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WEB <http://www.hnb.hr>

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BULLETIN

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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 ^a (million USD, current prices)	14,585	18,811	19,872	20,109	21,628	19,906	18,427	19,536	22,436
GDP – annual changes ^a (in %, constant prices)	5.9	6.8	5.9	6.8	2.5	-0.9	2.9	3.8	5.2
GDP per capita ^{a,b} (in current USD)	3,137	4,029	4,422	4,398	4,805	4,371	4,206	4,403	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 ^b (million, mid-year)	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	49.3	47.0
Imports of goods and services (as % of GDP)	47.4	48.7	49.7	56.6	48.7	49.2	52.1	55.3	56.6
Current account balance (as % of GDP)	4.9	-7.5	-4.8	-12.5	-6.7	-7.0	-2.5	-3.7	-7.2*
Outstanding external debt (million USD, end of year)	3,020	3,809	5,308	7,452	9,683	9,878	11,055	11,317	15,435*
Outstanding external debt (as % of GDP)	20.7	20.2	26.7	37.1	44.8	50.1	60.0	57.9	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	146.4*
External debt service ^c (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	5.6
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

^a Preliminary data for 2001 and 2002.

^b Data on population in 2000 and 2001 are reported according to the Results of the 2001 Census.

^c Includes principal payments on long-term debt net of principal payments on trade credits and direct investments, as well as total interest payments net of interest payments on direct investments.

Sources: Central Bureau of Statistics and Croatian National Bank.

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Quarterly Report

Introduction

Available indicators point to a modest acceleration of economic growth in the second quarter of 2003. Strong investment activity, including highway and residential construction, along with increased exports of goods and services, led growth. Although the rate of growth of domestic consumption has slowed down somewhat, with annual growth rates falling from over 6% at the end of 2002 to 4.9% in the first quarter of 2003, strong investment demand has compensated, keeping domestic demand growing. And despite the poor economic situation in the European Union, which absorbs more than half of Croatia's exports, exports of goods grew strongly in the first quarter, and exports of services grew substantially in real terms in the second quarter. This allowed foreign demand to make a significant positive contribution to aggregate demand in the first half.

On the output side, rapid growth in industrial production during the second quarter of 2003 (6.9%) contributed to cumulative growth of 5.7% through August. However, industrial production growth slowed down in the summer months. It remains to be seen whether industrial production will repeat last year's rapid growth in the fourth quarter. Agricultural output has suffered because of the extensive drought. Trade turnover has also slowed down, with retail trade slowing down more sharply than total trade.

Construction, tourism and transportation and communications have all grown strongly. In construction, a strong push to complete planned highways before the beginning of the main tourist season led to very rapid growth in the second quarter. However, residential construction has also grown substantially relative to last year. In tourism, night-stays rose 7.7% in the first half, and prices rose 5.6%. Furthermore, the composition of tourist arrivals shifted, bringing more guests from EU countries such as Germany, Austria and Italy. All this resulted in strong increases in tourist revenues in the first half. Finally, transport and communications services grew strongly, with strong growth in goods transport and postal and telecommunications services.

Labor market indicators show signs of modest employment growth. Registered unemployment continued to fall, in part because of seasonal increases in employment, in part because of outflows from the register. However, the rate of outflow has moderated. The fact that registration now requires proof of active job-seeking, and the availability of the less demanding status of "seeking work" rather than "unemployed" for new job-seekers, has decreased registered unemployment. Still, registered unemployment remains substantially above the ILO-compatible survey figures: registered unemployment was 18.5% in August, and survey unemployment was 14.4% at the last reading, for the second half of 2002.

Wage growth moderated in the second quarter, with real gross wages in agriculture, hunting and forestry stagnating, wages in financial intermediation falling 3 percent, and wages in the public administration rising by 3 percent. Tax reforms taking effect at the beginning of the year increased the share of net wages in the total.

Modest wage growth has not led to significant price increases. In Croatia, as in most of Europe, inflation remains very low. Retail price inflation was 1.7% in August year-on-year in August and core inflation a mere 0.5%. While the effects of the drought can be expected to raise food prices, the overall inflation situation remains benign.

Similarly, the exchange rate has been far from the center of attention in recent months. During the third quarter, the exchange rate remained within 1% of 7.50 HRK/EUR, and the usual seasonal appreciation pressures were muted. The Croatian National Bank did not hold any foreign exchange auctions in the second or third quarter.

Thanks to the lack of interventions, the growth of monetary aggregates has been relatively slow this year. M4, the broadest monetary aggregate, has been growing at 12-13% year-on-year, and M1 at rates from 15 to 18% year-on-year. Strikingly, kuna quasi-money has grown faster than foreign exchange quasi-money, somewhat decreasing the level of "euroization" of the banking system.

Slower deposit growth clearly is linked to the tighter stance of monetary policy and to the measures taken by the CNB this January to restrict lending growth and improve banks' foreign exchange liquidity. Lending growth has slowed down, and very few banks have had to buy mandatory CNB bills required if the regulated loan aggregate grows more than 4% per quarter. However, banks have shifted their assets within the regulated items, decreasing lines of credits, guarantees and holdings of non-government securities. This had made room for continued strong growth in lending to households. Furthermore, continued rapid growth of leasing, undertaken by leasing companies often owned by banks, has to some extent offset decreased lending to enterprises. Thus, although a noticeable slowdown in bank lending has occurred, when we look at broader indicators of credit, the decrease is less substantial.

This partly explains the continued strength of merchandise imports, many of which are directly financed via leasing or credit. At the same time, strong imports are the product of strong investment and high levels of capital goods imports. Still, import growth remains linked to bank lending, and bank lending remains linked to increased foreign borrowing. In the assessment of the Croatian National Bank, foreign borrowing, while not immediately threatening the financial stability of the country, should be limited to keep Croatia in a sustainable financial position. For this reason, the CNB increased the percentage of the foreign exchange required reserve that must be held in kuna. As of September 2003, banks must allot 35% of the foreign exchange reserve requirement in kuna. This measure aimed to soak up kuna liquidity, and further slow down lending growth and foreign borrowing.

The CNB's measures are also aimed at improving the current account. As shown by the second quarter data, strong growth of merchandise imports has outweighed the growth in merchandise exports, and the merchandise trade deficit has continued to grow at the annual level. At the same time, tourist revenues were higher than expected. The goods and services balance was thus roughly as forecast by the CNB, but several large items in the income account led to a substan-

tially higher current account deficit than expected. In particular, the reinvestment of profits by partially or majority foreign owned companies operating in Croatia, which is booked in the balance of payments as an outflow of income on the current account and as an inflow of foreign direct investment on the capital account, had a large impact. While such retention of profits is to be expected as long as foreign firms operate in Croatia, they do not create outflows of cash from the economy. In addition, one transaction, undertaken by Pliva, represented a one-off transfer of a patent that will not be repeated in the future.

The Croatian National Bank expects that, because of these transactions, the current account deficit will remain high in 2003. However, as the one-off Pliva transaction in a sense biases the balance of payments outcome upwards, it seems reasonable to consider such an outcome a mild improvement over last year. At the same time, Croatia's external debt stood at USD 18.7bn at the end of August, 67% of estimated GDP. By the end of the year, the debt is expected to reach 73% of GDP. The Croatian National Bank continues to carefully monitor the current account and the external debt, and is prepared to take further measures if these indicators deteriorate.

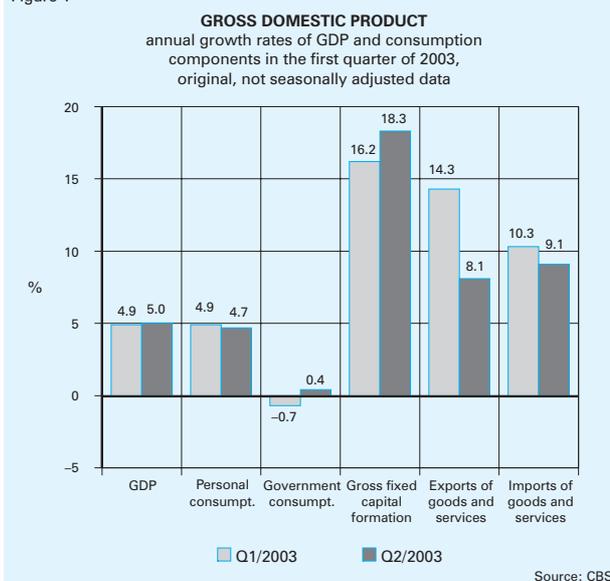
Fiscal data show a substantial slowdown in revenue collection in the second quarter, after a buoyant first quarter. Non-tax revenues were weak in the second quarter, and certain taxes, most of all income taxes, tariff revenues and excises, also fell short of target. Income taxes were affected by tax reforms, and tariff revenues fell due to decreased rates resulting from Croatia's recent international trade agreements. However, continued strength in VAT revenues and social insurance contributions, and the lack of further tax rate changes, suggests that the revenue goals for the whole year remain feasible. The rebalance of the budget carried out in September only changes the allocation of funds, not the total, so that the deficit target of 4.6% of GDP continues to seem achievable. Nonetheless, further fiscal adjustment will be necessary next year and in years following to help keep the current account deficit and external debt under control.

Demand

A strong economic activity that started at the end of 2002 continued in early 2003. In the first and second quarters, the real growth of GDP was estimated at 4.9% and 5.0% respectively, compared with the same quarters last year. The main characteristic of the economic developments in the first half of the year was a strong investment activity and an increase in foreign goods and services trade.

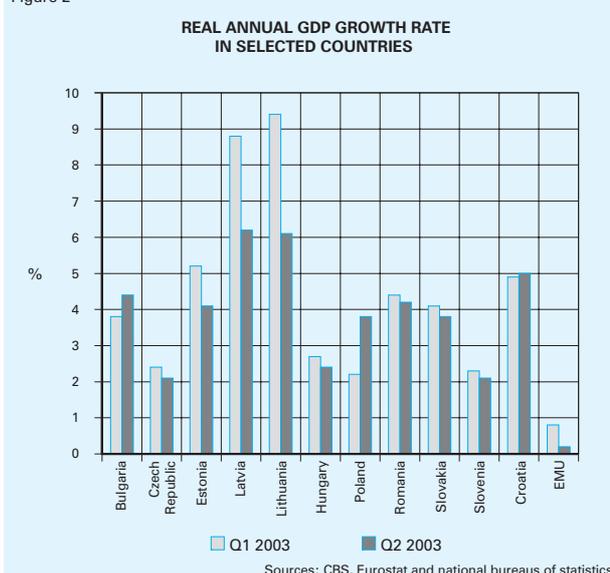
The strong economic growth in Croatia was paralleled by a slowdown in the European economy over the last twelve months. In the second quarter of 2003, the EMU Member States even recorded a fall in real GDP compared with the previous quarter, with the annual growth rate as low as 0.2%. In the countries, which are the main trading partners of Croatia, especially Germany, the economic developments are even more worrying than in the eurozone.

Figure 1



While the economic slowdown in Europe did not strongly affect the economic developments in Croatia, it did affect the more developed transition countries. The strongest fall was recorded in Poland where the growth was only slightly above 1% in the last two years. Similar trends, i.e. a relatively weak growth of economic activity paralleled with a reduced foreign demand, which was the result of economic stagnation in European countries, were also observed in Hungary, the Czech Republic and Slovenia. In contrast to this, Slovakia, Romania and Bulgaria, which were left outside the first wave of the EU accessions, proved less dependable on the economic trends in the EU, by maintaining their real growth at the level of about 4%. The same applies to the Baltic countries, which indicate much higher rates of real GDP growth than all other EU candidate countries (over the last three years they grew at an average annual rate of 6%). Similar developments were observed in early 2003. The strongest growth was recorded in Lithuania and Latvia, and the weakest in most advanced tran-

Figure 2



sition countries. Thus, the real GDP growth in Slovenia, the Czech Republic and Hungary barely exceeded 2% at the annual level, while in the second quarter of 2003, Poland recorded an over 3% growth of its GDP for the first time after two years.

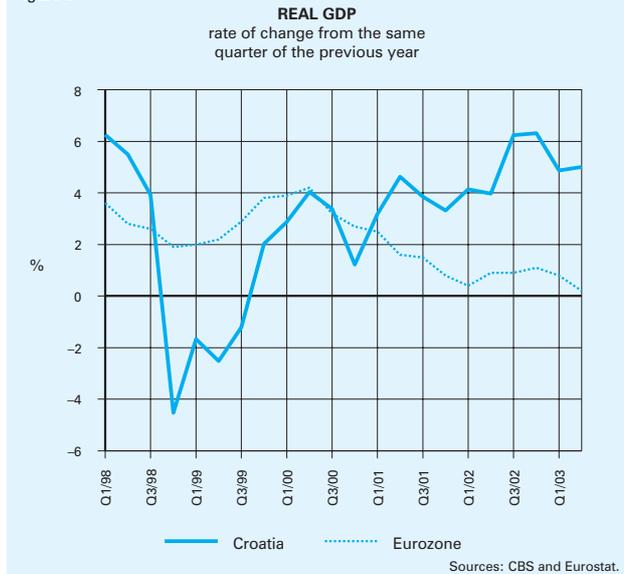
Foreign Demand

A strong economic growth in Croatia in 2002, stimulated by a great domestic demand, continued into 2003, additionally supported by an increased foreign demand, despite the unfavorable trends in the environment. Thus, in the first quarter of 2003, exports of goods and services grew faster than their imports, which stopped the negative trends in net foreign demand observed in the previous year. Exports of goods and services rose by 14.3% in real terms compared with the same period last year, with the exports of goods growing faster than the exports of services. The growth of imports at a real annual rate of 10.3% resulted from a strong growth of goods imports, while the services imports slightly declined. Despite the more favorable developments in exports, their positive effects were overpowered by strong imports. Therefore, net foreign demand participated with -0.5 percentage points in the annual GDP growth rate of 4.9%.

According to the preliminary balance of payments data, the positive impact of foreign demand on the economic growth strengthened in the second quarter, with an even faster growth of exports and a slowdown in imports. In the second quarter, exports of goods and services (measured in kuna) rose by 17.8% in nominal terms compared with the same period last year, while imports grew half so fast. Goods exports again stagnated in the second quarter following very favorable developments in the first quarter. An extremely strong growth was recorded in exports of services, reflected particularly in a substantial increase in revenues from tourism, paralleled by growing revenues from transport services exports. The slowdown in imports is partly attributable to a decline in goods imports but also to reduced expenditures for services imports.

However, the quarterly GDP estimate for the second quarter of 2003 did not include the entire preliminary balance of payments data, which used to be a common practice. In this connection, the difference was not made in the data on goods exports but only in the data on services exports, by reducing severely the estimated revenues from tourism compared with the balance of payments data. Thus, in the second quarter of 2003, the GDP calculation included the nominal growth of goods and services exports of as little as 8.9%, which is much lower than the value recorded in the balance of payments. After the adjustment for the increase in the prices of goods and services, in the second quarter exports rose by as little as 8.1% in real terms. The data on exports included in the GDP calculation are consistent with the balance of payments data, so the real annual growth of goods and services imports in the second quarter was estimated at 9.1%. By applying the described procedure based on a significant reduction in the value of exports and retaining the value of imports stated in the balance of payments, the real annual GDP growth in the

Figure 3

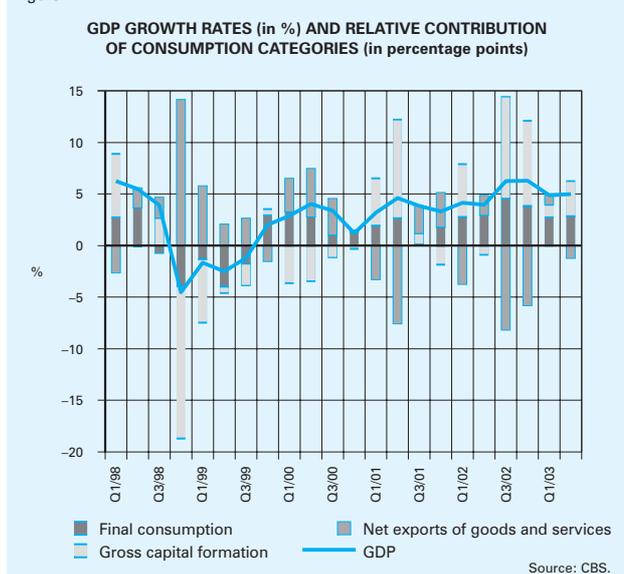


second quarter of 2003 was estimated at 5.0%. A pronouncedly negative impact on that growth was made by net foreign demand, with its contribution of -1.9 percentage points. In contrast to this, had the GDP calculation included the original balance of payments data the effects of the foreign demand would have been positive.

Domestic Demand

The main characteristic of macroeconomic developments in the first quarter of 2003 was a slowdown in domestic demand following an extremely high growth in the second half of 2002. It is worth noting, however, that different developments were observed in each individual category of domestic demand. Thus, the growth trend in final consumption slowed down, particularly on the part of personal consumption. On the other hand, gross capital formation was marked by great leaps in inventories, which have the strongest impact on the

Figure 4



developments in total domestic demand. Gross fixed capital formation grew strongly so that its impact on GDP formation also increased.

Personal consumption

In early 2003, personal consumption slowed down a little. Thus, compared with the last quarter of 2002, personal consumption rose by as little as 0.8% in real terms in the first quarter and by somewhat more in the second quarter. At the annual level, the real growth of personal consumption came down from the levels exceeding 6% in each quarter of 2002 to 4.9% and 4.7% in the first and second quarters of 2003 respectively. This slowdown was also reflected in a reduced effect of personal consumption on GDP formation, so that personal consumption contributed approximately 3 percentage points to the real GDP growth rate of 4.9% and 5.0% in the first and second quarters respectively. Considering the large share of personal consumption in gross domestic product, this contribution remains high, although it is lower than last year.

The data on retail trade turnover and imports of consumer goods in the third quarter of 2003 point to a continuing slowdown in personal consumption compared with the previous year. The real retail trade turnover rose by 6.4% and 6.8% in the first and second quarters respectively, compared with the same periods last year. An additional slowdown was recorded in July, so that in the first seven months the year-on-year rate of growth in real retail trade turnover was 5.7%. This represents a slowdown in consumption compared with the good results in the previous year, and is largely attributable to the reduced turnover in shops engaged in the sale, repair and maintenance of motor vehicles. The decline in personal consumption was also reflected in a slower growth of consumer goods imports, following the boom recorded at end-2002. Thus, in the first quarter of 2003 the imports of durable consumer goods (measured in kuna) rose by 12.5% in nominal terms, and of non-durable consumer goods by 10.5%. The second quarter saw a further slowdown in the imports of du-

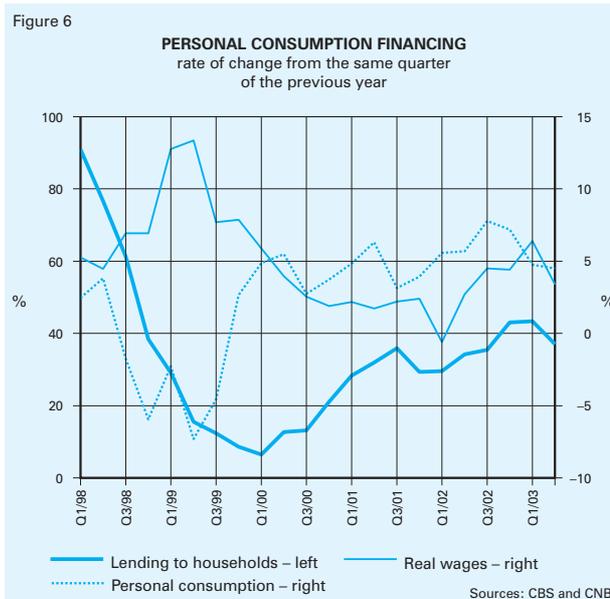
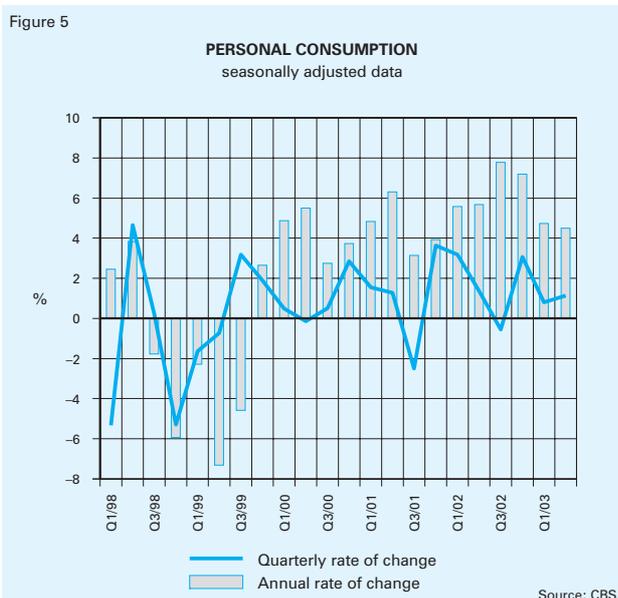


table consumer goods, while the imports of non-durable consumer goods rose a little compared with the first quarter of 2003.

Although there were no signs of a slowdown in the sources of personal consumption financing in early 2003, a downward trend became noticeable in the second quarter of the year. Bank credits to households rose significantly over the last year and, owing to a real stagnation in regular sources of income, provided for a strong growth of personal consumption. However, following the Croatian National Bank decision on limiting the growth of bank placements to 16% in 2003, household crediting started to decline in the second quarter of 2003. In addition to the weakening of the sources of credit, a downward trend was also perceived in regular sources of financing. In early 2003, real net wages paid grew somewhat faster, owing to the tax reform, which reduced tax on lower income. However, this trend slowed in the second quarter, so that the annual real growth rate of net wages paid dropped from 6.4% in the first quarter to 3.4%. Government transfers to households also fell in the second quarter, following an upswing at the beginning of 2003.

Investment Consumption

The main characteristic of the economic developments in 2003 was an exceptionally strong investment activity, primarily in construction, where a significant investment in road infrastructure was recorded. This investment was a part of government capital expenditures, which grew faster than the investment in the private sector. Apart from the growth of gross fixed capital formation, investment in inventory also rose significantly. However, the increase in inventory, which includes a statistical discrepancy¹, was much smaller than in the same period last year, so the change in inventory made negative contributions to GDP growth of 1.2 and 0.9 percentage



1 A statistical discrepancy arises from the adjustment between GDP calculation made by the expenditure and the production methods.

Figure 7

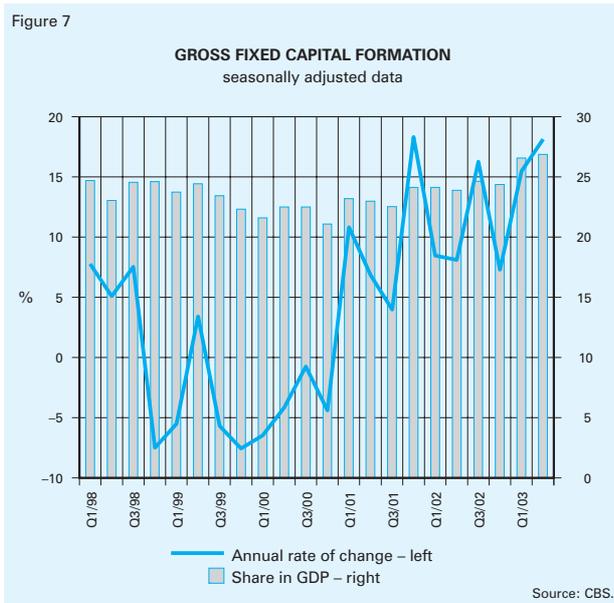
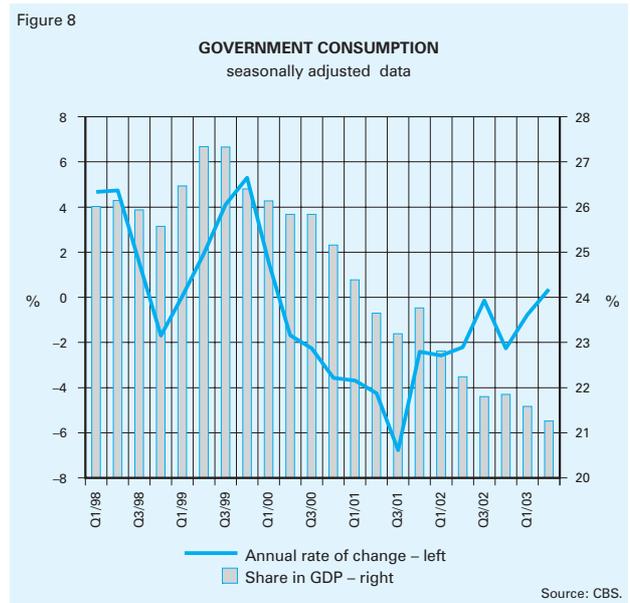


Figure 8



points in the first and the second quarter of 2003 respectively.

In the first quarter of 2003, gross fixed capital formation grew by 16.2% compared with the same period last year and rose additionally in the second quarter reaching an annual growth rate of 18.3%. In the first quarter, investment was stimulated by the growth of construction, which was reflected in a 18.8% increase in the index of total volume of construction projects compared with the same period last year, and strong imports of equipment, along with a 31.2% growth of capital goods imports measured in kuna. Owing to more favorable weather conditions in March, road construction activities heightened, and continued even more intensely in the following months. Such intense construction activity was aimed at opening to traffic some motorway sections before the beginning of the main tourist season but the upward trend continued into July. Thus, in the second quarter and the beginning of the third quarter a strong rising trend was observed in construction, but was paralleled by a slowdown in capital goods imports.

Government Consumption

According to the quarterly GDP estimate, the downward trend in government consumption continued in early 2003, but was reversed in the second quarter.

