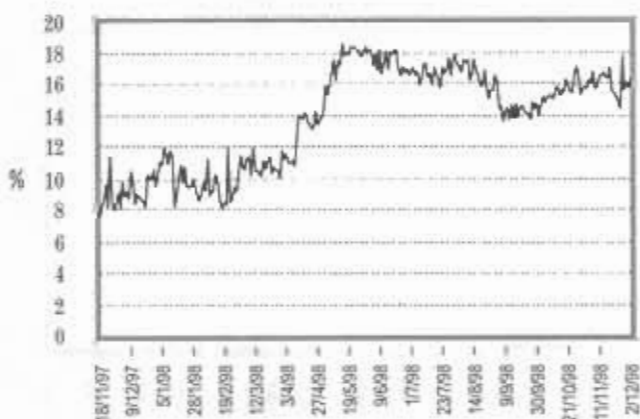
## MONEY MARKET AND INTEREST RATES

Interest rates on the Money Market Zagreb continued the growth which begun in October. The average monthly interest rate increased in October compared to September by slightly more than one percentage point. In November, it increased by an additional half a percentage point. At the same time, the weighted daily interest rate oscillated between 14.5 and 17.8 percent. Overnight transactions on the Money Market continue to transpire at an interest rate of 10 percent. A look at the data from the Money Market Zagreb suggests several observations. First, enormous demand for kuna is obvious. It manifests itself in the form of demand double or triple supply on the Money Market Zagreb. Second, the higher the turnover on a certain day, the lower (as a rule) is the average daily interest rate. When turnover is high, the share of callable loans increases. Throughout November, interest rates on these loans often fell as low as 13 percent, although the usual price has been around 15 percent. Consequently, the share and influence of long-term loans, priced at 18 to 20 percent, decreased. Third, there were four times as many overnight transactions as daily transactions in November. Closing one's giro accounts through the Money Market is obviously much more practical than applying to the Croatian National Bank for lombard or (unwanted) interventive credit.

The primary market for short-term securities of the Croatian National Bank and the Ministry of Finance showed no major changes. Kuna bills of the National Bank of Croatia continue to decrease, despite favorable interest rates that have not changed since May of this year. They still amount to 9.5

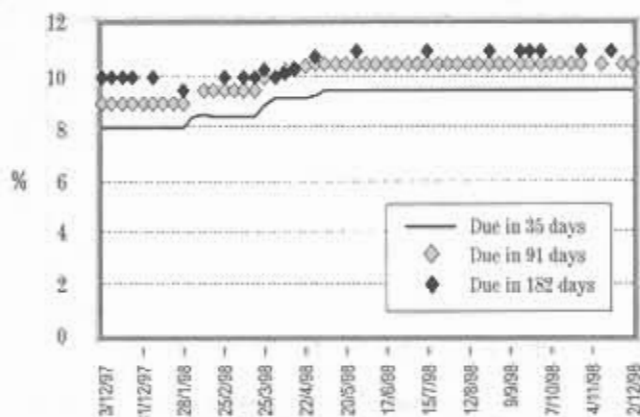
### ANNUAL INTEREST RATE ON THE ZAGREB MONEY MARKET

Daily data



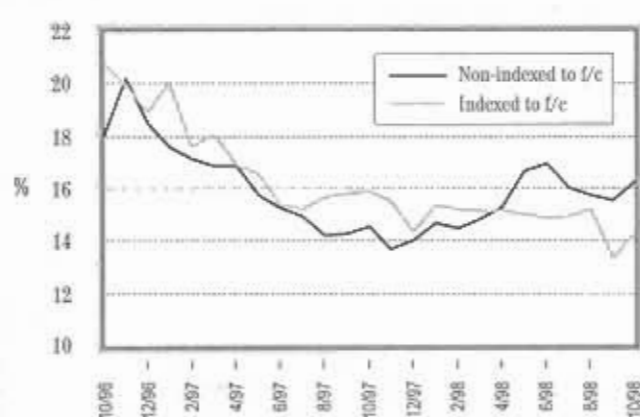
### INTEREST RATES ON CNB BILLS

Annual level, on auction days



### DMBs' AVERAGE INTEREST RATES ON CREDITS IN KUNA

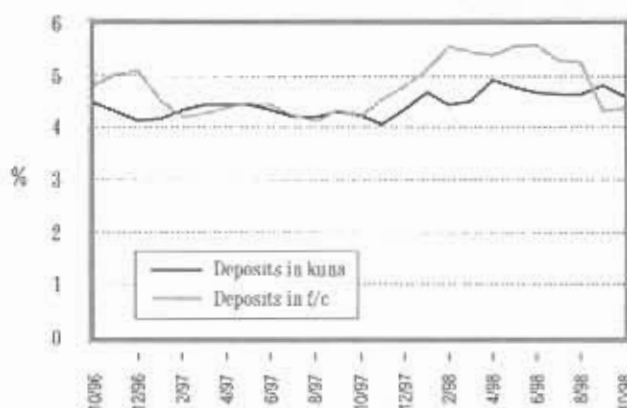
Annual level



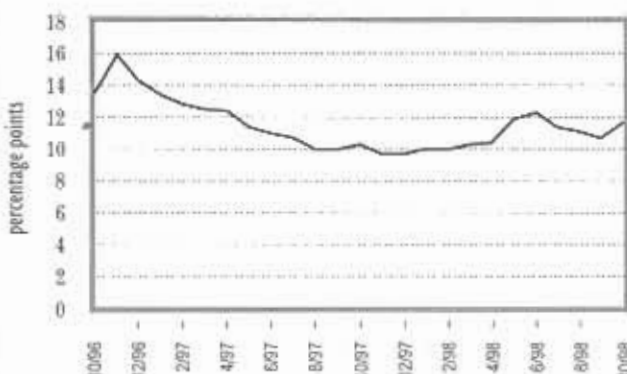


## DMBs' AVERAGE INTEREST RATES ON DEPOSITS

Annual level

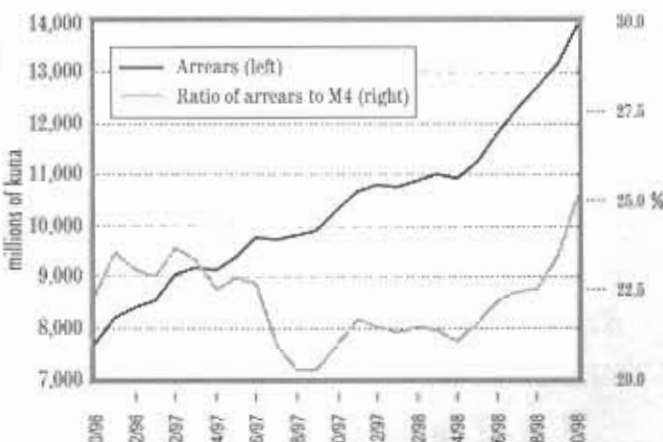


## DIFFERENCE BETWEEN INTEREST RATES ON CREDITS IN KUNA AND INTEREST RATES ON DEPOSITS IN KUNA



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.

## ARREARS REPORTED TO PAYMENTS INSTITUTE



percent on bills with 35-day maturity, 10.5 percent for 91-day maturity and 11.0 percent for 182-day maturity. There are two reasons for decreased purchases of CNB bills. First, the need for kuna is more important than the benefits inherent in this security (possible collateral when applying for lombard loan or for participation in repo auctions). The second reason is the possibility of purchasing foreign currency bills. Foreign currency bills can be used for the same purposes as kuna bills, while at the same time commercial banks can use foreign currency CNB bills as a means of securing foreign currency assets in fear of depreciation of the kuna. Interest rates on these securities have risen slightly. For instance, interest rates (according to data from the last auction of CNB bills) on bills with 63-day maturity amounted to 3.53 percent (German mark) and 5.20 percent (US dollar). Interest rates on Treasury Bills of the Ministry of Finance did not change in November.

It was obvious that the whole situation with increased demand for kuna in October (referred to in last month's Bulletin) would cause an increase in commercial banks' lending rates. Such expectations were based on data on developments in commercial banks' interest rates in October. The average interest rate on kuna loans without the currency clause increased by 0.7 percentage points (to 16.3 percent). The average interest rate on kuna loans with the currency clause increased by 0.9 percentage points (to 14.3 percent). In the first case, growth was the result of an increase in the average interest rate on short-term loans. In the second case, growth was induced by an increase in the interest rate on both short-term and long-term loans. Such significant growth cannot be attributed solely to the increased demand for the kuna. An additional factor is the dramatic increase in the number of registered interenterprise arrears in the last six months (in absolute amount and as a portion of M4).