Following a substantial decrease in government consumption by 1.8% last year, it fell at a slower pace so that in the first quarter of 2003, government consumption decreased by as little as 0.8% in real terms compared with the same period last year, while it rose by 0.4% in the second quarter. This also reduced the negative contribution of government consumption to GDP growth, which is now approximately zero.

However, the Ministry of Finance data on the expenditures of the consolidated central government in 2003 point to an even stronger growth of government consumption. According to these data, the general government expenditures, which represent the final government consumption, also grew in the first and second quarters. Thus, in the first half of

2003, consolidated central government expenditures on goods and services rose by 9.2% in nominal terms compared with the same period last year. Adjusted for the growth in prices, this is a sign of a stronger real growth of government consumption than that estimated in the quarterly GDP calculation. A significant increase was recorded in expenditures on other goods and services, while wage bill grew somewhat slower, but still at a faster pace than prices.

Output

According to the quarterly GDP estimate made by the production method, gross value added rose by 5.0% in real terms in the first quarter of 2003, compared with the same period in the previous year. Owing to a further strengthening of the economy in the second quarter, gross value added rose by 5.8% compared with the same period in 2002. At the same time, the real GDP growth, which equals the total gross value added in all activities increased by the taxes and reduced by subsidies, followed the changes in gross value added in the first quarter, while in the second quarter it was much weaker slowing down to merely 5.0%.

In the first half of the year, an exceptionally strong growth of gross value added was recorded in construction, with favorable trends continuing in other activities, which grew significantly in 2002. In contrast to these favorable trends, a stagnation recorded in public and social services over the previous two years continued. In addition, agricultural activity, which accounted for 8.9% of the estimated total gross value added in 2002, fell sharply. In the first quarter, gross value added in agriculture declined by 1.1% in real terms compared with the same period last year, while the second quarter saw a 8.0% fall due to the draught. Industry, which accounts for a large share in the total economy, made the biggest contribution to the growth of total gross value added. This growth was particularly strong in the second quarter of 2003, when a significant growth of gross value added was also recorded in industry.

Figure 9

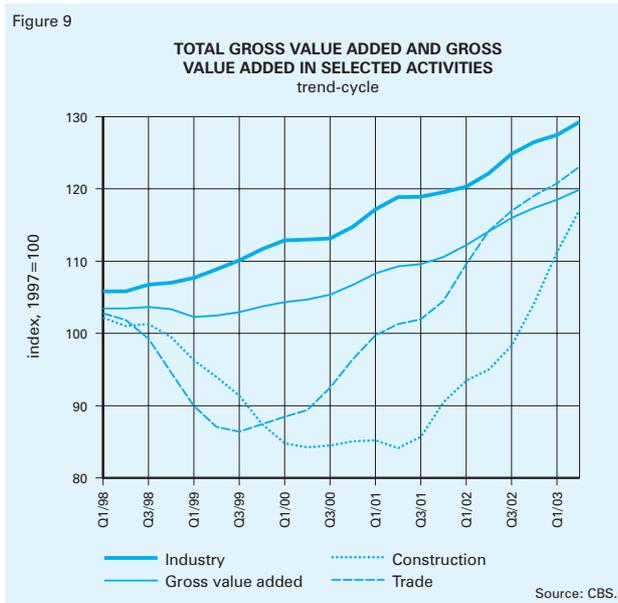
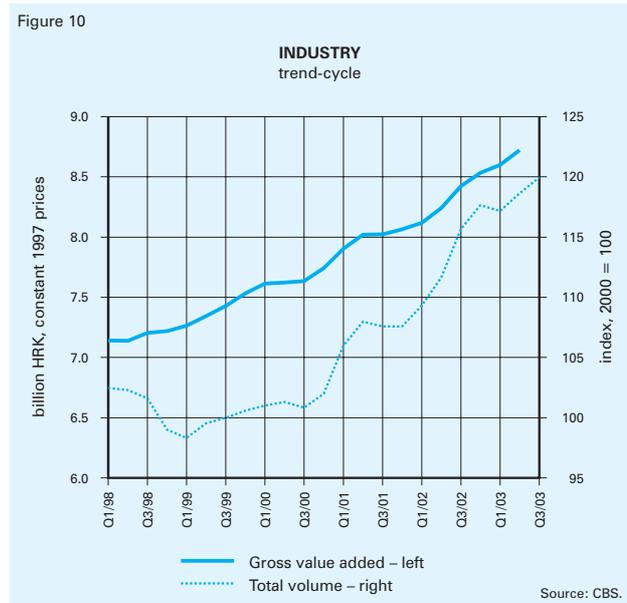


Figure 10



Industry

In early 2003, the largest economic sector, which includes all the three areas of industrial production (mining and quarrying, manufacturing and electricity, gas and water supply), and which accounted for 28.8% of total gross value added in 2002, followed the developments in the overall economy. In the first quarter of 2003, gross value added in overall industry rose by 4.8% compared with the same period last year, and continued to increase in the second quarter when the year-on-year growth of gross value added reached 7.7%.

Total volume of production in industry followed the developments in gross value added. After a somewhat slower movements in the first quarter, the sharpest rise in the index of the total volume of industrial production was recorded in April, which was followed by a slowdown in May and June. On the whole, however, the second quarter saw the strongest growth of production in 2003, with a 6.9% annual growth in the index of the total volume of industrial production. The summer months saw a further slowdown in industry, with a 0.2% average growth of production at the monthly level.

Thus, the cumulative annual growth rate of industrial production was 5.7% in August, which is partially attributable to a very low base in the first eight months of 2002, since the revival of production in 2002 began only in September. A growth of production in the first eight months of 2003 was accompanied by a decline in employment, so labor productivity in that period increased by 9.5% compared with the same period in 2002.

The industrial production developments were different in each industrial activity. According to the main industrial groupings, industrial production of non-durable consumer products grew strongly, while production of capital goods stagnated. According to the NCEA classification, the growth of production in manufacturing and electricity, gas and water supply was equally strong, with much less favorable developments in mining and quarrying.

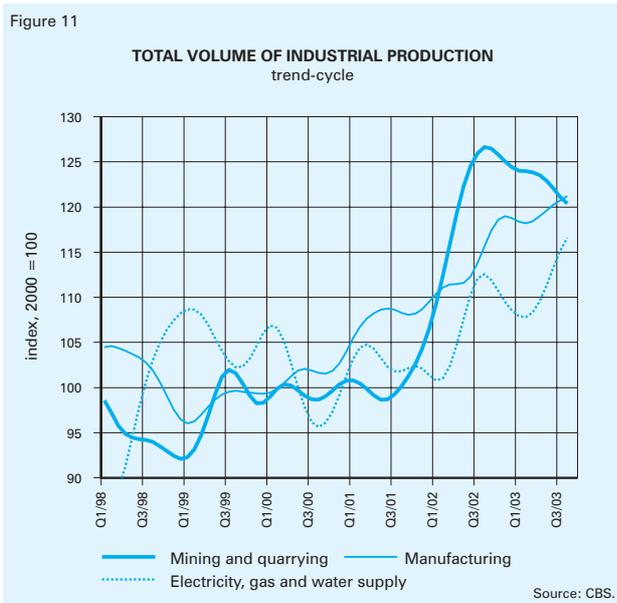
Mining and quarrying was the only industrial activity,

which trended downwards in 2003. Negative developments in extraction of crude petroleum and natural gas have been recorded since the beginning of the year, so production declined by 5.3% at the annual level over the first eight months. On the other hand, owing to a heightened road construction activity, production in mining and quarrying continued to grow at the monthly level. However, given the marked increase in mining and quarrying during the summer months of 2002, this section also recorded negative annual growth rates in the period from May to August 2003.

In contrast to the described movements, an exceptionally high monthly growth of production was recorded in electricity, gas and water supply in the period from May to July 2003. After that, in August, supply only slightly exceeded the level from July. However, in the first eight months of 2003 energy supply increased by 6.4% compared with the same period of the previous year.

Manufacturing, which accounts for the largest share in total industrial production, also recorded a significant increase in production in the period from April to August 2003. Thus, following a somewhat poorer performance in the first quarter, the volume of industrial production in manufacturing rose by 6.2% in the first eight months compared with the same period last year. The strongest impact on the production growth was made by positive trends in the manufacture of food and beverages, manufacture of non-metallic mineral products, publishing and printing, manufacture of fabricated metal products and manufacture of radio, television and communication equipment and apparatus. In this connection, the cumulative annual growth rate of production in the three last mentioned divisions exceeded 20%. In addition, each of the five divisions recorded an above-average growth of exports, particularly the manufacture of food and beverages. This division accounts for the largest share in production in manufacturing, and the strong growth of production arises from the international market expansion, development of the domestic trading activity and the growth of personal consumption. Eleven out of 23 divisions recorded a decline in production, and the largest negative contri-

Figure 11



tribution to the growth of production in manufacturing was made by manufacture of chemicals and chemical products and manufacture of other transport equipment (ships). In addition, a decline in production was also recorded in all divisions of textile industry.

Trade

Trade was strongly influenced by the developments in personal consumption, so a slowdown in consumption resulted in a decreased trade turnover in early 2003. Thus, following a growth of the real gross value added in overall trade at an annual rate above 10.0% in the previous two years, its real growth came down to 9.9% and 8.2% in the first and second quarters of 2003, respectively, compared with the same periods last year. The slowdown was much more pronounced in retail trade than in overall trade. However, trade continued to record exceptionally high growth rates of gross value added,

immediately following construction. Employment also grew, although at a slower pace than in the previous year.

There is little difference in the developments between the first two quarters, with only slight changes observable in individual trade divisions. In both quarters, the overall trade turnover rose by 8.6% in real terms compared with the same quarters last year. However, turnover in shops engaged in the sale, repair and maintenance of motor vehicles has trended downwards since March compared with the same months in the previous year. On the other hand, retail trade turnover grew faster than the overall trade turnover, so the retail trade turnover was also somewhat higher in real terms in the second quarter compared with the first quarter of 2003.

Construction

The trends in construction were even more favorable in 2003 than a year before. This was primarily the result of increased investment in road infrastructure, but also in the construction of buildings. Given the strong impact of seasonal factors on this activity, the first quarter saw the fastest growth of construction with a 16.6% increase in gross value added compared with the same period in 2002. As the real expansion only began in March 2003, the upward trend strengthened in the second quarter resulting in a 24.3% increase in gross value added compared with the same quarter last year.

The good performance in the first quarter of 2003 can be attributed to the improved weather conditions in March, which resulted in an upsurge in the construction activity. This trend continued into the following months, with an even stronger growth of construction works. Thus, following a high annual growth rate of 18.8% in the first quarter of this year, the second quarter saw an exceptionally high rise in the index of total volume of construction projects of 28.7% compared with the same period last year, which continued at the beginning of the third quarter of 2003. The heightened activity is also reflected in a significant increase in the value of construction projects completed compared with the first half of 2002.

Figure 12

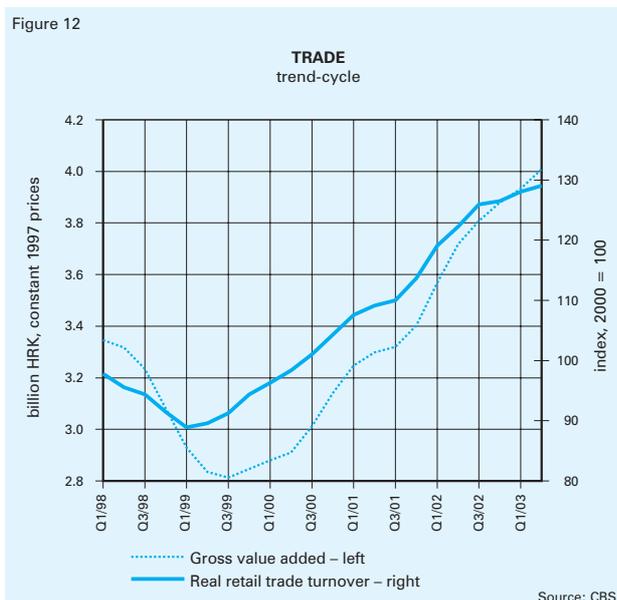
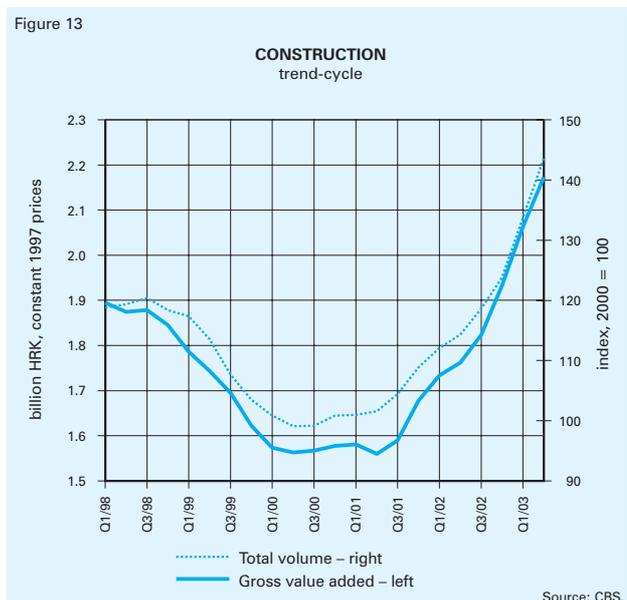


Figure 13



Contrary to this, however, the value of net construction project orders even declined compared with the stated period, so construction is not expected to rise at such high rates in future.

Favorable trends in construction are mainly attributable to a heightened road construction activity, which makes them more significant in relative terms. Accordingly, in the first six months of 2003, other projects, primarily roads, accounted for 62.4% of total construction works, compared with only 55.7% in the same period in 2002. However, construction of buildings increased, so that the number of uncompleted dwellings rose significantly in mid-2003 compared with the same period last year.

The intense activity also resulted in a marked growth of employment and wages in construction. Thus, in the first six months of 2003, the number of registered employees in legal persons engaged in construction rose by 8.2% compared with the first half of 2002. This was paralleled by an above-average growth of wages, so the average net wage paid in construction in the first six months was 9.6% higher in real terms than in the same period in 2002.

Tourism

The available indicators point to an exceptionally good performance of tourism in 2003. In the first quarter, which has a relatively small relevance in this seasonally dependable activity, no significant growth was recorded. Gross value added in hotels and restaurants rose by as little as 2.7% compared with the same period last year, while tourist arrivals and nights even declined relative to the previous year. This is partly due to the fact that the activity in the first quarter of 2002 resulted from the earlier date of Easter.

In 2003, the tourist pre-season started in April with the Easter holidays, when a significant increase in tourist arrivals and nights was recorded. Somewhat less favorable results were recorded in May 2003 compared with the previous year, but owing to an exceptionally nice weather in June, the

tourist activity intensified. As a result, tourist nights rose by 10.0% in the second quarter of the current year compared with the same period in 2002, with the annual growth of gross value added of 10.5%. Thus, following a weak performance in the first quarter of 2003, total tourist nights rose by 7.7% in the first six months of 2003, compared with the same period last year, with a 7.9% growth of gross value added. At the beginning of the main tourist season in July, tourist arrivals and nights stagnated. However, according to the preliminary data provided by the Croatian National Tourist Board, a better performance was recorded in August.

The strongest growth of tourist arrivals and nights in the first half of 2003 was recorded in private households and non-categorized tourist facilities, which points to a better coverage of the total number of tourists and the ability to reduce the share of "black economy" in tourism. Moreover, in foreign tourist nights a significant increase was recorded in the nights stayed in camps and ports of nautical tourism. Considering the dynamics of tourist movements, a change in the regional structure of tourists is observable, with a considerable increase in the number of tourists in south Croatia where the turnover in tourism is still relatively low. Thus, tourist nights rose in the Dubrovnik-Neretva County, Šibenik-Knin County and Zadar County, while the growth in the number of tourists on the Northern Adriatic coast and in Istria neared the average for whole Croatia.

Apart from the increased number of tourist, 2003 saw a growth of prices in tourist facilities. Thus, in the first six months the prices of tourist nights in Croatia rose by 10.1% compared with the same period last year, which resulted in an overall price growth of 5.6% in catering in the same period. Despite the very low increase in the overall price level, the rise in tourist services prices resulted from a heavier investment in tourist facilities and the intention to attract better-off tourist. This leads to an improvement of tourist services, and, accordingly, to better financial results, which are not just the consequence of the growth of physical indicators, as confirmed by the preliminary estimates of revenues from

Figure 14

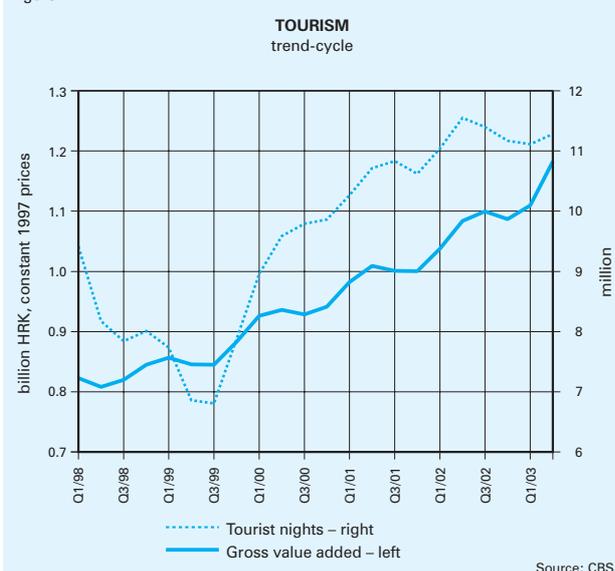
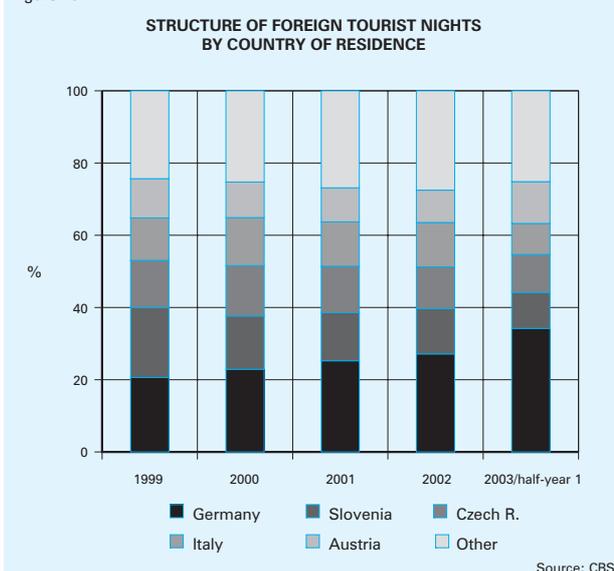


Figure 15



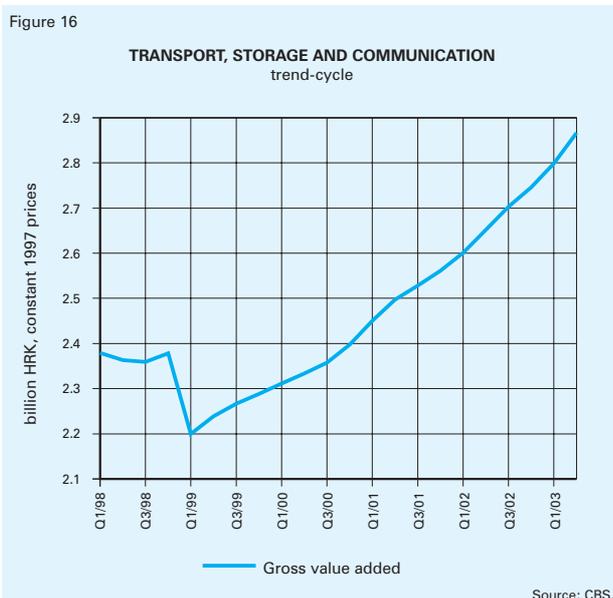
tourism in the balance of payments for the first half of 2003.

The increase in prices also affected the structure of tourists. Thus, the increase in the total number of tourist nights in the first six months of 2003 was mainly the result of the rise in the nights of tourists from Germany (6.8%), Italy (19.8%) and Austria (8.1%). In addition to this, a sharp increase was recorded in the nights of tourists from less represented countries like Hungary, the Netherlands and France. A decline was also recorded in the nights of tourists from East European countries, especially Poland, with a mild decrease in the nights of tourists from the Czech Republic and Slovakia.

Transport and Communications

In the last few years, gross value added in transport, storage and communication grew steadily at the rates exceeding the total average in all activities. Such trends continued into 2003, and even strengthened a little compared with the previous year. Thus, gross value added rose by 7.3% in the first quarter compared with the same quarter in 2002 and by 8.4% in the second quarter compared with the second quarter in 2002.

In the first quarter, like in the previous years, a significant growth was again recorded in postal and telecommunications services. The number of transported passengers increased, while the transport of goods slightly declined. The favorable developments continued into the second quarter of 2003. A particularly high growth rate was recorded in transported goods, 18.6% compared with the same period last year. At the same time, the number of transported passengers rose only slightly, with more favorable trends in less frequent types of transport – sea and air transport. An upward trend was also observed in supporting activities, particularly related to goods traffic and passenger traffic in sea ports and at airports. In the second quarter, post and telecommunications saw a continuation of positive developments from the first quarter of 2003. The strongest growth was recorded in telecommunications services, particularly the mobile network utilization.



Labor Market

In the second quarter of 2003, the strong impact of economic expansion on employment continued, while its impact on wages lessened. At the same time, registered unemployment continued to fall at a faster pace than the growth of employment in the second quarter and the first two months of the third quarter, due to the employment intermediation reform. The main reason for the decline in registered unemployment was again a lower inflow into the CEI register, particularly of younger persons without working experience. In addition, the decrease in registered unemployment was also influenced by a slower growth in the number of persons cleared from the records, which rose at high rates in the last one-and-a-half years due to stricter obligations for the persons registered with the CEI, which include reporting to the CEI at shorter intervals, attending group counseling, etc. According to the preliminary CBS data, the slight growth of employment continued in the second quarter, with construction and trade remaining the main growth generators.

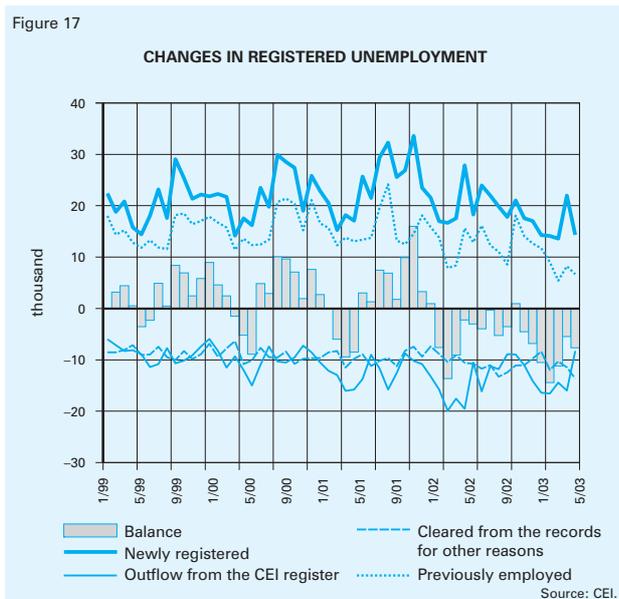
Following a somewhat faster growth of average wage since mid-2002, a slowdown was recorded in the second quarter. The slower growth of wages was primarily registered in industry, where, for the first time in almost three years, wages grew at a slower pace than in the public administration, but also in some other activities like financial intermediation and agriculture.

Unemployment and Employment

In the second quarter and the beginning of the third quarter, the fall in inflows into the CEI register continued. Thus, in the second quarter, the inflows into the register decreased by 18% compared with the same period in 2002, and the same developments were registered in July and August. In the first eight months of the current year, the total inflows into the register fell by almost 24% compared with the same period last year. The fall was most pronounced in the number of the newly registered with the CEI, which fell by over 30%. The sharpest decline was recorded in younger persons, probably because these persons often acquire the job seeker status, which entitles them to the CEI employment intermediation services without complying with all the requirements imposed on the unemployed. Therefore, according to the Law on Employment Intermediation and Rights During Unemployment, job seekers are not considered as unemployed. At end-August, the number of job seekers, mainly younger persons without working experience, reached almost 12 thousand. Given that the inflow of persons without working experience is the strongest in autumn, a further fall in inflows and a faster growth in the number of job seekers is expected in the following few months.

In contrast to 2002 and the beginning of 2003, when the employment intermediation reform did not significantly affect the total outflows from the CEI register, the second quarter of the current year saw a decline in inflows and a fall in total outflows from the register. The decline was mainly the re-

Figure 17



sult of a slowdown in the number of persons cleared from the records, compared with the previous periods, who previously offset the reduced outflow from the register. However, July and August saw a decrease in the number of persons cleared from the records. On the other hand, a downward trend in outflows from the CEI register that started after the obligation to report vacancies to the CEI had been lifted in spring 2002, continued throughout 2003, but at a somewhat slower pace than in 2002.

The decline in outflows from the CEI register in the current year was not congruous with the recorded GDP and employment growth. This shows that the usual correlation between the economic activity and outflows from the CEI register, disrupted a year and a half ago, has not been reestablished. Therefore, it can be expected that outflows from the CEI register will be additionally adjusted, which could result in a slowdown in registered unemployment.

As a result of the described dynamics of the inflows into

and outflows from the CEI register, registered unemployment continued its strong downward trend during the summer months in 2003. The decline in registered unemployment was particularly strong in the second quarter, when the number of the registered unemployed dropped by 36,000 (10.1%) compared with the first quarter, while in the period from January to end-August, registered unemployment declined by a total of 60,000 (16.5%) compared with the previous quarter. This dynamics suggests that registered unemployment continues to fall sharply, mainly due to the institutional reforms. However, the reduced inflows into the CEI register and stagnant outflow from the register support the assumption that the decreased unemployment was not mainly the consequence of clearing from the records of persons who are not considered as unemployed under the ILO survey criteria, but it was rather caused by increased job-seeking outside the CEI or by using the CEI intermediation services without being registered as unemployed. However, this assumption will only be proved right or wrong by the Labor Force Survey results for the first half of 2003, which are expected in November. These results will also include the indicators of correspondence between the registered and the Labor Force Survey unemployment rate.

A sharp fall in the number of persons registered with the CEI was the main determinant of the registered unemployment rate. Thus, at end-August, registered unemployment reached approximately 307,000 with a registered unemployment rate of 18.5% at end-July. That is 2.8 percentage points less than at the end of 2002, or 3.2 percentage points less than in the same month last year.

According to the preliminary CBS data, administrative employment indicators point to a seasonal growth, which is customary for the summer months, and to a continuation of the upward trend that started in 2001. In the second quarter of this year, total employment according to the administrative sources grew at an annual rate of 0.1%, while the real employment (standing at 1,382,000 in July) reached the highest rate since 1998. From the NCEA sections and divisions in

Figure 18

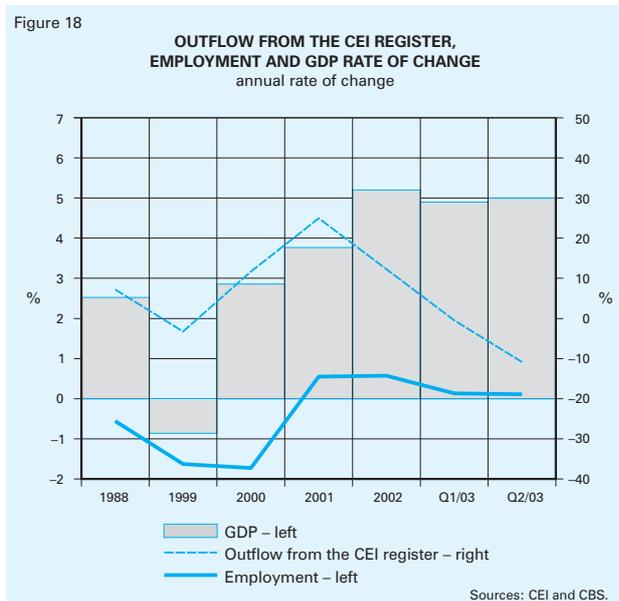


Figure 19

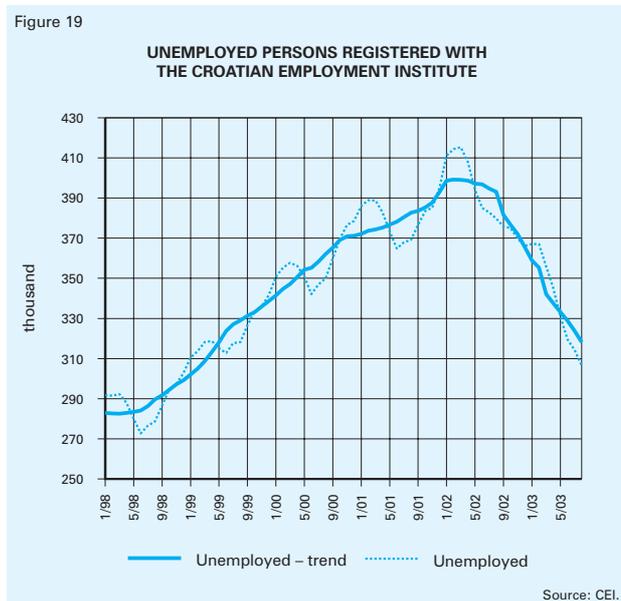


Figure 20

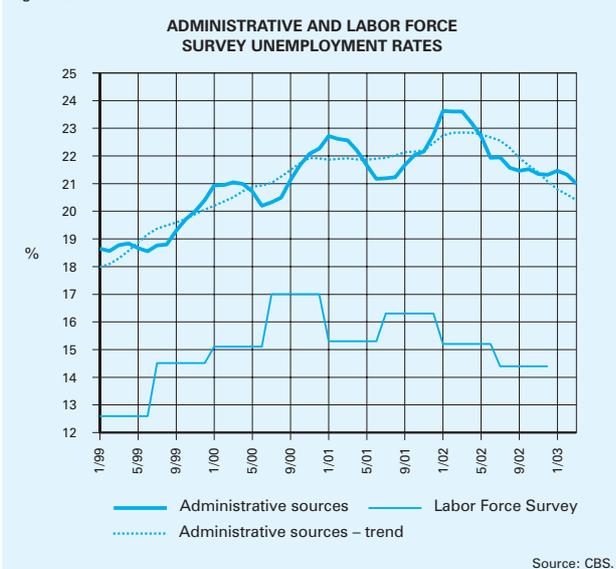
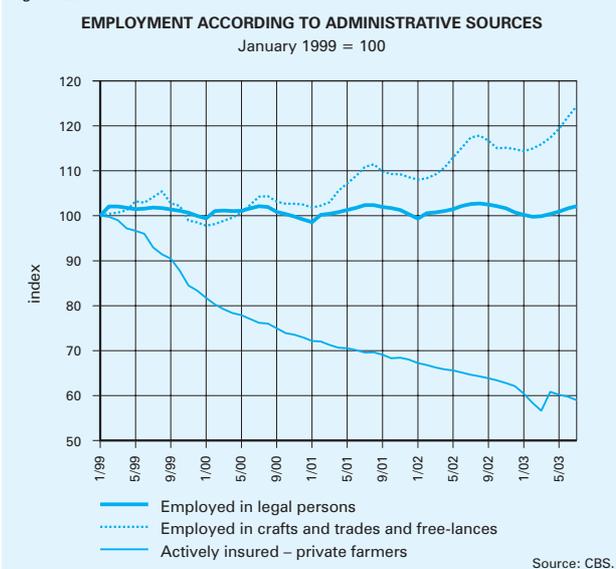


Figure 22



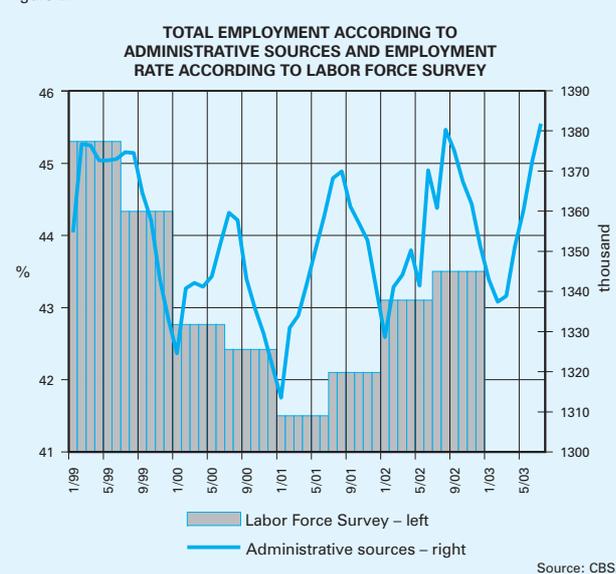
which employment grew it can be concluded that the increase in employment mainly resulted from a dynamic economic growth in a small number of activities and groups of enterprises and that the effects of the economic growth are still limited.

The second quarter of 2003 saw a continuation of the dynamics in certain components of total employment recorded in the previous two years. Thus, the only generators of employment growth were crafts and trades and free-lances, where employment rose by 5% or 13,000 compared with the same period in 2002. According to the preliminary CBS data, employment in legal persons remained stagnant, and was even 0.6% lower in the second quarter relative to the same period in 2002. Given the nature of the preliminary data on employment in legal persons, which are obtained from the sample of largest enterprises, and the continuation of a strong economic activity, it can be assumed that the number of persons employed in legal entities did not decline. As legal per-

sons account for almost three-quarters of total employment, it is clear that the developments in legal persons are relevant for the total employment trends. Therefore, any inaccuracy in the measurement of employment in legal persons deeply affects the total employment dynamics. The main generators of employment in 2003 (within the legal persons category) were construction and trade, while employment in other activities stagnated or slightly declined. In the second quarter of the current year, the number of private farmers insured with the CPII continued to decline. Compared with the same period in 2002, private farmers decreased by 8.0% or almost 6,000. In view of the fact that the decline mainly relates to persons who have ceased to pay contributions for pension and invalidity insurance without terminating their agricultural activities, it is clear that the data on the growth of total employment provided by this source are underestimated.

Labor force according to administrative sources continued to decline in 2003. The decline was slower in the second quarter, so that labor force decreased by 8,000 (0.5%) on average compared with the first quarter, or by 62,000 (3.5%) compared with the second quarter of 2002. The decrease in labor force according to administrative sources resulted from the fall in registered unemployment, whose causes have already been described, and was only slightly compensated by increased employment.

Figure 21



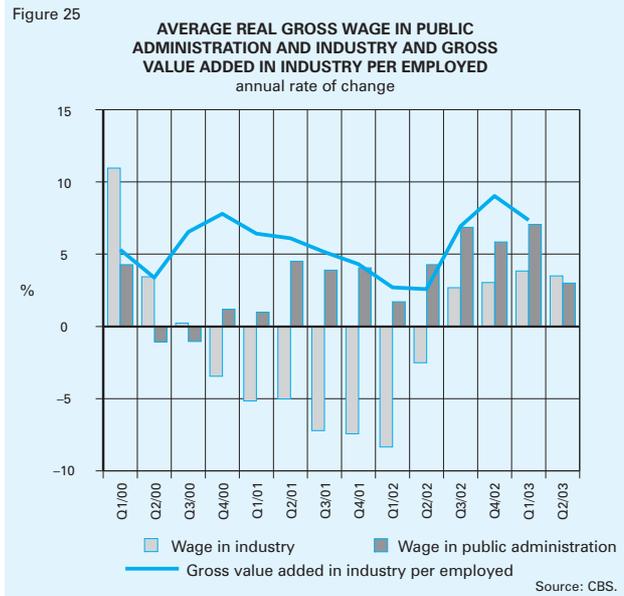
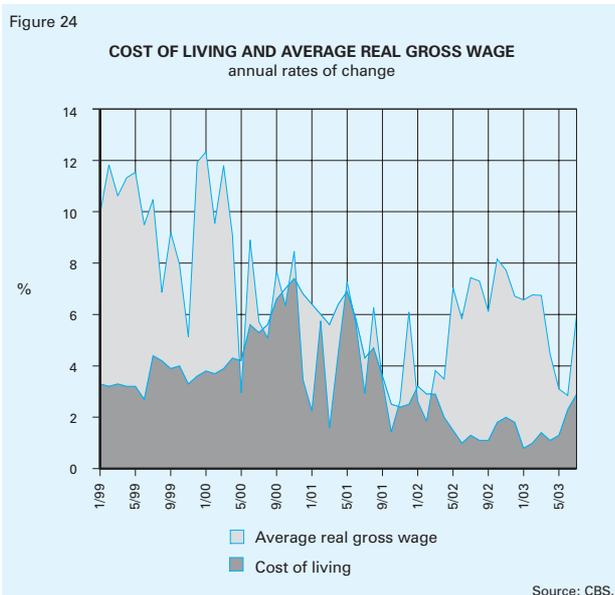
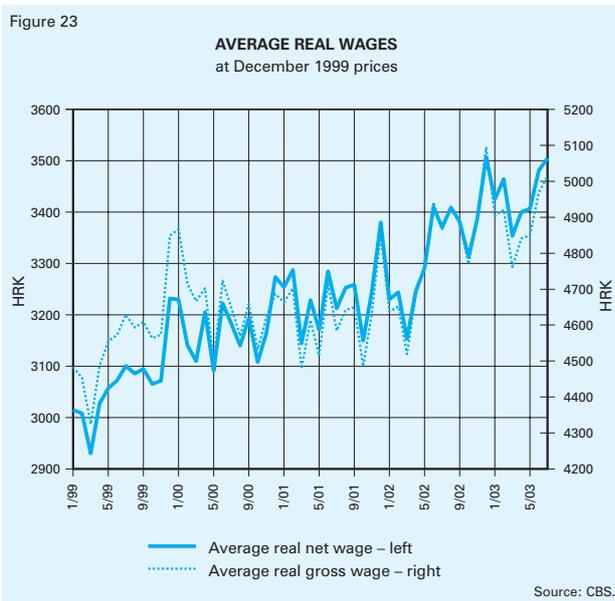
Wages and Labor Costs

In the second quarter of 2003, wage growth slowed down again following a somewhat faster growth over the last year. The average nominal gross wage grew at the annual rate of 3.8% in the second quarter, which is almost half the growth rate in the first quarter of 2003. In the second quarter, the real growth of gross wage slowed down to 1.9% so that the cumulative annual growth rate of average real gross wage paid in the first seven months dropped to 3.6%. Net wages continued to grow faster than gross wages in the second quarter owing to a reduced tax burden on wages since the beginning of the

year, so the average nominal net wage grew at the annual rate of 5.3%. The growth of the real net wage was almost two times faster than the growth of gross wage and reached 3.4% in the second quarter.

As already mentioned, the slower growth of real wages was mainly attributable to a slowdown in nominal wages. However, a slight increase in the cost of living contributed to a slower growth of wages in the second quarter. Should somewhat higher rates of the cost of living and the lower rate of nominal wage growth continue till the end of 2003, real wages could be additionally slowed down.

The second quarter was marked by a pronounced differentiation between wage dynamics in particular sectors. Thus, wages stagnated or declined in some activities, while they grew rather fast in others. For example, in the first half of 2003, wages remained unchanged in agriculture, hunting and forestry, but they went down by about 3% in financial intermediation. In the second quarter, a significant slowdown in real gross wage was recorded in industry, where the real gross



wage grew at the annual rate of 3%, which was less than half its growth in the first quarter. In the second quarter, real gross wage in public administration continued to grow at a steady annual rate of about 3.5%, which has been recorded since the third quarter of 2002, after a period of its decline. The highest growth rate of real gross wages in the first half of the current year, above 10%, was recorded in construction. This activity also saw the strongest growth of employment and the demand for labor.

In early of 2003, labor productivity continued to grow at high rates. Thus, in the first quarter, gross value added in industry per employed rose by 7.4%. This growth of labor productivity in industry exceeded the wage growth in the first quarter. However, in view of a slowdown in the growth of wages in the second quarter and signs of a continuing increase in production, it is not expected that wages would produce any inflationary pressures in that period.

Prices

In the first eight months of 2003, the year-on-year inflation rate measured by the RPI, being the main indicator of macroeconomic stability, stood at a low 1.7%. Over the first two quarters of the current year, it decreased by 1.2 percentage points, i.e. from 2.3% in December 2002 to 1.7% and 1.1% at end-March and end-June 2003 respectively. According to the most recent CBS data, in August this year inflation again reached the level of 1.7%, the same as at the end of the first quarter.

The increase in the aggregate level of retail prices over the first eight months (August 2003 to December 2002) was as low as 1.0% (which corresponds to an average monthly growth of 0.12%) and was slower than in the same periods in the previous years. Thus, for example, the total increase in retail prices during the first eight months in 2000 was 5.3%, which was followed by its fall to 2.8% and 1.5% in 2001 and 2002 respectively.

Another indicator of price developments is the core inflation, calculated by excluding the most volatile components (agricultural products prices) and administratively set prices (in which energy prices participate with a significant share) from the basket of goods and services used in the calculation of the RPI, in order to more closely reflect the inflationary pressures, which can, to a great extent, be influenced by monetary policy measures. Since December 2001, the year-on-year core inflation has been lower than 2.0%, while in the first eight months of the current year it remained below 0.6%.

Volatile developments in the year-on-year inflation rate measured by the RPI during 2003 can be mainly attributed to fluctuations in crude oil prices on the global market, which affected the trends in domestic refined petroleum products prices, and to dry weather conditions. The draught resulted in a strong monthly growth of agricultural products prices in the first five months of the current year and a seasonal decrease in agricultural products prices, which was smaller than usual for

Figure 26

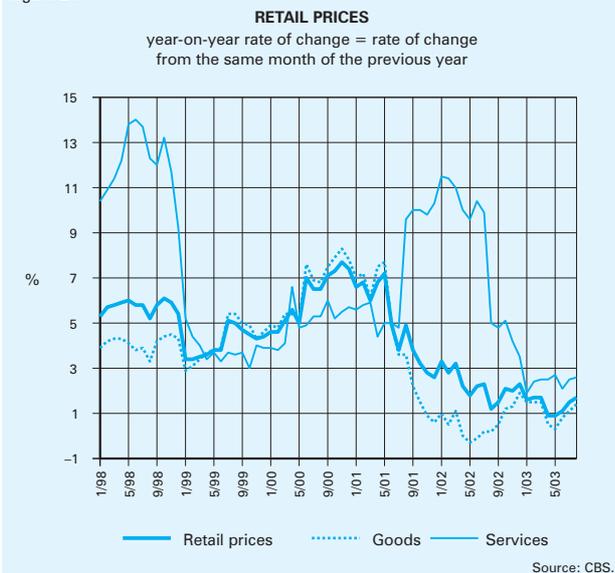


Figure 27

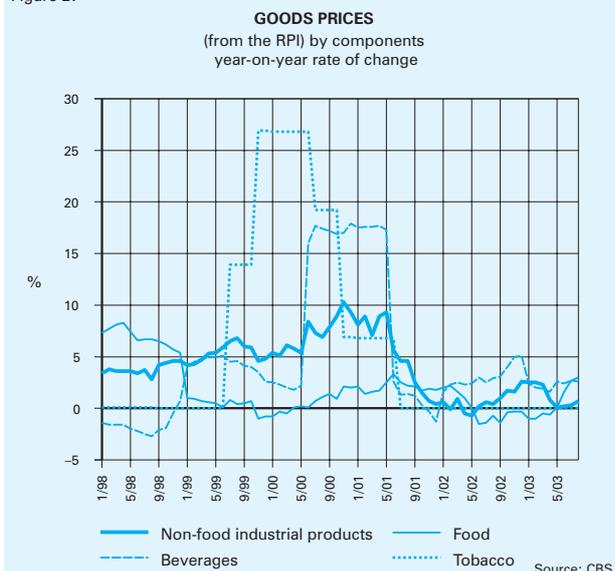
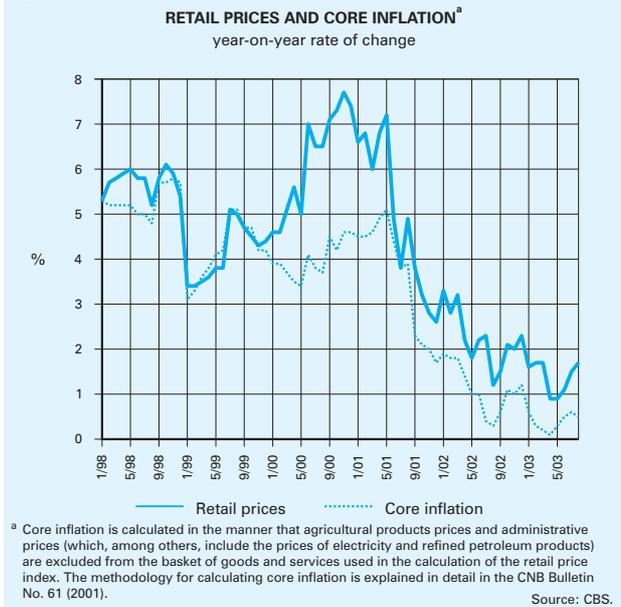


Figure 28



summer months. The fluctuations in agricultural products prices had an even stronger impact on the developments in the cost-of-living index, in which agricultural products prices participate with 7.0%, while their share in the RPI is slightly lower, 2.2%.

In addition, the year-on-year rate of inflation volatility was largely the result of the so-called base period effect, as the change in the year-on-year rate of price growth in a month compared with the year-on-year growth rate in the previous month does not solely depend on the rate of change in prices in the current month but also on the monthly change in prices recorded twelve months earlier. The impact of the base period was particularly strong in April, when the year-on-year retail price inflation decreased by 0.8 percentage points, i.e. from 1.7% in March to 0.9% in April. Such a decrease in April 2003 resulted from a significant 0.4% fall in the aggregate level of retail prices in that month compared with the previous month, and from a substantial 0.4% increase in the aggregate level of prices for the month in the base period (April 2002), which increased the base for the annual comparison of price growth. The decline in retail prices in April compared with March this year was primarily attributable to reduced domestic retail prices of refined petroleum products.

Due to the effect of the base period, the summer months saw an increase in the year-on-year inflation rate. Despite a stagnation in retail prices in July this year compared with the previous month, and their slight increase (by 0.1%) in August, owing to the effect of the base period (a decline in retail prices at the monthly level in July and August) the year-on-year inflation rate measured by the RPI rose from 1.1% in June to 1.5% and 1.7% in July and August 2003 respectively.

While the year-on-year inflation rate measured by the RPI in August this year was equal to that recorded at the end of the first quarter, the contributions of individual components of retail price index to overall inflation changed significantly. Owing to a considerable increase in the year-on-year rate of

change in the prices of agricultural products from 0.4% in March to 23.8% in August, the contribution of these prices to overall inflation increased by 0.5 percentage points, while the increase in the year-on-year rate of change in the prices of industrial food products to 0.2% in August compared with -0.6% in March resulted in a 0.1 percentage point increase in the contribution of these prices to overall inflation. In addition, the rise in the year-on-year rate of change in the prices of transport, postal and telecommunications services from 1.6% in March to 3.4% in August 2003 increased the contribution of these prices to overall inflation by 0.2 percentage points.

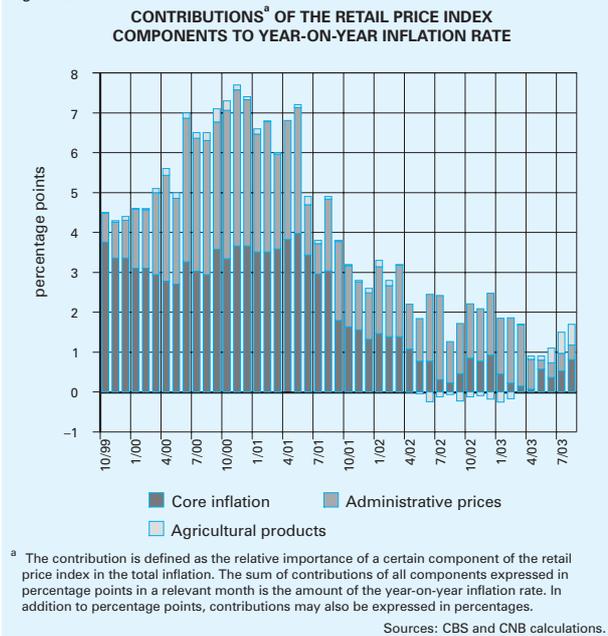
On the other hand, the larger contribution of the above mentioned components in August compared with March 2003 offset the lower contribution of liquid fuels and lubricants, heating fuel, finished textile products and footwear to the overall year-on-year retail price inflation. The sharpest fall in the contribution to the year-on-year inflation rate of 0.5 percentage points was recorded in liquid fuels and lubricants, where the year-on-year rate of change in prices fell from 7.7% in March to 0.5% in August. The change in the prices of refined petroleum products and agricultural products had both a direct and an indirect impact on the RPI trends, particularly through its impact on the prices of passenger transport services and industrial food products.

In August 2003, the year-on-year core inflation rate was very low, 0.5%, but 0.3 percentage points higher than in March. The increase in the year-on-year core inflation rate and, consequently, in its contribution to the overall retail price inflation was induced by a sharp rise in the year-on-year rate of change in the services prices used in the calculation of the core retail price index from -0.9% in March to 1.3% in August. This increase was largely attributable to a growth in market determined prices of transport services. In contrast to this, the year-on-year rate of change in the goods prices used in the calculation of the core retail price index rose slightly from 0.3% in March to 0.4% in August.

The analysis of a longer period of time shows that the year-on-year rates of change in the administratively set prices recorded in the last five months were significantly below those recorded over the last four years. The contribution of the administratively set prices (including the prices of electricity, gas and refined petroleum products) to the year-on-year rate of change in the retail price index fluctuated over the second quarter and the first two months of the third quarter of 2003, but remained considerably lower than in the first quarter of the year. The year-on-year rate of change in administratively set prices halved in April compared with March, dropping from 6.7% to 3.3%. After that, the year-on-year rate of change in administratively set prices fluctuated between a minimum of 1.6% in June and a maximum of 3.5% in August. Apart from the decline in the year-on-year rate of change in the prices of refined petroleum products, such developments probably resulted from the fact that government usually refrains from substantially increasing administratively set prices during the pre-election period, which is also supported by the relatively low year-on-year rates of administratively set prices over 1999.

The prices of refined petroleum products participate with

Figure 29



a significant 7.3% in the basket of goods and services used in the calculation of the RPI, and their share in the administratively set prices reaches 31.6%. According to the Rules on the Determination of Refined Petroleum Products Prices, adopted by the Ministry of the Economy, one of the basic criteria for approving the changes in refined petroleum products prices is their trend in the Mediterranean market, which is closely connected with the developments in crude oil prices in the world market. The end of the US military intervention in Iraq resulted in a considerable decline in the average daily price of crude oil per barrel on the world market from USD 30.4 in March to USD 25.6 in April, which represents a total monthly decrease of 15.8%. This was followed by a gradual recovery of the crude oil prices on the world market, which was largely attributable to a slow revival in crude oil production in Iraq and returning to the pre-war levels of production, as well as to the reports on smaller-than-usual supplies of crude oil and refined petroleum products in OECD countries (particularly the USA). This created expectations of a growing demand in order to replenish the supplies. In August, the average daily price of crude oil on the world market was USD 29.7 per barrel, which represents a total increase of 16.2%, compared with the price in April. Thus, the price of crude oil once again neared that in March 2003.