Since the average interest rate on kuna deposits decreased by 0.2 percent-

age points, the interest rate spread increased to 11.7 percentage points.

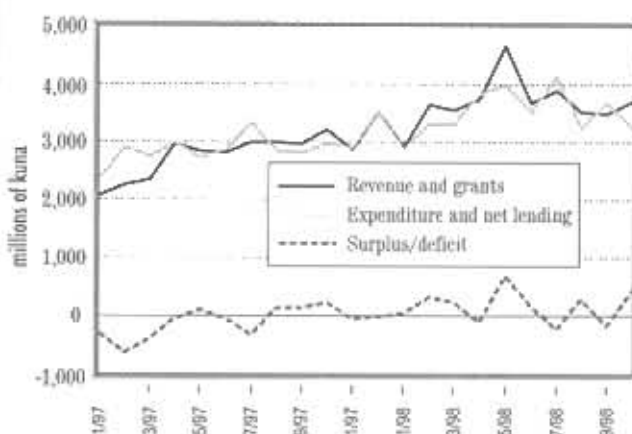
## STATE BUDGET

Revenues collected in October exceeded expenditures by 460 million kuna. The October surplus was spent (together with a smaller net debit with domestic sectors) on foreign debt repayment. In the first ten months of the year, the central government recorded a surplus of 1,654 million kuna. That surplus was spent primarily on repayment of public debt, which refers to "old" foreign currency savings (almost 90 percent of estimated debt repayment for the entire year was realized through November), and partially on repayment of a portion of foreign debt. It is important to note that debt repayment to domestic sectors is no longer based on net foreign indebtedness (as was the case in preceding years), but on the current savings of the central government. Moreover, we can note that the foreign debt of the central government has also been decreasing at the expense of the central government's own current savings.

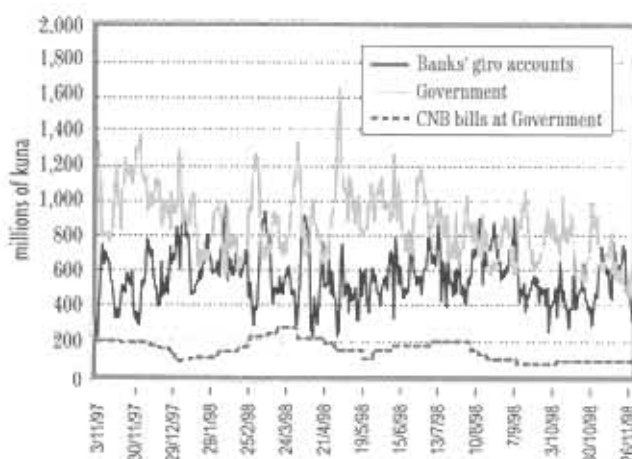
Replenishing of the state budget, i.e. the collection of budget revenues in the first ten months of the year is considered satisfactory. Up to November, 82.5 percent of estimated budget revenues had been collected. Satisfactory collection of budget revenues is mainly the result of good (above expected) results in the following revenue items: value added tax, income tax and profit tax.

Expenditures were realized at the rate of 78.8 percent of total estimated expenditures for 1998. Major savings (in the sense of realization of the budget below 83.3 percent at the end of the ten-month period) were achieved in capital expenditures. Savings were achieved in all other expenditure items, with the exception of expenditures for purchase of goods and services. The level of realization of this expenditure item amounted to 86.7 percent at the end of October.

### 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. - Oct. 1998	1998 Budget
<b>TOTAL FINANCING</b>	-1,654	0
<b>DOMESTIC FINANCING</b>	-1,457	-2,292
From other general government	190	0
From monetary authorities	47	0
From deposit money banks	-1,783	-1,921
Other domestic financing	89	-371
<b>FOREIGN FINANCING</b>	-197	2,292
From international develop. institutions	274	1,102
From foreign governments	-383	-503
Other foreign financing	-89	1,693