In early September 2003, the upward trend in crude oil prices (prompt delivery) was halted and a significant decline was recorded in the first half of that month. Thus, for example, Brent crude oil prices declined by a total of 11.4%, i.e. from USD 30.1 per barrel on 29 August to USD 26.6 per barrel on 15 September. Such trend in oil prices was the result of several factors, of which the most important are: the end of the seasonal increase in refined petroleum products consumption on account of tourist travels, a growth in oil production in Iraq, without reducing the oil production quotas of other countries, and reports on sufficient supplies of refined petroleum products in OECD countries.

Figure 30

**AVERAGE OIL PRICES^a
ON THE WORLD MARKET**

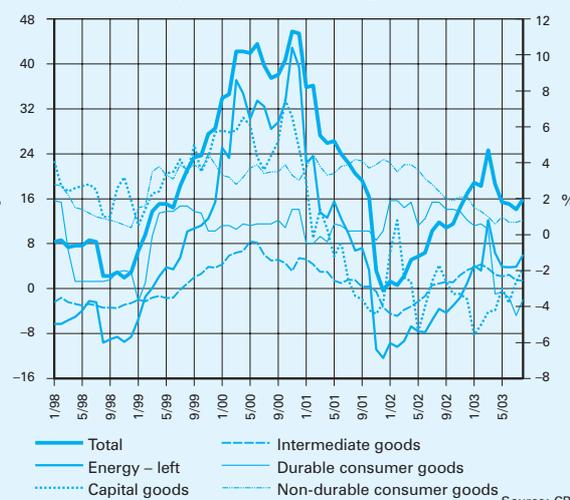


^a They are calculated as an average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate.

Source: Bloomberg.

Figure 32

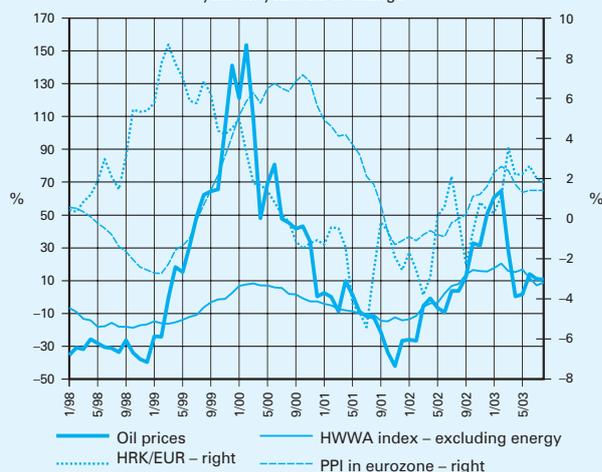
**PRODUCER PRICES OF INDUSTRIAL PRODUCTS
BY MAIN INDUSTRIAL GROUPINGS**
year-on-year rate of change



Source: CBS.

Figure 31

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



^a The Hamburg Institute of International Economics (HWWA) constructed the aggregate index of raw materials prices in the world market, the so-called HWWA index. The HWWA index is the indicator of movements in costs for imported raw materials (it includes a total of 29 raw materials or 27 excluding energy) and it is used in analyzing the influence of changes in the prices of raw materials in the world market on the changes in prices in industrial countries. The index is calculated on the basis of raw materials prices expressed in US dollars.

Sources: Bloomberg, HWWA, Eurostat and CNB.

The developments in crude oil prices on the global market and the changes in the kuna vs. US dollar exchange rate affected the prices of refined petroleum products in Croatia. Thus, following a 5.3% and a 6.1% fall in the refined petroleum products prices at the monthly level in April and May respectively, the domestic retail prices of refined petroleum products rose by an average of 1.7% in July and 4.4% in August. On 16 September INA reduced its gasoline prices by an average of 1.5%.

The year-on-year rate of change in the aggregate index of raw materials prices (excluding energy, expressed in US dollars) on the world market (HWWA index²) fell from 15.8% at the end of the first quarter to 11.6% at the end of the second quarter, and, according to the latest data obtained from the Hamburg Institute of International Economics, it came down

to 8.8% in August 2003. The year-on-year rate of change in the producer prices in the eurozone decreased from 2.4% at the end of the first quarter to 1.4% and 1.3% at the end of the second quarter and in July respectively. This suggests that the imported pressures on the growth of domestic prices, which resulted from the increase in the prices of raw materials on the world market and the producer prices in the eurozone, were restrained.

A downward trend in the year-on-year rate of change in producer prices of industrial products that started at the end of the first quarter of 2003 stopped in August owing to a significant increase in the year-on-year growth of energy prices. Thus, following a decline in the year-on-year growth rate of producer prices of industrial products from 4.7% in March to 1.7% and 1.4% in June and July respectively, the year-on-year rate of growth in producer prices rose to 2.0% in August, which is still considered to be a low producer prices inflation rate. Over 2003, consumer goods prices, which have a direct impact on the movements in retail price index, recorded lower year-on-year rates of change compared with the rates of change in the overall producer price index. Thus, the year-on-year rate of change in durable consumer goods prices stood at -3.5% in August, while the year-on-year rate of change in non-durable consumer goods was 1.1%.

² Since September 2003, a revised HWWA index of raw materials prices has been published. The weights for individual raw materials in the revised index are based on the amount of imports of industrial countries in the period 1999-2001, while the old weights were based on the data for the period 1989-1991. Instead of 1999, the base year for the raw materials prices was 2000. The historical series of the new monthly HWWA index was calculated for the period starting with September 1978.

Exchange Rate

Over the third quarter³, the exchange rate of the kuna against the euro held steady, with no significant fluctuations or expressed trends towards appreciation or depreciation. Therefore, like in the second quarter, there was no need for a CNB intervention on the foreign exchange market. The mid-point exchange rate of the CNB fluctuated within a relatively narrow band between +0.87% and -0.73% of the average exchange rate of HRK 7.50/EUR in that quarter.

The analysis of exchange rates at the end of the period shows that the rate of HRK 7.48/EUR, recorded at the end of the third quarter, was merely 0.33% lower than that at the end of the previous quarter when it stood at HRK 7.51/EUR. Thus, following a total depreciation of the exchange rate of the kuna against the euro of 3.36% over the first quarter and a 2.39% appreciation of the kuna in the second quarter, the exchange rate of the kuna against the euro approached HRK 7.44/EUR at the end of the third quarter, the same as in late 2002.

Appreciation pressures on the kuna exchange rate were restrained and less pronounced over the second and third quarters of 2003 than in the comparable periods in the previous years. As a result, the CNB held no foreign exchange auctions during these two quarters. In contrast, in order to ease the appreciation pressures the CNB purchased a total of EUR 530.4m from commercial banks in the second and third quarters of 2001 compared with EUR 389.4m purchased during the same quarters in 2002.

The lessening of appreciation pressures on the kuna exchange rate during 2003 resulted from several factors. Thus, the Decision on the Minimum Required Amount of Foreign Exchange Claims that came into effect in early 2003 resulted in a growing demand of some commercial banks for foreign exchange and relieved the pressure of other banks on the sale of foreign exchange to the central bank at foreign exchange auctions. Moreover, in order to improve the coordination be-

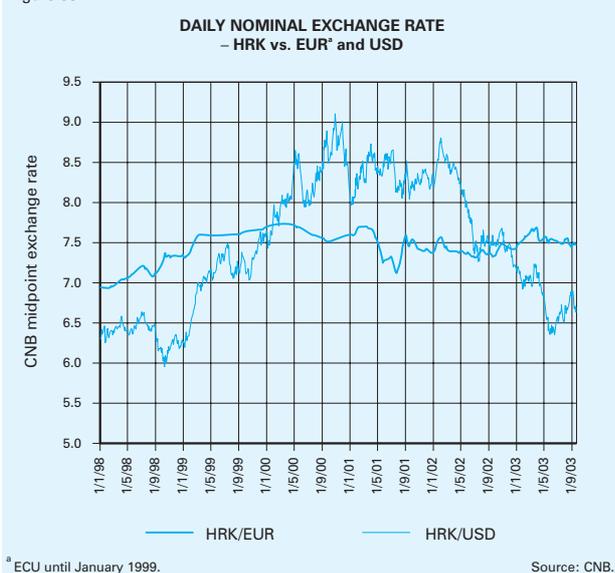
tween the fiscal and monetary policies the Ministry of Finance deposited the foreign exchange inflows from eurobonds⁴, the succession⁵ and Samurai bonds⁶ in its account held with the CNB. In accordance with the government's current needs for kuna liquidity the central bank then purchased the foreign exchange from the government with a view to preventing the buildup of appreciation pressures on the kuna in the domestic foreign exchange market. In the second quarter, the central bank purchased a total of USD 165.9m from the government, while no purchases of foreign exchange from the government were recorded in the third quarter. The appreciation pressures on account of the foreign exchange inflows from tourism were restrained, because a stronger supply of foreign exchange over the summer months was absorbed by an increased demand for foreign exchange by banks and companies which needed foreign exchange to finance growing imports.

The appreciation pressures on the kuna exchange rate increased in the second half of August, at the time of preparation and adoption of the amended Decision on Reserve Requirements pursuant to which the reserve requirement rate of 19.0% remained the same, while the foreign exchange part of the reserve requirement allocated in kuna was increased. Thus, as from 8 September 2003, 35% of the calculated foreign exchange reserve has been allocated in kuna and 65% in foreign exchange (instead of the earlier 25% in kuna and 75% in foreign exchange). This resulted in a buildup of appreciation pressures on the kuna due to a stronger demand for domestic currency on the money market and an increased supply of foreign currency on the foreign exchange market. As banks satisfied their growing needs for the kuna from other sources, and only to a small part from the sale of foreign exchange, these pressures were temporary and led to a slight depreciation of the kuna in early September. At the end of September, the kuna exchange rate weakened by 0.35% against the euro compared with the end-August.

Over the third quarter, the exchange rate of the kuna against the euro was stable with a pronounced variability of the US dollar/euro exchange rate on the world foreign exchange markets and a noticeable oscillation in the kuna/US dollar exchange rate. Thus, the exchange rate of the kuna against the US dollar fluctuated within a band between HRK 6.91/USD and HRK 6.50/USD or between +3.3% and -2.3% of the average exchange rate of HRK 6.69/USD recorded in the third quarter of the current year.

A strong overall appreciation of the kuna vs. the US dollar of 8.25% over the second quarter, when the US dollar weakened from HRK 7.17/USD on 31 March to HRK 6.57/USD on

Figure 33

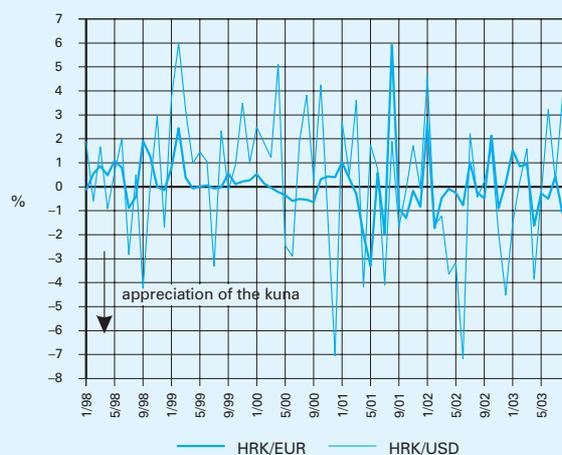


- 3 The data on the kuna exchange rate trends include the rates till 22 September inclusive.
- 4 On 24 February, the government's foreign exchange account held with the CNB was credited with EUR 497.5m deriving from the sale of eurobonds.
- 5 On 28 May, the government's foreign exchange account held with the CNB was credited with USD 54.7m deriving from the unblocked share of foreign exchange assets of the former National Bank of Yugoslavia held with US banks.
- 6 On 26 June, the government's foreign exchange account held with the CNB was credited with JPY 24,854.4m (USD 211,1m) deriving from the sale of bonds on the Japanese capital market.

Figure 34

RATES OF CHANGE OF THE NOMINAL EXCHANGE RATE – HRK vs. EUR and USD

month-on-month, the CNB midpoint exchange rate



Source: CNB.

30 June, was followed by an overall depreciation of the kuna vs. the US dollar of 0.91% during the third quarter, with the result that the US dollar rose to HRK 6.63/USD on 22 September. At end-September, the kuna/US dollar exchange rate strengthened by a total of 7.15% compared with the rate of HRK 7.14/USD recorded in late 2002.

The kuna weakened against the US dollar due to an appreciation of the USD/EUR exchange rate prevailing in the world foreign exchange markets in the third quarter. The European Central Bank analysts estimate that the strengthening of the US dollar has resulted from the fact that market participants' expectations were primarily based on the reports suggesting a strong recovery of the US economy. On the other hand, market participants underestimated the fundamental imbalance that existed in the US economy and was created by a sizable balance of payments and budgetary deficits. They were the main reasons for wakening of the US dollar against the euro by a total of 20.61% from early 2002 to date, with the result

that the exchange rate of the euro increased from USD 0.88/EUR on 31 December 2001 to USD 1.13/EUR on 22 September 2003.

With a 0.33% appreciation of the kuna against the euro, 1.15% against the Swiss franc, 0.94% against the pound sterling, and 0.90% against the Slovene tolar, as well as the 0.91% depreciation of the kuna against the US dollar over the third quarter, the index of the daily nominal effective kuna exchange rate recorded at the end of the third quarter remained at the level from the end of the second quarter.

In the first seven months of 2003 (July 2003 to December 2002) the real effective exchange rate of the kuna appreciated by 1.82% and 2.12% deflated by producer prices and retail prices respectively. A comparison of indices of the real effective kuna exchange rate with those in the same period last year (July 2003 to July 2002) shows that the kuna exchange rate appreciated by 1.37% in real terms deflated by producer prices and by 2.04% in real terms deflated by retail prices.

Monetary Policy and Instruments

Monetary Environment

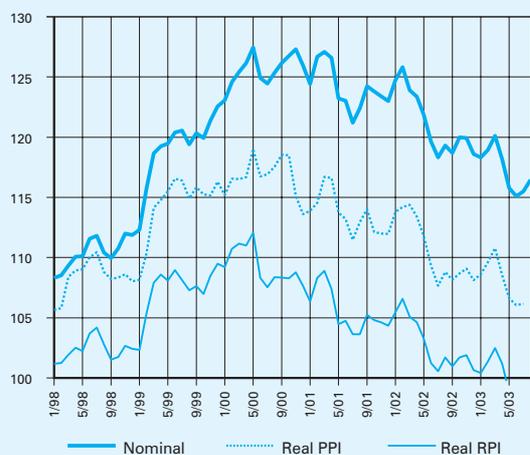
Price stability, the overall objective of the Croatian National Bank, continued into the third quarter of 2003. The annual growth rates of retail prices and cost of living expenses in August were 1.7% and 2.8% respectively. Price stability in the country is largely determined by price stability in the European Union and the stability of the exchange rate of the kuna against the euro, which fluctuated only slightly during the second and the third quarters of this year. At end-September, the exchange rate of the kuna against the euro fell by 3.1%, compared with September last year, while the average exchange rate in the first nine months of this year declined on average by 2.2%, compared with the same period 2002.

Achieved price stability aside, economic policy makers still have to work hard to reduce the current account deficit financed by foreign borrowing. Monetary policy measures introduced earlier this year, whose aim is to slow down credit activity of banks, have given some results. In particular, deposit money banks, that these measures directly relate to, took measures to adjust their business policies, reshuffle their assets and slow down their placements' growth. As a result, bank placements to the non-banking sector increased by 9.5% in the first eight months of 2003 while their annual growth rate fell from 30.0% at end-2002 to 19.8% at end-August 2003. However, the effects of the achieved slowdown in credit activities of banks was largely offset by companies involved in financial leasing, which, in an attempt to provide funds needed for loans (mostly car loans), accelerated their foreign borrowing. This led to a further widening of the current account deficit (17.9%, at a constant exchange rate) in the first eight months of this year, compared with the same period last year. Large inflows of foreign capital, which fuelled domestic consumption and imports, can be attributed to a more robust economic growth and higher interest rates in Croatia than abroad (in particular, in EU member countries,

Figure 35

INDICES^a OF THE NOMINAL AND REAL EFFECTIVE KUNA EXCHANGE RATE WITH RETAIL AND PRODUCER PRICES

1995 = 100



^a The fall of index denotes appreciation of the kuna.

Source: CNB.

where most of the capital comes from). Capital inflows cause an increase in external debt, which increased by USD 3.3bn in the first eight months of 2003.

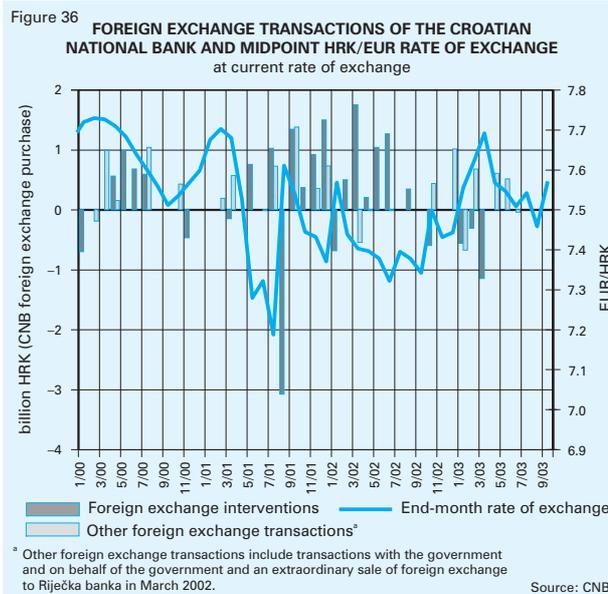
To slow down the negative trends, the Croatian National Bank decided to further tighten its monetary policy in September this year, by raising the kuna component of the foreign exchange reserve requirements and decreasing the foreign exchange component of the foreign exchange reserve requirements. In this way, the central bank withdrew HRK 2.1bn from the circulation. To a great extent, the banks made use of the created foreign exchange liquidity to align with the obligation on the minimum foreign exchange liquidity. Measures to further reduce surplus kuna liquidity continued throughout the year, through net foreign exchange sales of the CNB. With the September withdrawal, the CNB succeeded in reducing the surplus liquidity present in the system since 2000. Higher interest rates on the money market in August and September of 2003 can be attributed to the system's poor liquidity.

Uses of Monetary Policy Instruments

The first three quarters of 2003 were marked by a gradual reduction in the surplus liquidity generated in the previous periods. The origins of surplus liquidity can be traced back to year 2000 and a reduction in the reserve requirements rate. In addition, there were larger inflows of foreign exchange, which were accompanied with issues of kuna, especially in 2001 and 2002. Particularly large inflows at the time were those created by the introduction of the euro, privatization receipts and foreign borrowing of banks in support of their intense credit activities, especially since 2002. Large capital inflows shape the instruments of monetary policy. The domestic currency in Croatia is created through foreign exchange purchases, while most of the other monetary policy operations are aimed at withdrawing surplus liquidity. This may explain the high reserve requirements rate and, until recently, high amounts of issued kuna CNB bills. If needed, the Croatian National Bank stands ready to use additional available instruments to create kuna liquidity.

This year's reduction in surplus liquidity can largely be attributed to the CNB's net foreign exchange sales in the first nine months, in contrast with its previous years' net purchases. Thus, in the first quarter of 2003, the CNB withdrew from the system HRK 2,020m through the sale of foreign exchange to deposit money banks. In the second quarter, foreign exchange purchases totaled HRK 1,085m, thus creating kuna liquidity. As the central bank did not intervene in the foreign exchange market in the third quarter, the overall effect of total foreign exchange sales and purchases in the first nine months of this year was a sale of HRK 935m. In comparison, the amount of kuna created by the CNB through foreign exchange transactions in the first nine months of 2002 and 2001 was HRK 3,875m and HRK 2,770m respectively.

The absence of sizeable appreciation pressures was the main reason for the central bank's small foreign exchange purchases in the second and the third quarters of this year. To satisfy their kuna liquidity needs, banks cut their kuna CNB



bills subscriptions. At the same time, deposit money banks had to increase their foreign exchange liquidity to achieve compliance with the obligation on the minimum foreign exchange liquidity. In addition, unlike previous years, this year the central bank mainly purchased foreign exchange directly from the government and less from deposit money banks. A large foreign exchange inflow into the government account, from the privatization of the national oil company INA, is expected in the fourth quarter of this year.

Liquidity decreased as a result of the CNB's measures, in particular, net foreign exchange sales, but also as a result of autonomous factors at play, including an increase in currency in circulation and an increase in reserve requirements, following an increase in their calculation base. In the wake of a successful tourist season, currency in circulation increased by HRK 789m or 8.2% in the first nine months. This is a decline compared with the same period last year, when currency in circulation increased by HRK 1,172m or 13.8%.

Reserve requirements are an important instrument for surplus liquidity sterilization. The reduction in the reserve requirements rate from 30% to 19% in the period between 2000 and 2001, contributed to the system's high liquidity. Although somewhat rigid as an instrument of monetary policy, in small open economies such as the Croatian it is a chief and most efficacious instrument for liquidity sterilization. Since autumn 2001, a part of foreign exchange reserve requirements has been met in kuna. Following the September 2003 increase in the kuna component of foreign exchange reserve requirements from 25% to 35%, introduced by the CNB as a measure of monetary policy tightening, HRK 2,119m in kuna liquidity was withdrawn from the system.

In the first eight months of 2003, reserve requirements increased as a result of the increase in the calculation base. The kuna base increased more than the foreign exchange base, leading to faster growth in kuna reserve requirements. In the first eight months, the kuna base used in the calculation of reserve requirements increased by HRK 12.0bn or 34.5%, while the foreign exchange base increased by HRK 9.1bn or 8.8%. As

a result, the calculated kuna reserve requirements increased by HRK 2,353m or 20.5% in the first eight months of the year, while the reserve requirements set aside increased by HRK 1,563m. Of their total increase in the first eight months, kuna reserve requirements increased by HRK 694m in the first quarter, HRK 886m in the second quarter and HRK 773m in July and August. Kuna reserve requirements rose additionally after the kuna component of foreign exchange reserve requirements was raised from 25% to 35%. Accordingly, the kuna reserve requirements calculated in September increased by HRK 2,487m, of which HRK 2,119m as a result of the increase in the component of foreign exchange reserve requirements that has to be met in kuna. As a result, kuna reserve requirements increased by HRK 3,251m in the third quarter. In the first nine months of this year, kuna reserve requirements increased by a total of HRK 4,831m or 42.0%. Total kuna reserve requirements in September were HRK 16,322m, of which HRK 8,905m can be attributed to kuna reserve requirements and HRK 7,416m to that component of foreign exchange reserve requirements that has to be met in kuna.

Despite its slower growth this year, the foreign exchange reserve requirements base is still much larger than its kuna counterpart. In the first quarter of this year this base rose by HRK 5.3bn. In the second quarter, due to the appreciation of the exchange rate, it rose by only HRK 125m, and in the third quarter, it rose by HRK 3,652m. Following the increase in the component of foreign exchange reserve requirements that has to be met in kuna, the foreign exchange component of foreign exchange reserve requirements fell from 75% to 65% in September. The banks used the freed HRK 2.1bn in foreign exchange for their gradual adjustment to the obligation on the minimum foreign exchange liquidity. This can explain a relatively small appreciation pressure on the exchange rate of the kuna in September. The calculated foreign exchange reserve requirements increased in the first and second quarters (HRK 752m and HRK 18m respectively) and declined by HRK 1,599m in the third quarter due to smaller foreign exchange reserve requirements allocations.

Since October last year, deposit money banks have satisfied their liquidity needs through lower kuna CNB bills subscriptions. While kuna CNB bills are commonly used in Croatia to sterilize surplus liquidity arising from large capital inflows, developed countries typically have to deal with a lack of liquidity, so their main instruments of monetary policy would be those for creating liquidity, such as repo transactions with securities, where central banks normally determine the price of money, i.e. the interest rate. Similar instruments for creating liquidity were commonly used in Croatia before 2000.

To meet their kuna liquidity needs this year, deposit money banks have had to rely on secondary sources of liquidity. These include kuna CNB bills and T-bills of the Ministry of Finance. It should be noted that lower subscriptions of CNB bills create liquidity for the entire system, while the redemption of T-bills of the Ministry of Finance implies a mere transfer of liquidity from the government to the banks, without any impact on the overall system. CNB bills subscriptions fell steadily throughout the first three quarters of this year. Compared with the previous quarters, they fell by HRK 1,115m, HRK 1,212m and HRK 2,555m in the first, second and third quarters respectively. As a result, until end-September, CNB bills were all but exhausted completely, thus creating a total of HRK 4,881m in needed liquidity. The interest rate policy pursued by the CNB at its CNB bills auctions, encouraged lower subscriptions, and was not in line with interest rate developments on the money market, which was particularly pronounced in August and September of this year.

Unlike kuna CNB bills, subscriptions of foreign exchange CNB bills increased significantly at the end of the third quarter. The stock of foreign exchange CNB bills rose steadily throughout the year, but the increase was much more pronounced towards the end of the third quarter. Foreign exchange CNB bills subscriptions rose by HRK 181m in the first quarter and by HRK 162m in the second quarter. Following a mild increase in July, the subscriptions of foreign exchange CNB bills increased significantly in August and September. Their total increase in the third quarter was HRK 2,556m. Until end-September this year, foreign exchange CNB bills subscriptions increased by a high HRK 3,889m. The main reason for such large subscriptions in the third quarter was that they could be used as collateral for the CNB's Lombard loan, after they declined as a result of large sales of kuna CNB bills and fewer T-bills subscriptions. At the same time, as the system's liquidity deteriorated and interest rates on the money market rose, the need for Lombard loans increased. Foreign exchange CNB bills make an attractive investment for deposit money banks as they may be used as collateral for the CNB's Lombard loans (though somewhat less favorably, compared with kuna CNB bills and T-bills). They are also used to meet foreign exchange reserve requirements and to maintain minimum foreign exchange liquidity. At end-September, foreign exchange CNB bills stood at HRK 4,125m, which is an increase of HRK 2,899, compared with the beginning of the year.

As fewer kuna CNB bills subscriptions failed to provide sufficient liquidity, Lombard loans were much in demand in Au-

Figure 37

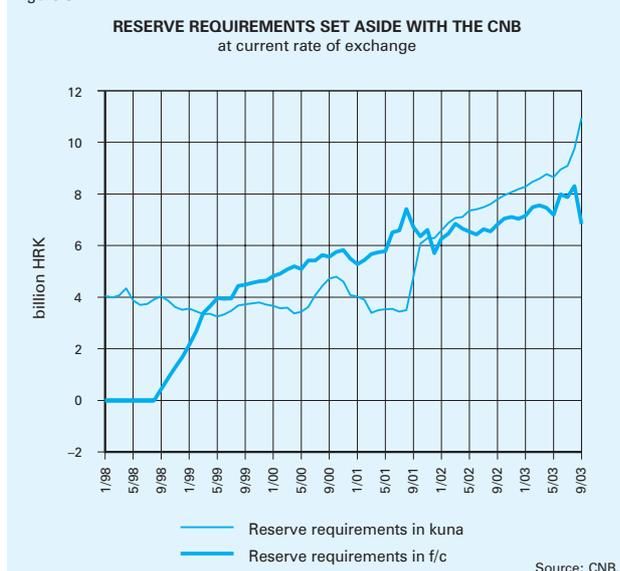


Figure 38

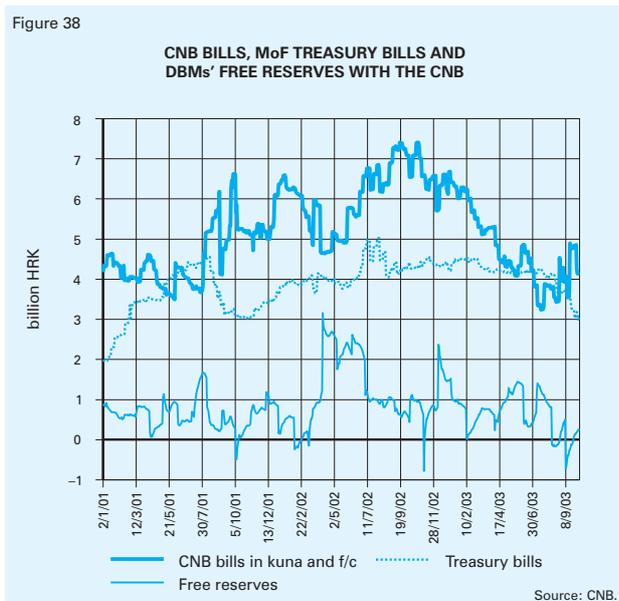
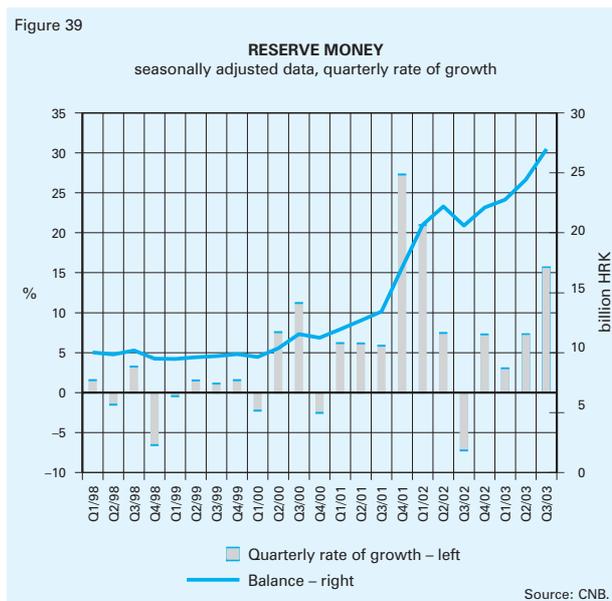


Figure 39



gust and September of this year. The banks used this facility for a total of 5 business days in August, in the average amount of HRK 318m. The use of the Lombard facility gathered additional momentum in September, due to the need to meet the August reserve requirements and since the 8 September increase in reserve requirements that have to be met in kuna. The banks used the Lombard facility in September every second day, or a total of 16 times. The average daily amount of the used Lombard facility was HRK 585m. The increased use of Lombard loans can be attributed to the system's poorer liquidity that caused a sharp increase in the interest rates on the money market. Consequently, at 9.5%, the Lombard rate is not perceived as so expensive anymore. In the last several years, however, banks have only rarely used this facility and the last time they did, was in November 2002. It should be noted that a number of banks tend to use these loans to meet their kuna reserve requirements and thus avoid selling their foreign exchange and contributing to the stability of the exchange rate.

Reserve Money and International Reserves

In 2003, reserve money (M0) grew at a similar rate as in the previous year. In the first nine months of the year, M0 rose by 18.5%, compared with 17.2% in the first nine months of 2002. Despite the system's poor liquidity, the growth of reserve money did not decelerate. On the contrary, poor liquidity was affected by the increase of reserve money categories, including currency in circulation and kuna reserve requirements. Reserve money increased as a result of fewer kuna CNB bills subscriptions. Following its seasonally usual decline in the first quarter of the year (HRK 1,144m), M0 recovered in the second quarter (HRK 2,381m), and continued growing in the third quarter (HRK 3,025m). Seasonal effects excluded, M0 increased by 3.0% in the first quarter, 7.3% in the second quarter and 10.5% in the third quarter, compared with the previous quarters. Growth in M0 accelerated additionally in September as a result of the increased percentage of foreign

exchange reserve requirements that has to be met in kuna. At end-September, reserve money stood at HRK 27.3bn, which is an increase of 30.8%, compared with September last year.

Bank deposits with the CNB accounted for the largest share of the total increase in reserve money. In the first nine months of the year, these deposits rose by HRK 3,482m or 26.1%. The distribution of funds across various types of bank deposits changed considerably over the observed period. More specifically, cash in vaults increased by HRK 207m or 17.0%, reserve requirements set aside in kuna increased by 2,773m or 33.9%, while the total amount in settlement accounts increased by HRK 417m or 10.6%. Currency in circulation increased by HRK 789m or 8.2% during the same period.

After more than doubling in 2002, compared with the previous year (125.5% increase), due to reforms in the payment system and the supply of banks with cash, cash in vaults continued to increase in 2003 as well. The average balance of cash in vaults in the first, second and the third quarters was HRK 1,294m, HRK 1,540m and HRK 1,566m, respectively. At end-September, cash in vaults stood at HRK 1,421m, which is an increase of 31.0%, compared with September last year.

Of all the categories of bank deposits and total reserve money, balances in settlement accounts are the category most prone to fluctuations. Banks tend to use deposits in the settlement accounts for payment transactions and to meet their kuna reserve requirements. Namely, due to a high reserve requirements rate, the CNB has provided for deposit money banks to keep a minimum of 40% of the calculated reserve requirements in a special account, while the remaining percentage of this requirement may be met by maintaining the required funds in bank vaults and banks' settlement accounts. Accordingly, all liquidity inflows and outflows are shown primarily through movements in the settlement accounts. The balances in the settlement accounts declined in the first quarter due to liquidity sterilization and the sale of foreign exchange and stood on average at HRK 2,974m. Re-

Table 1: Factors Affecting Liquidity, quarterly data, in million HRK

Period		Reserve money	Free reserves	Main factors affecting creation/withdrawal (balances)							
				Surplus kuna liquidity	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
	July	25,350	1,023	3,030	11,133	9,035	2,006	408	-	-	-
	August	25,652	334	2,045	11,565	9,581	1,762	465	80	-	-

covery followed in the second quarter when the average balance in the settlement accounts reached HRK 3,305m. In the third quarter, the settlement accounts averaged HRK 3,446m. Due to worsened liquidity in August, the level of funds in the settlement accounts in that month fell temporarily to their lowest level this year.

Developments in settlement accounts only partly reflect liquidity developments. Table 1 shows reserve money balances, liquidity indicators and factors affecting liquidity. Liquidity indicators include free reserves and surplus kuna liquidity. Free reserves are defined as any surplus of bank deposits with the CNB over the calculated amount of reserve requirements met. Surplus of kuna liquidity is defined as a sum total of deposit money banks kuna claims against the CNB, net of kuna liabilities towards the CNB, including kuna reserve requirements. As shown in Table 1, banks increased their free reserves in the second quarter of 2002, after taking over the payment system. The high free reserves of banks that marked the system since then, dropped sharply in August this year.

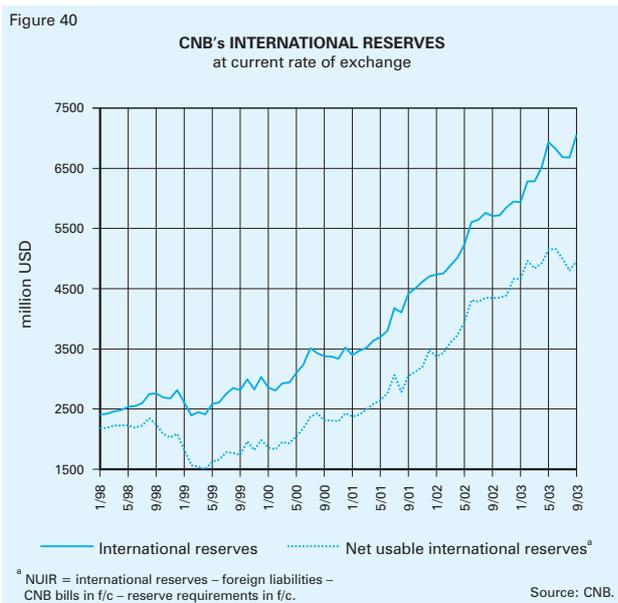
As shown in Table 1, surplus of kuna liquidity, created in the system in 2000, grew steadily throughout the period and reached its maximum in the last quarter of 2002. The introduction of the described monetary policy operations helped gradual decrease the surplus liquidity in this year and led to its full sterilization by September 2003.

Government deposits with the CNB (and deposit money banks) greatly impact the level of reserve money and total monetary policy. Government deposits in kuna directly influence developments in reserve money, so funds are moved from the accounts of banks, included in the reserve money category, to the government account with the CNB, excluded from the M0 category. Government deposits in kuna remained low throughout the first nine months of 2003. After

averaging HRK 636m in the first quarter, kuna government deposits first fell to HRK 513m in the second quarter and then to HRK 497m in the third quarter. Kuna government deposits started falling in 2001, when they averaged HRK 1,395m. The downward trend continued into 2002, when kuna government deposits averaged HRK 923m. At end-September 2003, kuna government deposits were HRK 762m, which is comparable to the level recorded at the beginning of the year.

Government deposits in foreign currency grew in significance this year. To fend off shocks caused by capital inflows, the government started depositing its foreign currency inflows with the CNB. The inflows realized in the first six months of this year were those arising from the issue of eurobonds in March (EUR 500m), Samurai bonds (JPY 24.9bn) in June and from succession inflows (USD 54.7m) in May. To a great extent, the inflows were used for foreign liabilities servicing and in the second quarter the CNB purchased from the government a total of EUR 157m (net). At end-September, government foreign exchange deposits amounted to a kuna equivalent of HRK 452m.

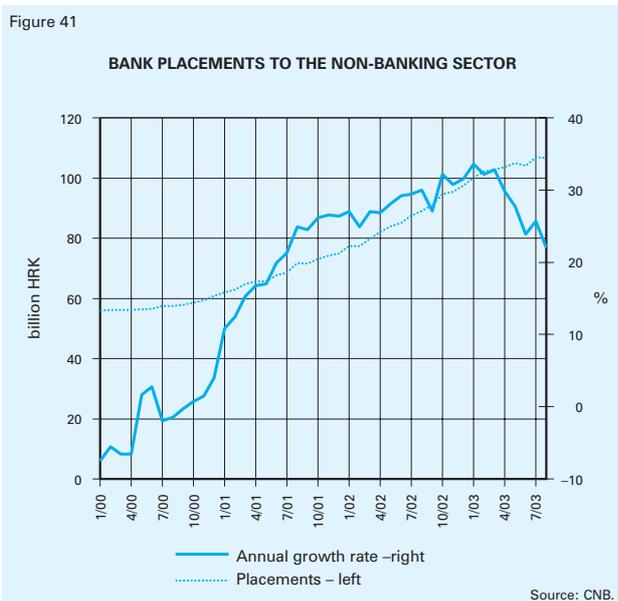
Developments in international reserves of the Croatian National Bank are determined by foreign exchange transactions of the central bank, developments in foreign exchange government deposits, foreign exchange reserve requirements and foreign exchange CNB bills as well as developments in foreign exchange liabilities arising from foreign exchange management policy. In addition, due to their currency structure, which reflects the currency structure of imports and external debt, they also appear to be largely affected by the exchange rate developments. After reaching almost USD 7bn in May, international reserves, expressed in US dollars, declined from June to August this year, as a result of decline in government foreign exchange deposits and the appreciation of the dollar. Large foreign exchange CNB bills subscriptions



at end-August and in September, and the dollar's depreciation against the euro, compensated for the decline in the percentage of foreign currency reserve requirements in September. As a result, at end-September, international reserves were USD 5,057m or USD 1.111bn more than at the beginning of the year. Developments in foreign exchange reserve requirements and foreign exchange CNB bills do not have an impact on developments in net usable international reserves, which totaled USD 4,954m at end-September, an increase of USD 290m, compared with the beginning of the year.

Monetary Developments

Bank placements to the non-banking sector increased considerably in the past two years (25.5% and 30.4% in 2001 and 2002, respectively). At first, banks financed their placements through increased domestic sources, using household deposits placed with banks for the purpose of euro conversion.



Later on, banks turned to foreign borrowing, mostly with their parent banks. Central bank measures from January this year are aimed at curbing credit and external debt growth and thus reducing the current account deficit.

Developments in bank placements to the non-banking sector in the first eight months of this year indicate that CNB measures have been successful in restricting bank placements growth. The annual growth rate of bank placements fell to 29.5% in the first quarter, and was the first sign of a slowdown in bank placements growth later in the year. The second quarter and the beginning of the third quarter were marked by a further fall in the growth rate of bank placements to the non-banking sector, as clearly evidenced by annual growth rates in April, May, June, July, and August (26.3%, 24.9%, 22.1%, 22.1%, and 19.8%, respectively). In the first eight months of this year placements grew by 9.5%, which is nearly a twice slower growth compared with growth recorded in the same period last year (18.8%).

Credits

Placements' dynamics is largely determined by credits, which account for 95% of placements to the non-banking sector. Total bank credits increased by 10.9% in the first eight months of 2003, which is a considerable decline compared with the same period last year (19.9%).

Credit distribution data point to a slowdown in the growth of credits to companies and high growth rates of household credits, though somewhat lower than in the same period last year. Such developments brought about a change in the structure of credits by institutional sectors. More precisely, the amount of household credits granted exceeded the amount of credits granted to companies. In the last year and a half, household credits have been growing at a much faster rate than credits to companies. In 2002, household credits grew by 42.8%, twice the rate of credits to companies (22.7%).

The difference intensified in the first quarter of 2003. During that period, household credits grew three times faster than

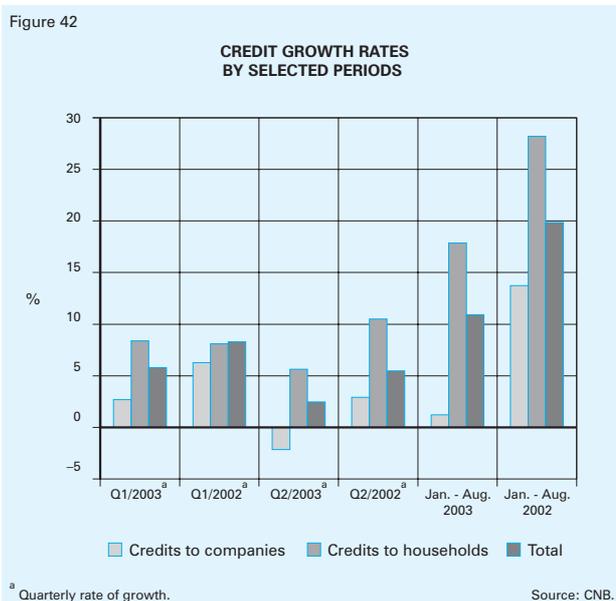
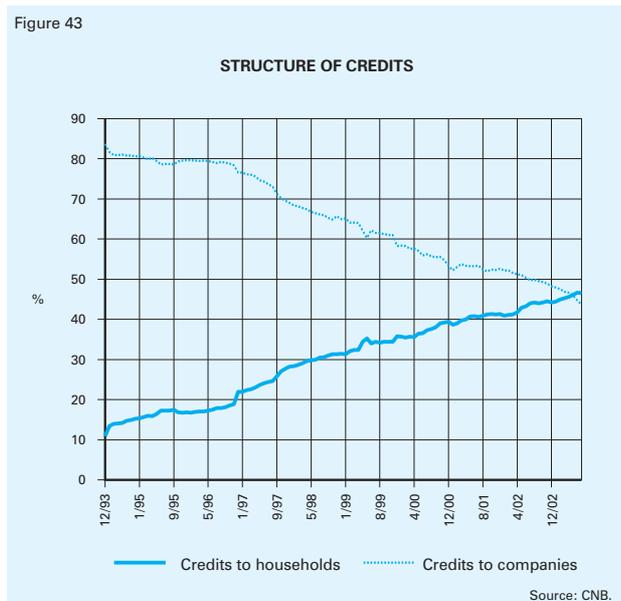


Figure 43



credits to companies (8.1% and 2.7% respectively). In the second quarter, credits to companies declined by 2.1%, compared with March, while household credits increased by 5.6%.

Money Supply

A slowdown in credit activities reflected on developments in monetary aggregates. Following its high growth rates in the past three years (30.1% in 2000, 31.5% in 2001 and 30.2% in 2002), money supply slowed down in the third quarter and stood at 16.2% at the end of that quarter. At the end of August, the annual growth rate of this monetary aggregate was 15.1%. Developments in M1 were largely determined by currency and demand deposits.

The annual growth rate of demand deposits fell from 39.4% at end-2002 to 20.9% in June 2003. As regards the structure of demand deposits, there were no significant

changes; at end-June the corporate sector accounted for 55.4% and the household sector accounted for 33.3% of total demand deposits.

Kuna Non-Monetary Deposits

Rapid growth in kuna non-monetary deposits (savings and time deposits) continued into the second quarter. At end-2002, the annual growth rate of these deposits was 25.5% but until end-June 2003 it rose to 43.9%. Corporate kuna deposits increased by 69.1%, and household deposits by 37.2%. The first two months of the third quarter were marked by further growth in kuna non-monetary deposits (18.8%, compared with end-June). The growth in kuna non-monetary deposits can be attributed to the growth in deposits indexed to foreign currency and to price stability and stability of the domestic currency, as well as to higher interest rates paid by banks on kuna time deposits and kuna deposits used as loan collateral.

Figure 45

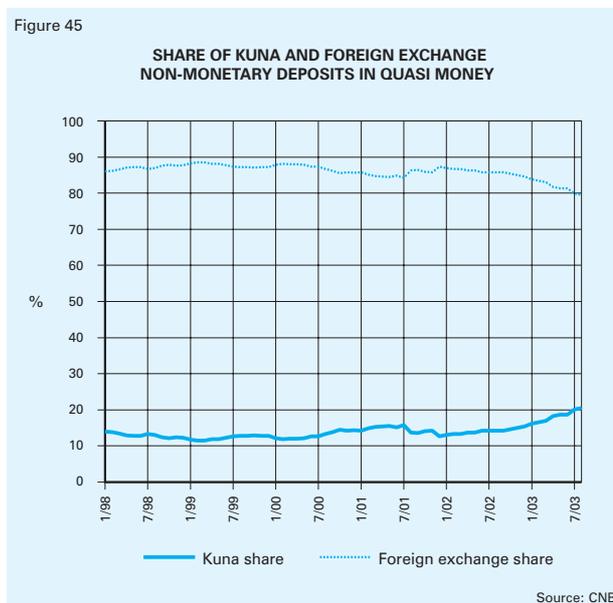


Figure 44

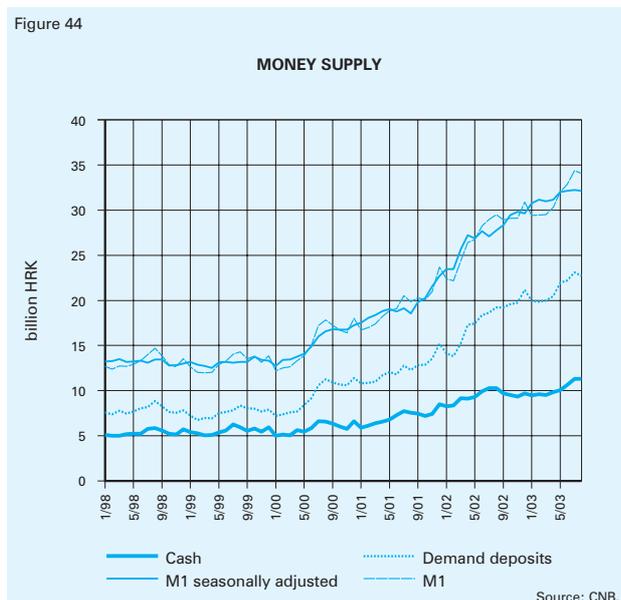
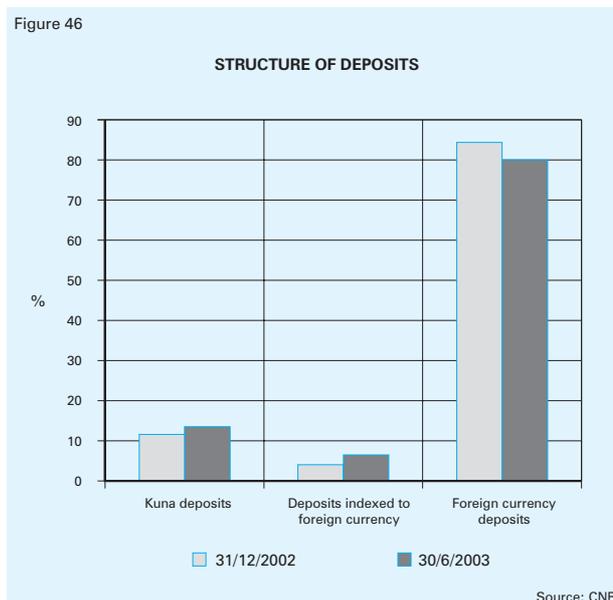


Figure 46



As regards the structure of deposits, in the first six months of 2003, kuna deposits indexed to foreign currency grew the most (HRK 2.3bn), increasing their share in total deposits by 2.5 percentage points. Kuna deposits not indexed to foreign currency rose by HRK 2.2bn at end-June (an increase of 1.9 percentage points, compared with end-2002), while foreign currency deposits grew the least (HRK 1.0bn), thus decreasing their share in total deposits by 4.4 percentage points, compared with the end of last year. In the first six months of the year, household deposits and other sectors' deposits increased by HRK 1.4bn and HRK 4.1bn respectively.

Foreign Currency Deposits

Foreign currency deposits held steady in the first six months of 2003. Their first significant increase was recorded at the beginning of the third quarter, following a successful tourist season.

In the second quarter, foreign currency deposits declined

by 3.1%, compared with the first quarter. During that period, household deposits declined by 3.1% and corporate deposits by 9.5%, compared with end-March. By contrast, on an annual level, total foreign currency deposits rose by 5.9%. The corporate sector accounted for a larger share of the increase (11.5%), compared with the household sector (5.6%). Compared with end-June, the first two months of the third quarter saw a usual increase in foreign currency deposits (3.9%).

As a result of such developments, the broadest monetary aggregate (M4) held steady in the second quarter of this year. At end-August, it stood at HRK 127.1bn, which is an increase of 12.1%, compared with the same month last year.

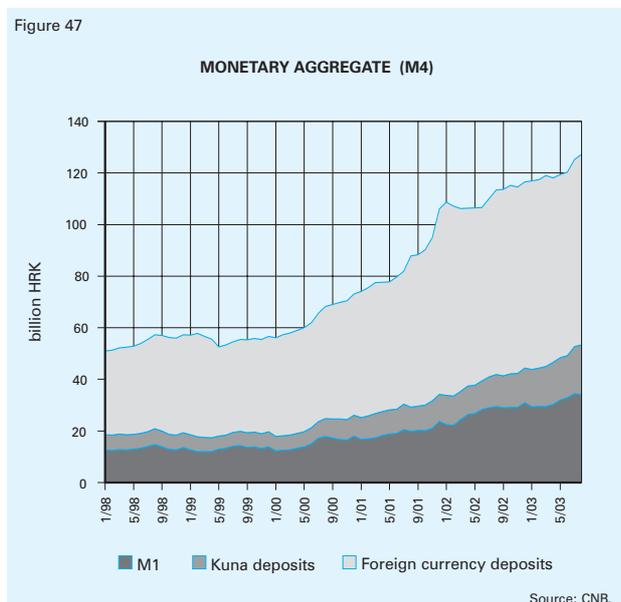
Foreign Assets and Liabilities

Net foreign assets (NFA) of deposit money banks continued to trend downwards throughout the second quarter, declining by HRK 2.8bn over that period or by HRK 4.3bn in the first six months. Net foreign liabilities of banks rose by HRK 3.0bn and net foreign assets by HRK 0.15bn in the second quarter, indicating that banks borrowed abroad mainly to finance their additional credit activities.

Structurally, foreign liabilities of deposit money banks underwent changes in the first eight months of the year. More precisely, kuna foreign liabilities rose significantly for the first time as a result of adjustments made in accordance with the CNB's decision on the minimum required foreign exchange liquidity. A number of parent banks chose to place kuna deposits with their daughter banks, thus leading to an increase in kuna foreign liabilities.

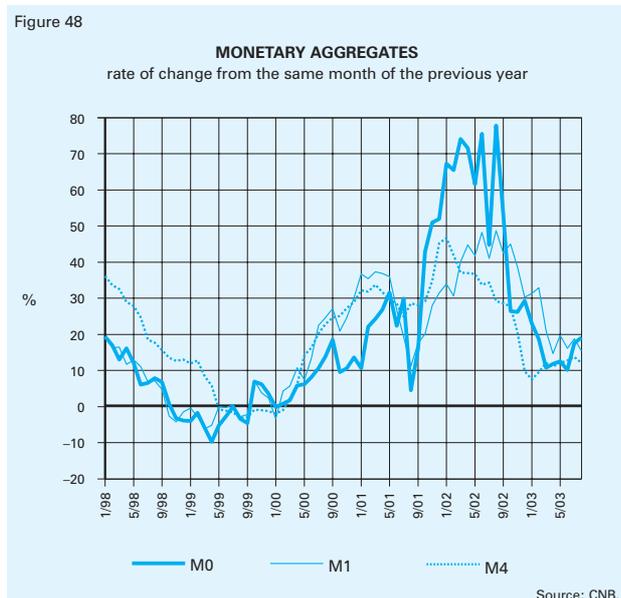
Foreign assets of deposit money banks increased by HRK 2.2bn in July and August, due to larger inflows and foreign exchange conversions, while foreign liabilities of deposit money banks declined by HRK 1.5bn during the same period. As a result, NFA of deposit money banks increased by HRK 3.7bn at end-August, compared with end-June.

Figure 47



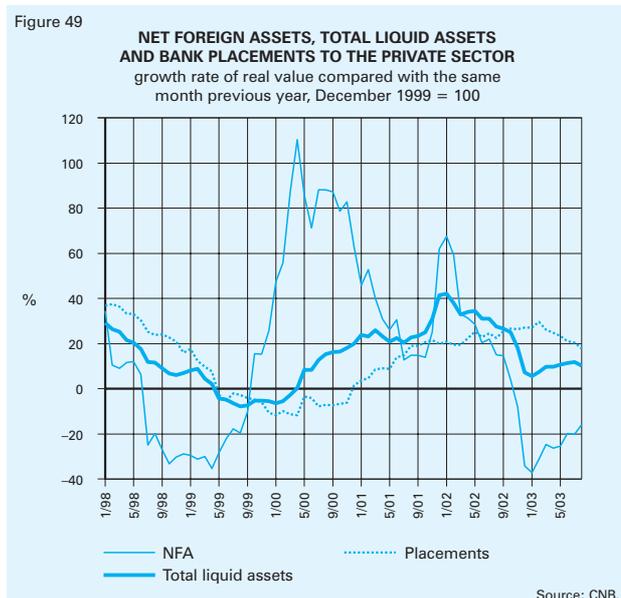
Source: CNB.

Figure 48



Source: CNB.

Figure 49



Source: CNB.

Government

Deposit money banks' net claims on the central government increased by HRK 0.9bn in the second quarter. In the second quarter of this year, the central government also is-

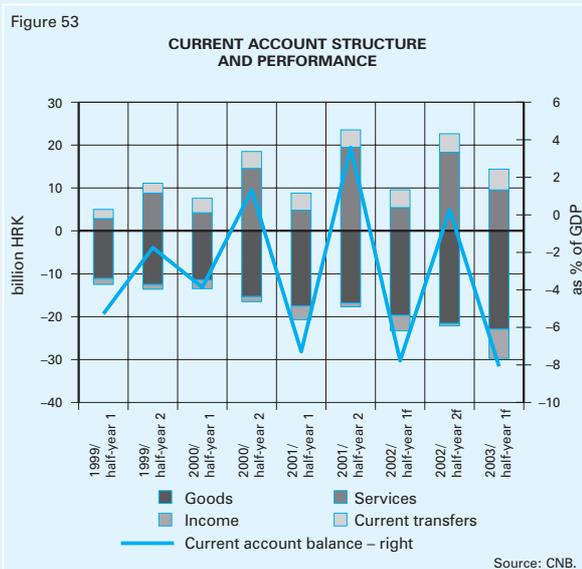
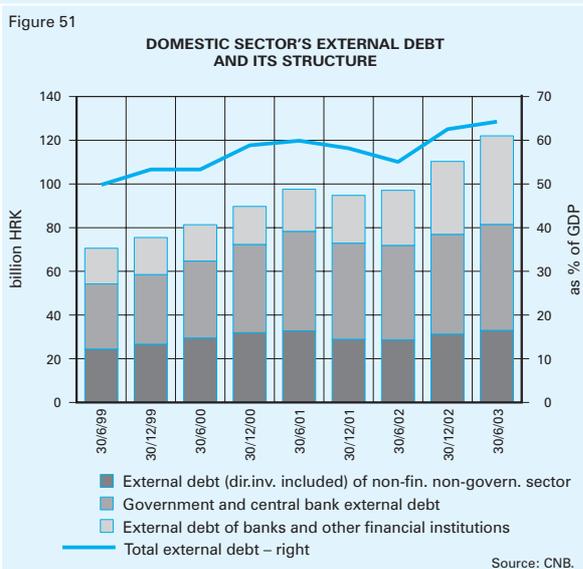
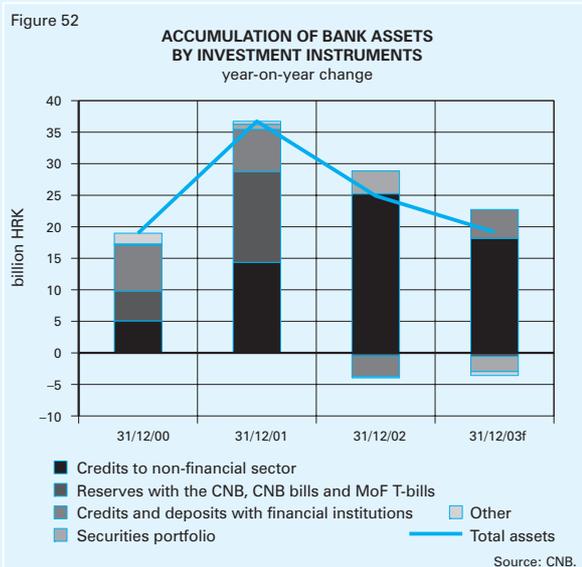
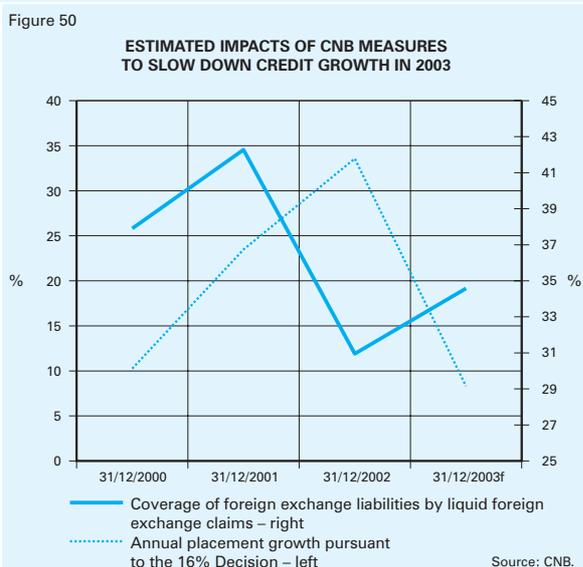
sued on the domestic market HRK 1.0bn worth of kuna bonds, not indexed to foreign currency. In the first two months of the third quarter, banks' net claims on the central government increased by HRK 0.4bn.

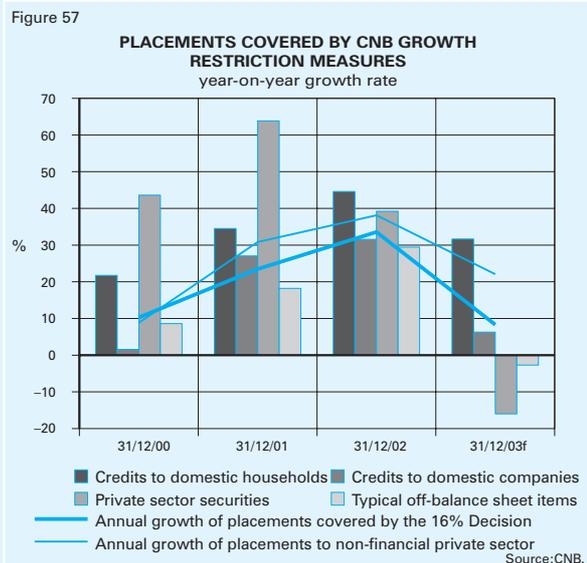
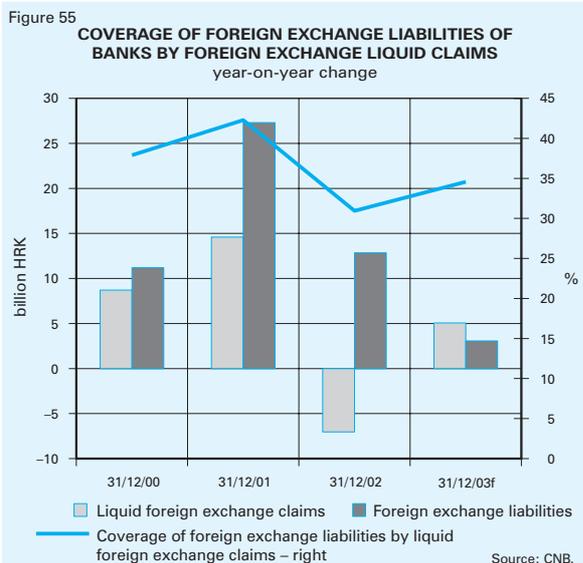
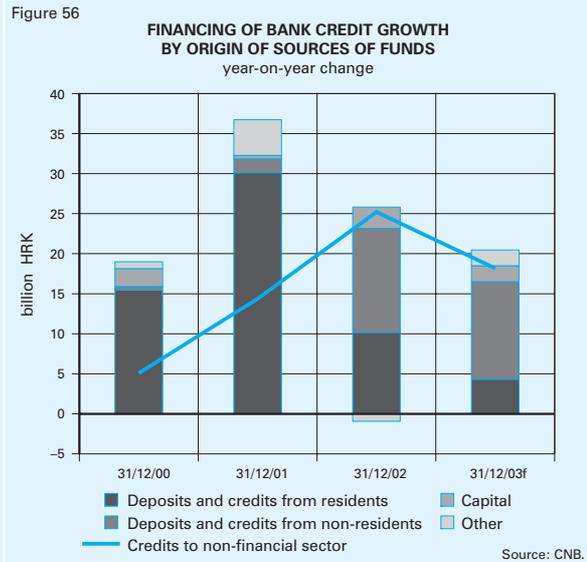
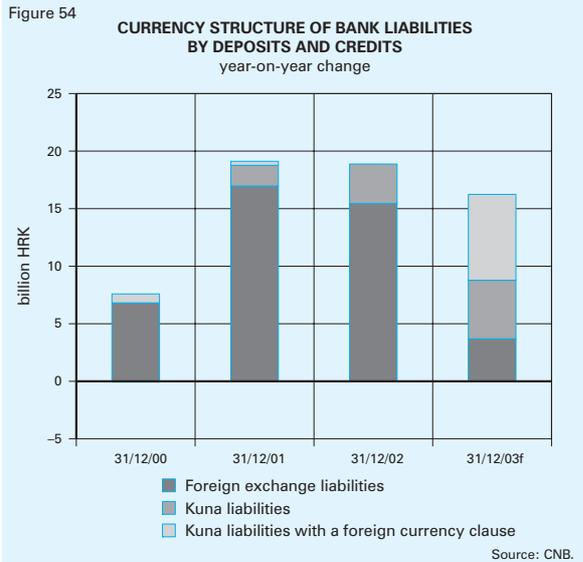
Box 1. Half-Year Impacts of CNB Measures to Slow Down Bank Placement Growth

Unlike the past three years when fiscal policy played a major role in the country's economic policy, which, at the time, aimed to achieve a sustainable, long-term, reduction in government debt and budget deficit, the ultimate objective of monetary policy measures that have come into focus in 2003, is to achieve slower growth in the private sector's relative indebtedness indicator, reduce the current account deficit and halt further growth in external debt. To achieve these objectives, the CNB adopted two measures within its sphere of competence in January this year. With its first measure, the Decision on the Compulsory Purchase of CNB Bills (hereinafter: the 16% De-

cision), the CNB, in effect, imposed a tax on banks whose annual growth rate of individual placements to the non-financial private sector exceeds 16% annually. To illustrate the scope of this restriction, last year's growth of placements this Decision relates to was 33.6%. With its second measure embodied in the Decision on the Minimum Required Amount of Foreign Exchange Claims (hereinafter: the 35% Decision), the central bank obligated banks to gradually increase their foreign exchange liquidity, to ensure that their aggregate liquid foreign exchange claims cover 35% of their foreign exchange liabilities until end-first quarter of 2004 at the latest. At end-2002, the aggregate coverage rate of foreign exchange liabilities by liquid foreign exchange claims was below 30%.

Judging from the data for the first two quarters of 2003, both CNB





measures are expected to achieve their immediate goals until year-end. These goals include a reduction in the growth rates of individual placements to the non-financial private sector and increased foreign exchange liquidity of banks (Figure 50)⁷. CNB data for the first half of this year indicate that by end-year, the total annual growth rate of the restricted category of placements should fall significantly, i.e. below 10%, and that the aggregate coverage rate of banks' foreign exchange liabilities by their liquid foreign exchange claims should near 35%.

However, half-year data indicate that it is still premature to talk about any positive influence of the slowdown in credit activity and increased foreign exchange liquidity of banks on the ultimate objectives of the monetary policy⁸. More specifically, rapid growth in net external debt of the financial institutions in 2002 and in the first half

of 2003, led to an absolute and relative (relative to the GDP) net increase in total external debt of all domestic sectors during the same period (Figure 51). A major share of the total increase in external debt can be attributed to banks, which used foreign borrowing to finance their further rapid growth in credit to the non-financial sector⁹. Although much slower compared with that during 2002 (Figure 52), the continued credit growth of banks is very likely to have contributed to further growth in imports, which in turn led to an increase in current account deficit (Figure 53).

To achieve compliance with CNB decisions in the first half of the year, the banks decided to convert large portions of their traditionally foreign exchange liabilities into kuna, thus slowing down the trend of increase in their foreign exchange liabilities that the 35% Decision relates to (Figure 54). Conversely, liquid foreign exchange claims of

7 Dates marked f, in all graphic presentations in this box, represent analysts' forecasts on the probable values of the given time series data on that particular date. The forecasts imply a repetition of semi-annual growth rates of the relevant time series data in the second half of the year, in accordance with quarterly reports regularly submitted by banks to the CNB.

8 Such an assessment of trends is based on external debt kuna balances, developments in current account and nominal GDP for 2003. Data time se-

ries excludes the adverse effects of the US dollar exchange rate fluctuation which appear in regular statistical data where balance of payments data are reported in that currency.

9 Credits to the non-financial sector, shown in Figure 52, relate to the entire credit portfolio of banks, net of credit to domestic and foreign financial institutions.

banks increased significantly in the first half of 2003, largely due to the conversion of liquid kuna assets into liquid foreign exchange claims, such as foreign exchange placements to financial institutions. As a result of such adjustments, banks neared full compliance with the 35% Decision (Figure 55) on an aggregate level, while at the same time they continued borrowing abroad at a rate similar to that recorded in the previous year (Figure 56).

In addition, banks restructured their assets considerably, mostly by largely reducing their half-year securities and typical off-balance sheet items portfolios¹⁰, covered by the 16% Decision. This, on the other hand, made room for increased household loans, also covered by the same Decision, which were in great demand on the market. Accordingly, household loans increased by 32% annually, while the total growth of placements covered by the Decision remained below 16% annually. Banks fulfilled the provisions of the 16% Decision by increasing their placements by only 8% on an annual level. Credits to

the non-financial sector¹¹ increased by 22% on an annual level, compared with 38% during 2002 (Figure 57).

Looking at analyzed data, one can conclude that CNB measures managed to slow down significantly the growth of bank placements to the non-financial private sector in the half-year to end-June 2003. It is also evident that the slowdown in bank credit growth hasn't as yet had any significant impact on the current account or the country's external debt. It would be too optimistic to expect that such ultimate objectives could be achieved in such a short period of time and only through the exercise of a monetary component of the economic policy. However, following further tightening of CNB measures early in September, the first effects of the restrictive monetary policy on the ultimate objectives of economic policy are expected in the second half of the year. If these fail to materialize, the CNB will stand ready to consider the use of more direct instruments of monetary policy that it has not used so far.

Money Market

CNB measures aimed at restraining bank lending growth financed by foreign borrowing affected the money market in 2003. The money market was relatively subdued in the second quarter and the moderate upward interest rate trend characterizing the first quarter came to a temporary halt. Increased demand for kuna was met by an equally high supply, which led to an increase in the volume of trade without affecting the average interest rate level.

Demand for kuna was additionally spurred in July by the seasonally strong demand for money and grew even more in August due to a tighter monetary policy stance announced by the CNB. Specifically, in anticipation of the amendments to the Decision on Reserve Requirements and the withdrawal of up to HRK 2bn from the system, demand for kuna rose in the second half of August bringing about a substantial increase in short-term interest rates.

In the primary market for CNB and MoF short-term securities the upward trend in interest rates continued from early 2003 into the second quarter. Unlike interest rates on T-bills, whose dynamics was similar to that of interest rates in the ZMM, CNB bills' interest rates rose at a considerably slower pace so that the downward trend in the purchase of these securities continued. The funds liberated by the net decrease in the stock of purchased CNB bills had a positive impact on the banking system liquidity with the result that the rise in money market interest rates was delayed until the third quarter of 2003.

Despite money market developments, deposit money banks' interest rates on loans granted to the private sector held steady, mainly due to continued strong competition among banks. Nevertheless, interest rates on household loans

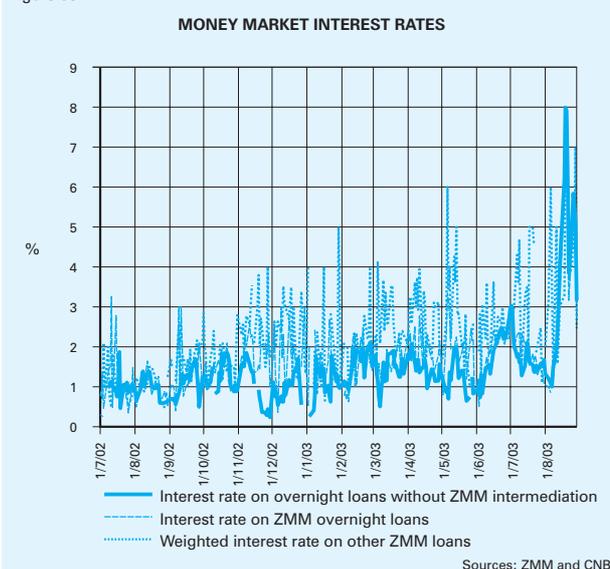
halted their long-lasting downward trend and lending interest rates even rose slightly in August.

Money Market Interest Rates

The reported loan supply almost equaled demand in the ZMM in the second quarter, the volume of trade remained at the same level as at the beginning of the year, while the weighted interest rate on all loans hovered about 2%. Despite intensified trading in all maturities brought about by increased demand for kuna in July, average interest rates remained unaltered from the beginning of the quarter. Due to the decrease in the banking system liquidity in the second half of August, interest rates exceeded 4%, a trend last registered in late 2001.

Having reached its eleven-month high in May 2003 (2.0%), the ZMM weighted monthly interest rate on overnight loans consecutively trended downwards for two months and leaped to 3.98% in August. Interest rates on other money market loans rose considerably as early as at the beginning of the second quarter and continued this trend until August

Figure 58



10 The securities portfolio shown in Figure 57 comprises the trading and investment portfolios, with CNB bills and MoF bills excluded, while typical off-balance sheet items comprise guarantees, letters of credits, bills of exchange, lines of credit and other financing obligations, as defined under the Decision on the Compulsory Purchase of CNB Bills.

11 Credits to the non-financial private sector, shown in Figure 57, comprise credit portfolios of banks, net of credits to general government, public enterprises and domestic and foreign financial institutions.

reaching 3.94% on average. Interest rates on callable loans and loans with maturities of up to one week trended upwards at an especially strong pace, rising by 255 and 344 basis points respectively since early 2003.

According to ZMM data, turnover increased in the second quarter of 2003 compared with the first quarter and continued to grow in July and August, considerably outstripping the turnover from the same period last year, characterized by an exceptionally high banking system liquidity.

Trading in overnight loans accounted for about two thirds of the total ZMM turnover. The average daily turnover in overnight loans stood at HRK 48m in the second quarter leaping to HRK 76.4m and HRK 113.5m in July and August respectively. Other loans' average daily turnover amounted to HRK 25m in the second quarter, held steady in July and rose to HRK 70m in August. The most dominant category among other loans were, characteristically, callable loans, whose share in other loans increased from 60% to 75% in August as banks were preparing for the announced increase in the foreign exchange part of reserve requirements allocated in kuna.

Trading in overnight loans without ZMM intermediation also went up in the second quarter of 2003 relative to the previous quarter, attaining a daily average of HRK 167m. The average daily turnover in direct interbank trading reached its all time highs in July and August standing at HRK 370m and HRK 451m in July and August respectively. In June, interest rates on overnight loans traded without ZMM intermediation outstripped those on overnight loans traded with ZMM intermediation by a few basis points, whereas the August spread was 90 basis points (the average interest rate on direct interbank loans stood at 4.80% in that month).

Interest Rates in the Short-Term Securities Market

High demand for kuna in the short-term securities market brought about a further growth of interest rates on T-bills, whereas stagnant interest rates on kuna CNB bills resulted in their reduced purchase.

The weighted average interest rate achieved at kuna CNB bills auctions rose by 20 basis points over the second quarter and an additional 10 basis points in July to remain at 2.52% in August. These trends in CNB bills' interest rates were in contrast with other money market interest rate trends, which was especially evident in August. This was the result of the CNB's decision not to further spur market interest rates and to reduce excess bank liquidity held in CNB bills. The stock of purchased kuna CNB bills thus continued to decrease, hitting a four-year low of HRK 1.14bn at the end of August 2003.

In the second quarter of 2003, the Ministry of Finance reduced the frequency of T-bills auctions, previously held every week. This can partly be attributed to the structure of purchased T-bills dominated by one-year bills (the first maturing as late as end-September), which temporarily reduced the government needs for additional short-term financing. Interest rates achieved at T-bills auctions grew at a much quicker pace than interest rates on CNB bills. The weighted monthly interest rate on one-year T-bills rose above 4.9%, the level of their first issue, while the interest rate achieved at the last auction in August was 5.5%. Weighted monthly interest rates on 91 and 182-day T-bills stood at 3.05% and 3.6% respectively in August, their highest level since mid-2002. The stock of purchased T-bills was HRK 5.3bn at end-August. Of this amount, HRK 5.1bn or 96% was accounted for by one-year T-bills, while the share of other bills decreased continuously since September 2002 when one-year T-bills were first issued.

Interest rates achieved at foreign currency CNB bills auctions continued to fall. This fall is directly related to dropping interest rates in international markets since interest rates on foreign currency CNB bills are calculated by deducting 1/16 of a percentage point from the LIBID rate for the appropriate currency and maturity. The weighted average interest rate on EUR-denominated 35 and 63-day CNB bills decreased by 70 percentage points since the beginning of the year, standing at 1.94% in August. The weighted monthly interest rate on USD-denominated bills fell below 1 percentage point for the

Figure 59

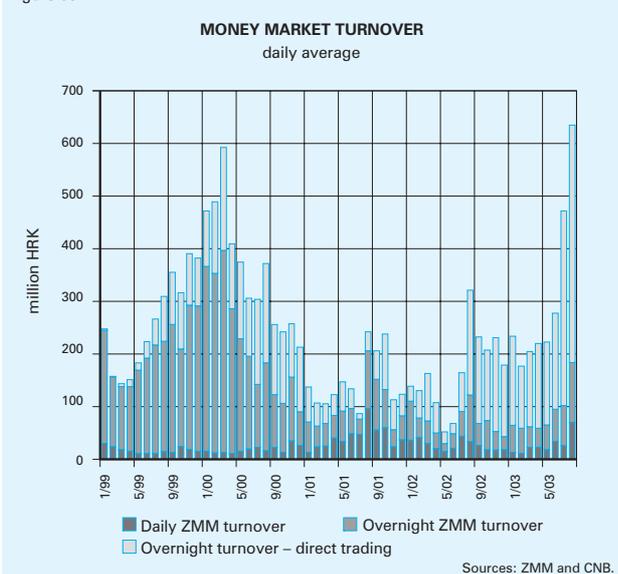


Figure 60

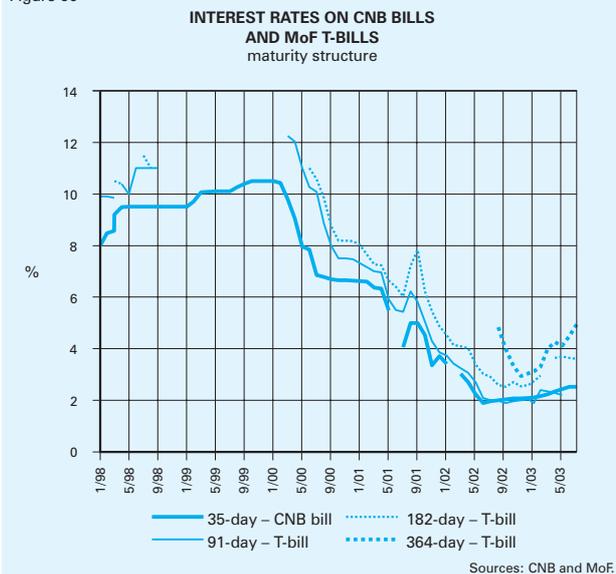


Figure 61

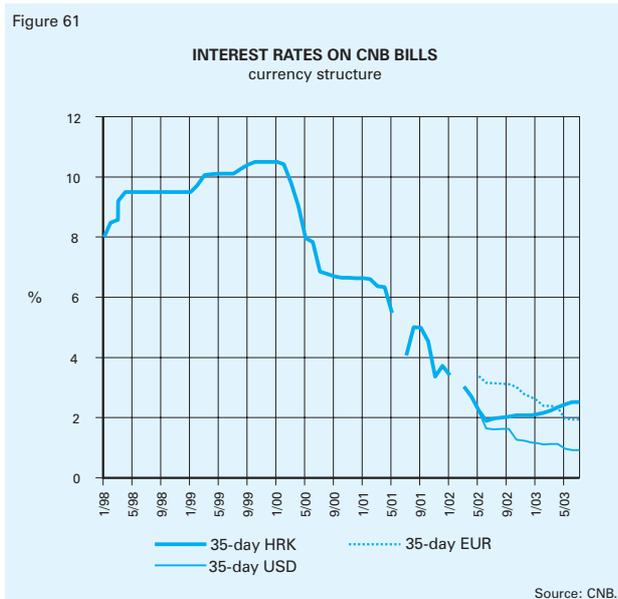
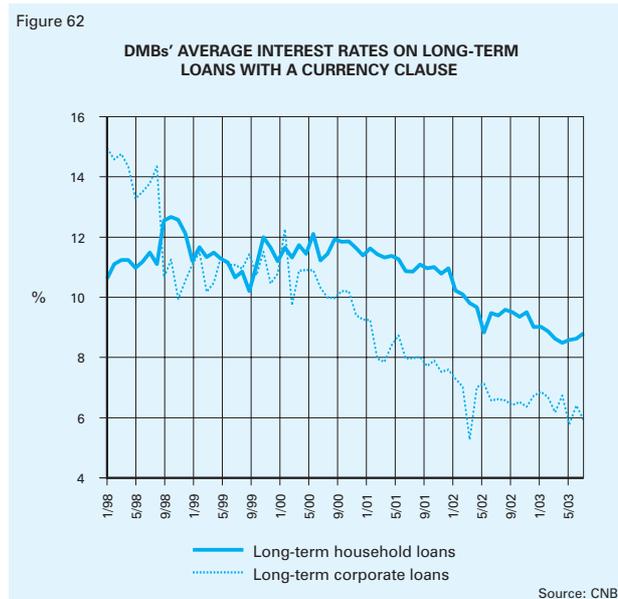


Figure 62



first time in June, amounting to 0.92% in August for both maturities. Despite the continued decrease in interest rates, the stock of foreign currency CNB bills was on the increase throughout the year and almost doubled in August compared with July, standing at USD 462.5m. These trends are most likely caused by banks satisfying their needs for foreign exchange liquidity in order to comply with the CNB's Decision on the Minimum Required Amount of Foreign Exchange Claims. At the same time, an increased purchase of CNB bills serves as collateral for taking out a Lombard loan with the CNB, which has again gained importance because of reduced liquidity and increased market interest rates.

Deposit Money Banks' Interest Rates

CNB measures aimed at restricting lending growth have almost completely arrested the downward trend in deposit money banks' lending interest rates in 2003 and some rates even rose in August. Interest rates on household loans almost halted their long-lasting downward trend in June 2003 rising slightly early in the third quarter. The average interest rate on long-term kuna household loans with a currency clause stood at 8.6% late in the second quarter rising to 8.8% in August. Declining by an additional 15 basis points over the second quarter, the average monthly interest rate on short-term kuna household loans without a currency clause fell to 14.85% and went up to 14.94% in August.

Interest rates on short-term corporate loans rose slightly in the second quarter of 2003 over the previous quarter. These trends continued into the third quarter so that the average interest rate on short-term kuna corporate loans without a currency clause stood at 8.03% for the first time since end-2002. The average monthly interest rate on long term corporate loans with a currency clause fluctuated strongly in the second quarter in 2003, reaching its all-time low of 5.77% at the end of the second quarter and rising to 5.92% in August.

The rise in the loan price in the money market affected interest rates on kuna time deposits held with deposit money

banks. The average monthly interest rate on kuna time deposits stopped trending downwards in June standing at 3.83% in August, a rise of 46 basis points over the end of the second quarter. The average monthly interest rate on kuna sight deposits continued at 0.55% during the second quarter and fell to 0.51% in August. On the other hand, interest rates on foreign exchange deposits continued their moderate downward trend during the second quarter and early in the third quarter of 2003. The average monthly interest rate on foreign exchange time and sight deposits stood at 2.68% and 0.32% respectively in August.

As all deposit money banks' interest rates changed only slightly in the second quarter of 2003 the spread between lending and deposit interest rates did not change much compared with the end of the first quarter. The spread between interest rates on total loans and total deposits oscillated within a narrow band around 8 percentage points. However, the rise in money market interest rates spurred the spread to 8.8 per-

Figure 63

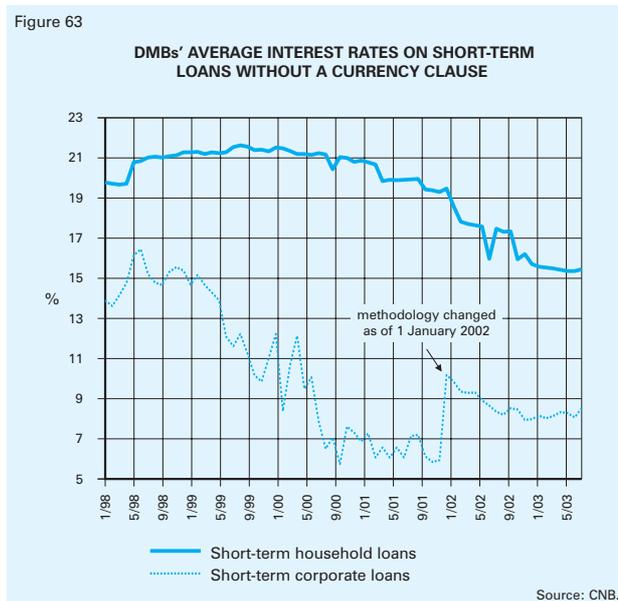


Figure 64

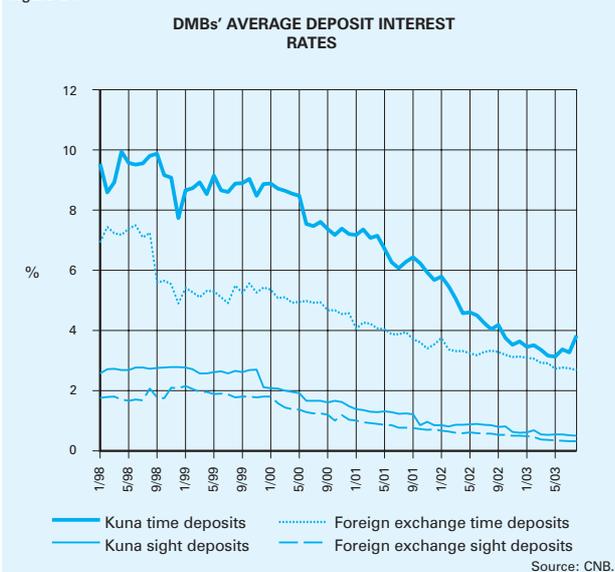


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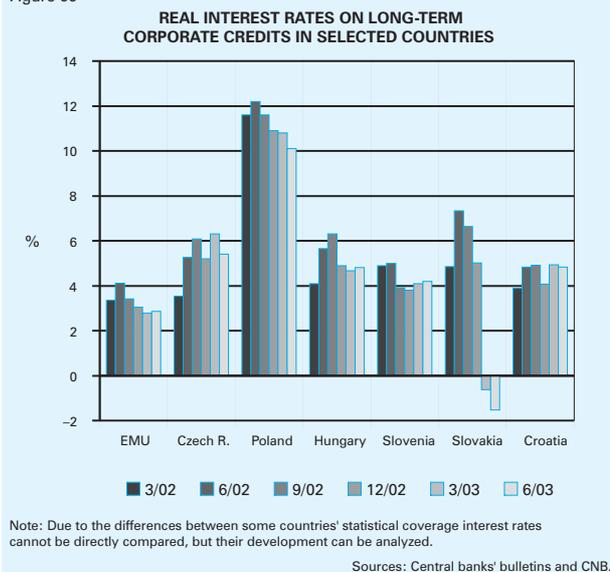


Figure 65

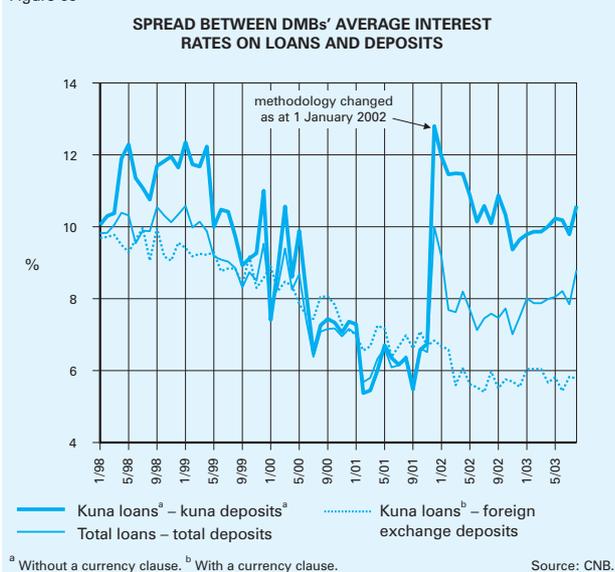
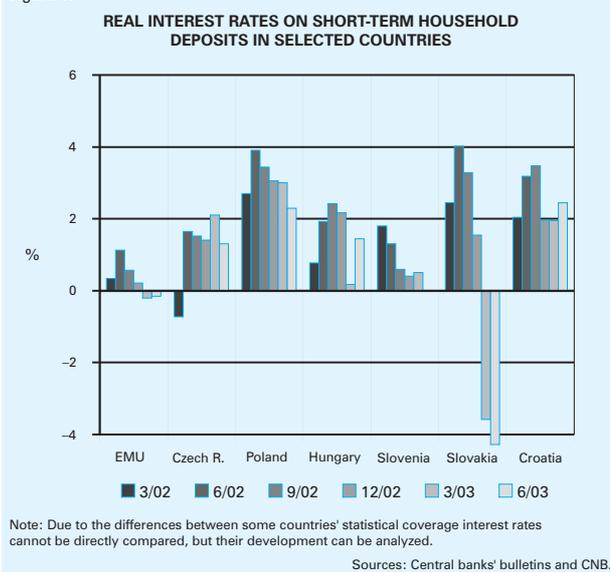


Figure 67



centage points in August. The spread between interest rates on kuna loans with a currency clause and foreign exchange deposits remained almost unaltered, standing at 5.79 percentage points in August.

Interest rate trends in Croatia are consistent with trends in selected transition countries and the EMU. In the second quarter of 2003, deposit money banks' nominal interest rates went down in most observed EMU member countries and selected transition countries. The fall in real interest rates was less marked due to the parallel decrease in inflation measured by the consumer price index. Different trends were observed only in Slovakia where the inflation rate growth resulted in negative real interest rates on loans and deposits in 2003. In the EMU, the nominal interest rate on short-time deposits fell below the inflation rate level so that the real interest rate on deposits was negative for two successive quarters. In Croatia, both nominal and real interest rates on short-term household

deposits and long-term corporate loans decreased compared to the end of the previous quarter.

Capital Market

International capital markets were strongly affected by the Iraq crisis in the first quarter of 2003. However, economic indicators regained their importance in the second quarter following the gradual discontinuation of military activities. The slow pace of recovery in the US economy and economic stagnation in the eurozone gave rise to expectations of central banks' interest rate cuts, which further decreased already very low bond yields. Stock exchange indices rebounded due to equity markets optimism in anticipation of a recovery in the world economy in 2003. Croatian eurobond yields followed international developments, whereas trends shown by the

CROBEX were to some extent similar to those of the world stock exchange indices.

Equities Market

Market capitalization of equities rose considerably in comparison with the end of the previous year and the end of the first quarter of 2003. This was partly due to the growth of share prices but the main cause was the rise in the number of companies having shares listed on the ZSE. More specifically, pursuant to the Securities Market Act public limited companies were obliged to list their shares in the quotation of public limited companies on the stock exchange or regulated public market by the end of July 2003. The first public limited company was listed on the ZSE in March and 102 companies were listed by the end of August. Market capitalization of shares owned by companies listed on the ZSE was HRK 32.9bn at end-August or 18.6% of GDP in 2002, a considerable rise in comparison with 16.1% and 15.7% at the end of 2002 and the first quarter of 2003 respectively.

The rise in share prices in the second quarter and early in the third quarter of 2003 was reflected in the value of the ZSE index – CROBEX. Having fallen below 1000 points during the first quarter, the CROBEX started to trend upwards in April 2003 reaching 1170 points by the end of August, the value from late 2002. The share of PLIVA d.d., whose price in the domestic capital market mainly depends on the price achieved on the London Stock Exchange, has dominated the domestic equities market. PLIVA d.d. share price rose by 22% compared with end-March, reaching again the level from late 2002.

The ZSE share turnover has been on the increase for several consecutive quarters. It stood at HRK 320.4m in the second quarter of 2003 and reached HRK 275.7m in the first two months of the third quarter. PLIVA d.d. shares accounted for an average 40% of the total turnover, followed by Podravka shares accounting for 10%. Heineken Adria d.d. takeover of Karlovačka pivovara, completed in the second quarter of 2003, resulted in a strong one-off increase in that share's

price and turnover. The share of Tvornica duhana Rovinj started trading intensively following its listing in the ZSE quotation of public limited companies, accounting for 10% of the total turnover in the first two months of the third quarter.

The VSE share turnover has been on the decline since early 2003. Total turnover amounted to HRK 137m in the second quarter, decreasing by an approximate one third compared with the first quarter. Trading on the VSE continued to fall in July and August when the turnover was HRK 72m.

The VSE trading segments totaled six after the introduction of the quotation of public limited companies (Quotation JDD): shares are traded in five segments, whereas the last segment, the Rights Quotation, involves rights trading, specifically the rights of the Ministry of Finance and the Ministry of Public Works, Reconstruction and Construction. Most trading (70% on average) is carried out in the Free Market segment. After the merger of Dom fond with Korifej joint stock company in May the share of Dom fond was delisted from Quotation I leaving this VSE Quotation without any listed shares. There is still only one share listed in Quotation II, trading very rarely and irregularly. The last privatization investment fund, Pleter, was transformed into a closed-end investment fund in August, so that the PIF Quotation was left without any listed shares.

117 public limited companies were listed in Quotation JDD in late August, about thirty companies' shares traded actively with the turnover in that VSE segment showing an upward trend.

The number of shares contained in the VIN index, which reflects trading on the VSE, was reduced from 14 to 12 following one regular and two additional index revisions carried out in the second quarter and in the first two months of the third quarter in 2003. The most dominant are the shares of Riviera Holding, Kraš and Ericsson Nikola Tesla. The VIN index remained at 500 points in the second quarter of 2003, the value attained in March after a yearlong downward trend. Due to the July and August rise in prices of most shares included in its calculation, the VIN index rose 13%, reaching 560 points.

Figure 68

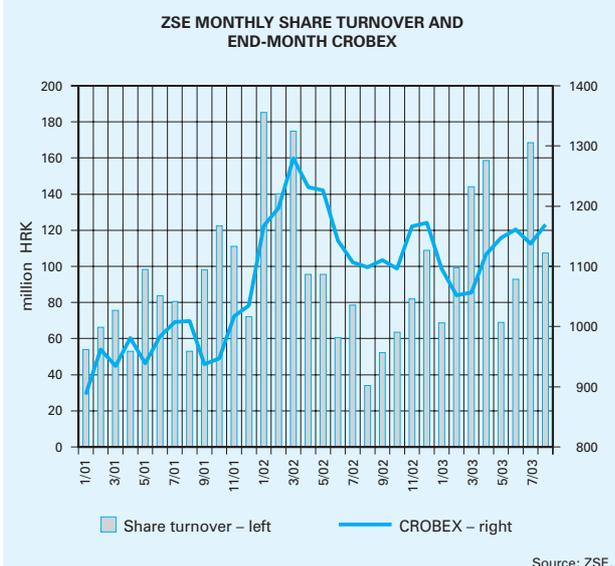
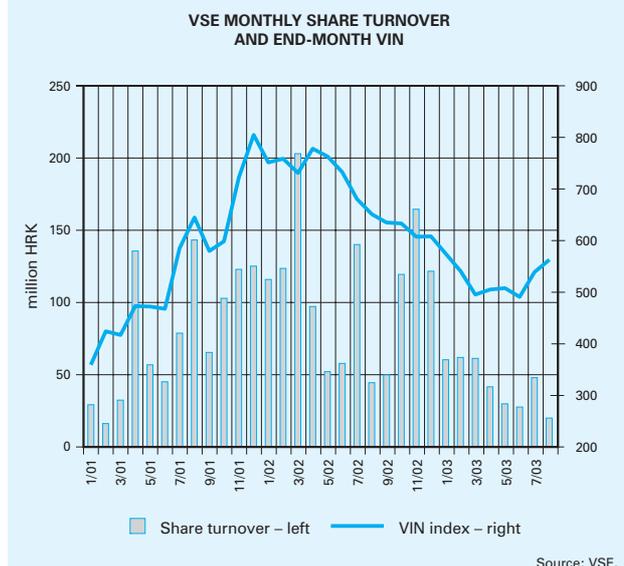
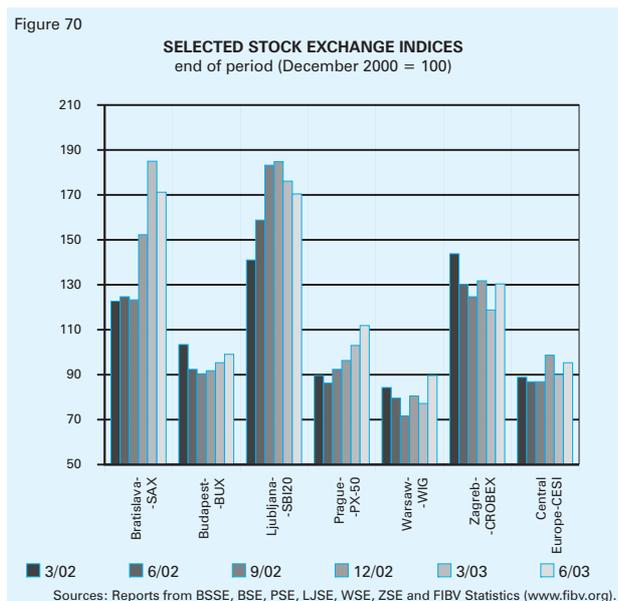


Figure 69





Developments in stock exchange indices in transition countries' markets were similar to developments in the world markets. The CESI, a combined index of Central European stock exchanges, rose by 6% late in the second quarter compared with the end of the first quarter although still remaining 3% lower than at the end of 2002. Previously rising at exceptionally high rates, the indices of Ljubljana and Bratislava stock exchanges decreased at the end of the second quarter of 2003 compared with the end of the first quarter. The indices of all other observed stock exchanges, i.e. Budapest, Prague, Warsaw and Zagreb stock exchanges, grew in the range of 4% (the BUX) to 16% (the WIG).

Market capitalization increased in most observed countries whereas share turnover remained below the end-2002 level.

Debt Securities Market

Two new kuna denominated bonds issues, a government and corporate bonds issue, were listed on the ZSE in the second and third quarters in 2003. It needs emphasizing that these are the first kuna bonds issued in the domestic market which are expected to play an important role in the further development of the Croatian financial market.

In May 2003, the Ministry of Finance issued the first kuna denominated government bond, worth HRK 1bn, with a coupon interest rate of 6.125% and maturing in 2008. Standard & Poor's awarded a BBB+ rating to the Croatian kuna government bond and a BBB- rating to the foreign currency government debt. The first kuna government bond extended the kuna yield curve to a 5-year maturity and laid the grounds for the evaluation of future corporate bond issues.

The first kuna corporate bond was listed in the ZSE Quotation I in June to the amount of HRK 150m, with a coupon interest rate of 6.5% and for a 5-year maturity.

Intense bond trading in the ZSE started at mid-2002 continued into the second and third quarters 2003. The total bond turnover stood at HRK 3.1bn and HRK 1.8bn in the second quarter and in the first two months in the third quarter respectively. The bond turnover was up 60% in the first eight months compared with total turnover in the previous year.

The bond of the Republic of Croatia with the longest maturity (2012) and the newly issued kuna bond of the Republic of Croatia traded the most.

Market capitalization of government bonds was HRK 9.9bn (EUR 1.4bn) at end-August or 5.8% of GDP in 2002. Market capitalization of the three corporate bonds stood at HRK 369.6m (EUR 49.6m).

The prices of bonds issued in the domestic market continued to grow in July, as evident from developments in the ZSE bond index, the CROBIS. The CROBIS comprises government and government agencies' bonds that are listed on the ZSE on the condition that their issue nominal value exceeds or equals EUR 75m, that their maturity is longer than eighteen months and that they have a fixed interest rate. The index comprised six bonds at the end of August 2003: the CIHI bond, the DAB bond maturing in 2005 and all four bonds of the Republic of Croatia.

Having decreased late in the first quarter, the CROBIS started to rise in value again oscillating occasionally under the influence of price developments in international markets and the kuna exchange rate. By the end of July, it reached 102.83 points, the highest value since it was first published in September 2002. Strongly affected by the rise in interest rates in the money market, the kuna government bond fell below 100 points in August.

The number of internationally traded Croatian bonds rose

Table 2: Comparison of Capital Market Indicators

June 2003	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million USD)	0.9	23.9	1.9	50.1	51.3	0.7
Average daily turnover, bonds (million USD)	34.1	2.9	2.3	180.4	5.1	11.9
Turnover ^a /GDP ^c , annual level (%)	1.0	9.1	2.1	18.2	6.5	0.8
Turnover ^b /GDP ^c , annual level (%)	36.3	1.1	2.5	65.4	0.7	12.1
Turnover velocity ^d	7.9	46.9	8.5	63.8	42.5	4.0
Market capitalization ^a (million USD), end month	2,905	12,818	5,228	19,785	28,966	4,225
Market capitalization ^b (million USD), end month	9,151	22,618	3,890	16,056	....	1,554
Market capitalization ^a /GDP ^c , end month (%)	12.3	19.5	23.8	28.5	15.4	18.8
Market capitalization ^b /GDP ^c , end month (%)	38.6	34.4	17.7	23.1	....	6.9
Index movement from the beginning of the year (%)	12.4	-0.2	-7.8	16.1	9.0	-1.0
Index movement from the beginning of the month (%)	7.9	3.8	-1.0	-3.7	4.5	1.2

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

Table 3: Issues of Bonds in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price	Current yields 31/8/2003
DAB-O-03CA	DAB	19/12/2000	19/12/2003	EUR	105,000,000	8.000%	105.30	7.597%
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	110.80	7.559%
HZZO-O-047A	CIHI	19/7/2000	19/7/2004	EUR	222,000,000	8.500%	105.10	8.088%
li0RHM-F-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%	111.20	6.183%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	112.30	6.122%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	99.50	6.156%
BLSC-O-051A	Belišće d.d.	17/1/2002	17/1/2005	EUR	17,000,000	7.375%	101.50	7.266%
aPLAG-O-048A	Plava laguna d.d.	25/2/2002	25/8/2004	EUR	12,000,000	6.750%	102.50	6.585%
HYBA-O-086A	Hypo-Alpe-Adria Bank	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	99.2	6.552%

Source: ZSE.

Table 4: Issues of International Bonds of the Republic of Croatia

Bond	Currency	Amount	Nominal interest rate	Yield on issue date	Spread ^a 30/9/2002	Spread ^a 31/12/2002	Spread ^a 31/3/2003	Spread ^a 30/6/2003
London Club A	USD	857,796,000	6-month LIBOR+81.25 b.p.		149	138	133	129
London Club B	USD	604,426,000	6-month LIBOR+81.25 b.p.		139	135	128	126
Euro-DEM bonds, 2004	DEM	300,000,000	6.125%	6.20%	130	93	93	74
Eurobonds, 2006	EUR	300,000,000	7.375%	7.45%	150	123	113	87
Samurai bonds, 2004	JPY	25,000,000,000	4.00%	4.00%	105	117	....	66
Eurobonds, 2005	EUR	500,000,000	7.00%	7.06%	152	118	88	76
Samurai bonds, 2007	JPY	40,000,000,000	3.00%	3.00%	112	131	137	83
Samurai bonds, 2006	JPY	25,000,000,000	2.50%	2.50%	99	125	121	80
Eurobonds, 2011	EUR	750,000,000	6.75%	6.90%	164	122	135	101
Eurobonds, 2009	EUR	500,000,000	6.25%	6.45%	158	126	129	100
Samurai bonds, 2008	JPY	25,000,000,000	2.15%	2.15%	114	140	150	102
Eurobonds, 2010	EUR	500,000,000	4.625%	4.65%	....	....	124	146
Samurai, 2009	JPY	25,000,000,000	1.230%	1.23%	....	....	....	....

^a In relation to benchmark bond. ^b Upon issuing. Source: Bloomberg.

to thirteen when the fifth series of Samurai bonds worth JPY 25bn (USD 212.3m) and maturing in 2009 was placed on the market in July 2003. The placement of the new eurobonds issue was made under the most favorable terms ever, with a coupon interest rate of 1.23%, 99 basis points above the six-year Yen LIBOR.

The nominal value of the thirteen Croatian eurobonds is-

sues totaled HRK 34.6bn (USD 5.1bn) at end-August.

Reflecting international trends, Croatian bond yields decreased in the second quarter of 2003 and rebounded in the third quarter. Due to Croatia's application for EU membership, a stable macroeconomic environment and favorable economic growth indicators, Croatian bond spreads fell to their all-time lows.

Figure 71

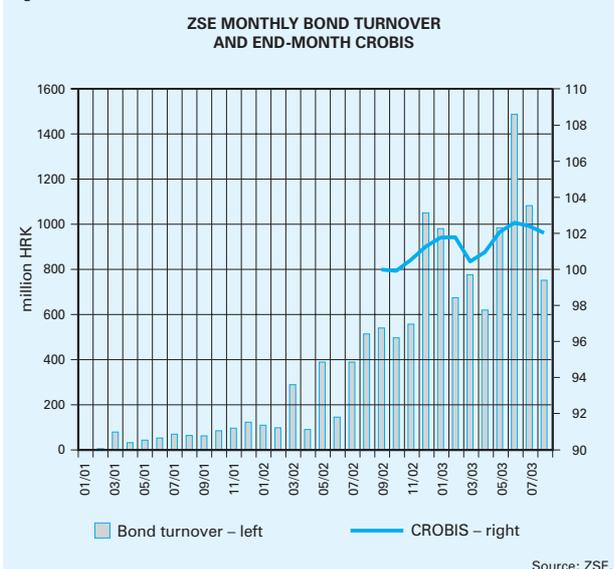


Figure 72

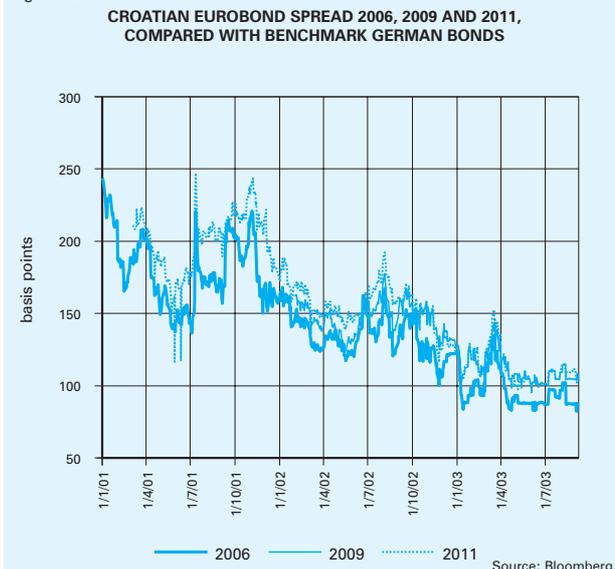
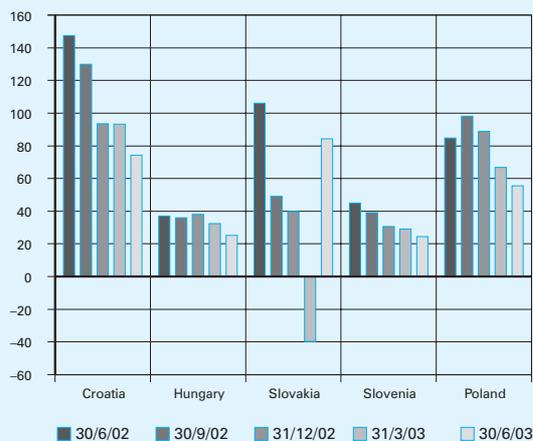


Figure 73

CROATIAN EUROBOND SPREAD AND THE SPREAD OF SIMILAR BONDS OF SELECTED TRANSITION COUNTRIES COMPARED WITH THE BENCHMARK GERMAN BOND



Izvor: Bloomberg.

Bond spreads in the candidate countries for the first round of EU enlargement have also decreased in consequence of signing the Treaty of Accession. Fitch IBCA had revised upwards Croatia's credit rating outlook from BBB- stable to BBB-positive, but this did not have any major effect on the Croatian bond spread level.

International Transactions

Preliminary balance of payments data indicate that current account deficit reached USD 1.3bn in the second quarter of 2003, which is a USD 0.5bn, or 63.5%, growth compared to the same period in the previous year. Deficit increase results from a deterioration in the goods account balance and significantly larger outflows recorded in the income account. The service account, i.e. services provided in tourism, made a strong positive contribution to the current account developments in the stated period.

It should be noted that current account deficit incurred in the second quarter of 2003 was strongly influenced by a seasonally uncommon increase in reinvested profit of the company PLIVA d.d. The largest portion of the reinvested profit of this company can be accounted for by a reported income based on a transfer of the market value of patents to its related company abroad, where the transfer was not accompanied by a financial counterflow. If the PLIVA d.d. reinvested profit based on patent transfers to foreign owners were excluded from the balance of payments of the Republic of Croatia for the second quarter of 2003, the CNB projections indicate that annual deficit for 2003, in accordance with the CNB assumptions and information available at the moment of preparing this Bulletin, could amount to 5.9% of the estimated GDP for 2003.

At end-August 2003, external debt of the Republic of Croatia reached USD 18.7bn or 67% of the estimated GDP for 2003. The expectations of a further increase in net borrowing of other sectors and of a milder growth in net borrow-

ing of the banking sector, a continuation in the construction of capital infrastructure facilities in Croatia, as well as projections of the repayment of principal and interest in the remaining part of 2003 show that the projected amount of external debt of the Republic of Croatia at the end of 2003 could range between 71% and 73% of the estimated GDP for 2003.

In view of the economic fundamentals preventing, in the short run, a faster growth in goods exports without significant investments, along with sensitivity of service exports to possible external shocks, the current movements in total external debt and a rather large current account deficit, despite a strong international liquidity of the Republic of Croatia, are unsustainable in the mid-run.

Current Account

Merchandise trade performance from the balance of payments of the Republic of Croatia indicates that from April to June 2003, deficit in the goods account amounted to USD 2bn, which is a growth of USD 0.6bn or 44.9% compared to the same period of 2002. In the same period, the exchange rate of the US dollar against the euro and kuna deviated significantly from the nominal bilateral exchange rates recorded in the same period of the previous year, so that changes in merchandise trade can be analyzed and assessed properly only by reporting them at a constant exchange rate. More specifically, from April to June 2003, the average monthly exchange rate of the US dollar against the euro recorded the annual depreciation rate of 23.7%, whereas the exchange rate of the kuna against the US dollar recorded the annual appreciation rate of 17.3%. It should be noted, however, that only a small share of merchandise trade is expressed in the reporting currency – the US dollar. According to the data based on the International Transactions Reporting System (ITRS), reported in only two currencies, as much as 74.1% of transactions related to goods exports can be accounted for by the euro, while 25.9% is expressed in the US dollar. In comparison, the share of the euro in goods imports amounted to 80.4% and that of the US dollar 19.6%. The nominal annual growth in total goods exports of 23% in the second quarter of 2003, thus corresponds to a 5.6% annual growth expressed in terms of the constant exchange rate in 2002. Since exports of ships was exceptionally high in the second quarter of 2002, it is encouraging that in the same quarter of 2003 total goods exports (excluding ships), expressed in terms of the constant exchange rate, recorded the annual growth rate of 10.8%, a 6.4 percentage point increase compared to the same period of the previous year. Such developments represent a continuation of favorable results achieved in the first quarter of 2003 when goods exports, excluding ships, recorded the annual growth rate of 14.4% (contributions of particular sectors and divisions of the Standard International Trade Classification to the increase in total goods exports are analyzed in the section on Merchandise Trade). Nominal annual growth in total goods imports of 33.2% in the second quarter of 2003 is reflected in the annual increase of 13.1% at the constant exchange rate from 2002, which is a 7.4 percentage point growth compared to the annual growth rate recorded in the

same period of the previous year. A pronounced annual growth in total goods imports from April to June 2003 contributed to the absolute imports rise in that period, which exceeded severalfold the absolute positive movements in goods exports. Consequently, merchandise trade of the Republic of Croatia has led to an annual increase in foreign trade deficit amounting to 19.3%, expressed in terms of the constant exchange rate.

The services account recorded exceptionally good results in the second quarter of 2003, and tourism made the largest contribution to a growth in net income from services. Income from tourism reached USD 1.2bn, which is a USD 0.6bn or 87.8% increase compared to the same period of the previous year. The large annual increase in income from tourism was influenced by a strong growth in volume indices, annual increase in prices of tourist nights and other catering services, as well as significantly higher average consumption of tourists who recognized Croatia as a high quality tourist destination.

Volume indices of tourism show that in the second quarter of 2003 total number of arrivals recorded the annual growth of 11.1% (annual growth in foreign tourists arrivals stood at 11.9% and of domestic tourists at 7.3%), whereas total nights increased by 10% annually (annual growth in foreign tourist nights amounted to 10.1% in the second quarter of 2003, compared to 9.6% annual growth in domestic tourist nights). As regards the share in total number of foreign tourists, the Germans predominated in the stated period (35% share) recording a 9% rise in tourist nights. They were followed by the Austrians (11.5% share in total number of foreign tourists) accounting for 12.6% of the annual increase in tourist nights and the Italians (8.3%) whose annual growth in tourist nights was exceptionally high, standing at 29.1%.

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 10.9% in April and May 2003, while in June 2003 they recorded the annual growth rate of was as much as 12.4%. The increase in prices of tourist nights in 2003 results from an increased foreign demand, under conditions of limited accommodation capacities, as well as from an intensive process of investment in hotels and other types of accommodation-catering facilities recorded in 2002 and in the first half of 2003. Data from the Ministry of Tourism of the Republic of Croatia show that in 2002 a total of HRK 2.1bn was invested in accommodation-catering facilities in Croatia, which corresponds to an annual growth of HRK 1.2bn or 140.7%.

In the process of investment in restructuring, a significant number of accommodation facilities earned a higher rating in 2003 in comparison with their condition recorded in 2002, which in certain facilities resulted in exceptionally high annual rates of price changes, of tourist nights in particular. The share of facilities classified under the group of hotels with 3, 4 and 5 stars (including only facilities that have already received their upgraded rating certificate) in total number of facilities under the group of hotels in 2003 stands at 62%, which is a 12 percentage point increase compared to the condition re-

Table 5: Investments in Tourism, in million HRK

	1999	2000	2001	2002
Hotels and camping	837	471	675	1,678
Restaurants	65	47	90	190
Travel agencies and tour operators	47	67	87	148
Marinas	6	11	13	66
Total	955	596	865	2,082

Note: Data refer to legal persons exclusively.
Source: FINA.

Table 6: Number of Facilities from the Group of Hotels with Upgraded Ratings in 2003

	2 star	3 star	4 star	5 star	Total
Received upgraded rating certificate	10	52	9	4	75
Undergoing procedure for upgrading their rating	27	66	23	2	118
Total	37	118	32	6	193

Source: Ministry of Tourism.

corded in 2002. It should be noted that this share will be even higher at end-2003, since a certain number of accommodation facilities are still undergoing procedure for upgrading their rating.

The investments of natural persons – lessors have also recorded a high annual growth in 2003. The estimates of the increase in the number of beds in private rooms and apartments, frequently of a very high quality (with air conditioners, etc.) show that a high growth in turnover and financial revenues has probably been achieved in this segment as well. Apart from prices of tourist nights in 2003, other catering services also recorded growth, which was, however, somewhat milder. For example, in June 2003, food prices in restaurants recorded an annual growth of 1.1% and prices of alcoholic beverages and non-alcoholic beverages recorded the annual growth of 3.1% and 2.3% respectively.

A significant annual growth in volume indices and prices of catering services, as well the fact that majority of income from tourism is earned in euro (which was strongly effected by the annual depreciation rate of the US dollar against the euro in the second quarter of 2003) do not fully explain the annual growth in financial indicators, which may be accounted for by the fact that a part of tourist consumption in Croatia which is not related to the price of accommodation and food (e.g. excursions, sports activities, entertainment, cultural events, etc.) in on the increase. The survey on foreign tourist consumption in Croatia shows that only in June 2003 the number of travelers whose individual consumption exceeded HRK 5,000 reached 480,000, which is about three and a half time more than the number recorded in the same period of the previous year. In June 2003, tourists from Germany, Austria and Italy, i.e. from the countries whose tourists recorded the largest annual growth in volume indices, also recorded the largest annual increase in average consumption.

The increase in tourists from France, Switzerland, Sweden and Great Britain also caused the growth in income from services rendered in transport. In the period from April to June 2003, income from transport services thus recorded the annual growth of USD 61m or 43%, where transport of passengers in air traffic contributed most the this growth.

In the income account, significant, seasonally uncommon annual changes were recorded in the second quarter of 2003. In this period, total net outflow in the income account reached USD 0.8bn, which corresponds to an annual growth of USD 0.6bn or exceptionally high 265.2%. The net outflow growth almost entirely results from increased expenditures based on reinvested profit from equity investments – profit of the Croatian companies (mainly pharmaceutical industry, financial intermediation and telecommunications) in partial (more than 10%) or majority foreign ownership, which belongs to foreign investors and is reinvested in the Republic of Croatia. Although current account deficit incurred in the first six months of 2003 significantly increased due to the previously mentioned expenditures based on the reinvested profit, in assessing the movements in such expenditures the respective counter-items in the capital and financial account should also be taken into consideration. The exceptionally large growth in foreign direct investments based on the reinvested profit from equity investment shows that foreign investors strongly believe in developmental capacities of companies in which they decided to invest in the long run, as a result of which they presently renounced their tangible financial gains (paid out dividends, bonuses and other forms of profit distribution). Dividends paid out also recorded growth, although their absolute amounts were considerably lower. In the period from April to June 2003, dividends based on equity investments recorded thus the annual growth of USD 63m or 68.2%. Movements in income from foreign equity invest-

ments in Croatia confirm in the best possible way the fact that foreign investors mainly invested their money in already highly developed segments of the Croatian economy, which may be readily adjusted to market economy and are profitable in the long run.

Surplus in the current transfers account in the second quarter of 2003 also recorded growth, mainly due to an annual increase in income of USD 0.1bn or 33.9%. Depreciation of the US dollar against the euro and kuna, recorded in the second quarter 2003, in comparison with the same period of the previous year, as well as the fact that majority of income from workers' remittances from abroad is denominated in euro, contributed most to the income growth expressed in the reporting currency – the US dollar.

Movements in the current account in the first and second quarters of 2003 show that the incurred current account deficit reached 8.1% of the estimated GDP for 2003, which is a 0.8 percentage point deterioration compared to the indicator for the first semester of 2002, or a 0.9 percentage point deterioration compared to the indicator for the same period of 2001. Since a significant inflow from services rendered in tourism (according to the preliminary data, net income from tourism only in July 2003 amounted to as much as USD 1.2bn) is expected during the third quarter of 2003, the Croatian National Bank estimates, on the basis of information available at the moment of preparing this report, indicate that current account deficit in the second half of the year should be reduced considerably.

Box 2: What Stands Behind a Large Annual Growth in Reinvested Profit of PLIVA d.d. in the Second Quarter of 2003?

The Pliva Group is an international pharmaceutical corporation with a head office in Zagreb, encompassing companies in over 40 countries world wide. In order to capture a share of the world's largest pharmaceutical market - the United State's market and thus ensure its further international development, in July 2002, the Pliva Group purchased all shares of the US pharmaceutical company Sidmak Laboratories Inc. and a branch 100%-owned by Sidmak, Odyssey Pharmaceuticals Inc. (hereinafter: Sidmak) for USD 153m (the Pliva Group made a commitment to take over Sidmak's debt to banks totaling USD 59m). Sidmak was directly purchased by the PLIVA d.d. branch from Hungary (PAM Property Management, Ltd.) through a syndicated loan of USD 165m, where the patent rights for the Pliva's most renowned medicine, antibiotic azithromycin were provided as a pledge.

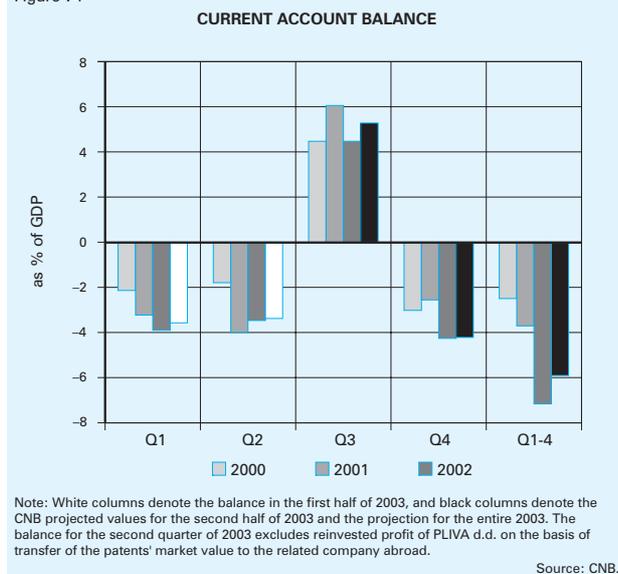
In order to offer its patents as a pledge, PLIVA d.d. first had to determine their market value and then transfer them to its branch in Hungary. The result of this transaction was recorded in the second quarter of 2002 in the balance of payments of the Republic of Croatia as, by far, the largest share of foreign direct investments of the Republic of Croatia abroad. Since the transfer of the patents' market value to a related company abroad was not accompanied by a cash counterflow, the stated transaction is actually a transfer. Consequently, the counter-item to foreign direct investments abroad on this basis (double entry accounting system for a single transaction) is almost entirely reflected in the amount of capital transfers for the second quarter of 2002.

In its financial report for the business year 2002, PLIVA d.d. reported the transferred market value of patents as income, which in-

fluences the annual increase in profit for the business year 2002. Profit on the basis of income from the transferred market value of patents (which exists only in accounting terms) is classified by PLIVA d.d as reinvested profit. The PLIVA d.d. ownership structure shows that the share of foreign owners by end-June 2003 stood at 60.25%, so that the identical share in the stated reinvested profit belongs to foreign investors. Since the balance of payments of the Republic of Croatia records transactions among the Croatian residents (in this case, a legal person PLIVA d.d. from Zagreb) and non-residents (foreign legal and natural persons with a share in PLIVA d.d. ownership), the US dollar equivalent to the share of foreign owners in total reinvested profit of PLIVA d.d. was recorded in the second quarter of 2003 as a significant part of total foreign direct investments in the Republic of Croatia, and the same amount was entered as a counter-item in the expenditures of the income account (part of the current account).

PLIVA d.d. decided to finance the purchase of the US pharmaceutical company in the described manner, partly because it assured a significantly more favorable borrowing for PLIVA d.d. in the international capital markets (it should be noted that the credit rating of Hungary, one of the countries whose accession to the EU will take place in 2004, is considerably more favorable than the Croatia's credit rating), and partly due to legal issues. The legitimate decision of the PLIVA d.d. management board and its implementation strongly effected the Republic of Croatia balance of payments movements during 2002 and 2003, where the stated changes were not accompanied by any real financial flows. In view of the nature of the balance of payments transaction related to the transfer of the patents' market value in 2002 and related transactions in 2003, the Republic of Croatia balance of payments movements during the stated period should be monitored and assessed without taking into account transfers and related transactions.

Figure 74



It should be noted that the performance in the first semester of 2003 and the projection of the current account deficit for the entire 2003, were significantly effected by a seasonally uncommon increase in reinvested profit of the company PLIVA d.d. reported in the second quarter of 2003 (see Box 2 on the reinvested profit of the same company in 2003). If the reinvested profit of PLIVA d.d. on the basis of transfer of patents to foreign owners is excluded from the data recorded in the Republic of Croatia balance of payments for the second quarter of 2003, the projection of the current account deficit

for the entire 2003 shows that the annual deficit, in accordance with the CNB assumptions and available information at the moment of preparing this issue of Bulletin, could amount to 5.9% of the estimated GDP for 2003.

Merchandise Trade

The preliminary data by the Central Bureau of Statistics show that total goods exports amounted to USD 3.5bn in the first seven months of 2003, while total goods imports stood at USD 8bn. Such developments resulted in the annual growth rate of foreign trade deficit of 18.7%, expressed at the constant exchange rate from 2002.

In the period from January to July 2003, seasonally adjusted total goods exports, in terms of the US dollar measured at the constant exchange rate, recorded the annual growth rate of 9.9%. If exports of ships (a division of the Standard International Trade Classification with the traditionally largest contribution to the growth in total exports) were excluded, the annual growth rate of total goods exports would rise even more to 12.4% in the first seven months of 2003, indicating a stronger exports activity of other sectors. The annual growth in total goods exports, excluding ship, can be mostly accounted for by an increase in exports of: petroleum and refined petroleum products (according to the CBS data, an annual growth of 50.5% was recorded in the first seven months of 2003), electrical machinery, apparatus and equipment (33.9%), wearing apparel (20.1%), as well as in exports of sugar, products of sugar and honey (151.7%).

The value of seasonally adjusted total goods imports, re-

Box 3: Tourism in Balance of Payments

Balance of payments of the Republic of Croatia encompasses transactions of the Croatian residents with the rest of the world. The item *travel* in the balance of payments current account, under services account, shows income from consumption of non-residents during their stay in the Republic of Croatia and expenditures of the Croatian residents for travel abroad. The importance of this balance of payments item is particularly evident in the third quarter every year when the tourist season is at its peak: in the period from 1999 to 2002 the average income in the third quarter was more than USD 1.8bn and it is on a constant increase.

According to the international standards on which the Croatian National Bank's methodology is based, the concept of a traveler encompasses *one-day visitors* or travelers who do not stay overnight and *tourists* or travelers who stay for a minimum of one night. The estimate of income and expenditures under the travel item should include all expenses incurred by foreign travelers during their travel. Travelers' expenses, however, cannot be measured precisely and thus they should be assessed either by combining the existing sources or by introducing the special survey carried out on a sample of travelers.

Prior to the introduction of its own survey, the CNB used the records of the payment transactions with foreign countries where all international payments and collections are registered which are carried out through commercial banks. This source of data was complemented by volume indices of foreign travelers or estimates of the average consumption on the basis of which income and expenditures of international travels were assessed by using various mathematical and econometric procedures. Since the quality of such approaches

was not satisfactory, the CNB launched its own statistical survey, where the data collection and processing are performed by an external agency in accordance with the CNB instructions.

The methodology, forms and method of carrying out the survey were prepared by the CNB in cooperation with the Institute for Tourism from Zagreb which conducted the pilot survey in the first half of 1998. Starting from 1999, these surveys have been carried out regularly and the results have been applied in the regular compilation of the balance of payments. Foreign travelers are surveyed when leaving Croatia and domestic travelers when arriving to Croatia and their responses represent the basis for assessing the aggregate tourist consumption for the balance of payments needs. Since it is not possible to carry out the survey at all border crossings, especially because of the number of the land border crossings and the number of travelers crossing these crossings, it was necessary to devise a new method of their grouping and select one representative from each group for the survey of domestic and foreign travelers.

Border crossings are divided into ten groups: five groups towards Slovenia, two groups towards Bosnia and Herzegovina and one towards Serbia and Monte Negro. Zagreb, Split and Dubrovnik Airports constitute a special tenth group of border crossings, since expenditures of passengers traveling by airplane are considerably larger than those of the travelers arriving by road vehicles. Railway and maritime border crossings are classified into groups of land border crossings with respect to the country to which they are oriented, since the number of travelers crossing these crossings is insufficient for them to be viewed separately. Finally, taking into account the significance of weekends as particularly busy/frequent parts of the week, it was decided to view them separately from working days.

The described grouping aims to encompass all significant days

Table 7: Income and Expenditures from International Travels from 1999 to 2002, in million USD

	1999	2000	2001	2002
Travel (net)	1,742	2,190	2,729	3,030
1. Income	2,493	2,758	3,335	3,811
1.1. Business grounds	234	264	274	323
1.2. Personal grounds	2,260	2,494	3,061	3,489
1.2.1. Health grounds	36	27	44	40
1.2.2. Education	11	12	12	9
1.2.3. Other grounds	2,213	2,455	3,006	3,439
2. Expenditures	-751	-568	-606	-781
2.1. Business grounds	-384	-261	-289	-460
2.2. Personal grounds	-367	-308	-317	-321
2.2.1. Health grounds	-25	-14	-24	-30
2.2.2. Education	-41	-22	-11	-26
2.2.3. Other grounds	-301	-272	-282	-265

Source: CNB.

and border crossings in order to collect the basic data on consumption and obtain certain information on the travelers distribution by country, method of transport, purpose of travel, etc. In other words, domestic and foreign travelers are classified into multidimensional strata for which average and total consumption is calculated on the basis of the sample of surveyed travelers (stratified sample).

However, problems occurred at the very onset of the survey. The basic and the greatest problem of the survey was a lack of data on the population of domestic and foreign travelers, apart from the total number of travelers who crossed the state border according to the Ministry of the Interior data. The only way to compensate for the lack of travelers distribution data was to use the distribution data collected in the survey. In other words, the population structure depends on the structure of the surveyed travelers. For example, if the Austrian residents account for 14% of the total number of surveyed travelers, it has to be assumed that residents of that country account for 14% of the total population as well. The similar assumptions were made for the purpose of travel, type of accommodation, etc.

Another problem was the fact that there were no data on travelers who did not pay for at least one overnight stay. The Central Bureau of Statistics publishes within the First Release Issue tourist turnover data, compiled on the basis of a regular monthly report based on the visitors' book records. This implies that the stated First Release shows only one segment of foreign tourists, those who were accommodated for at least one night in a commercial residence. All other tourists who spent one or more nights in their own facility, stayed with their friends and relatives, or who were accommodated in any other way, free of charge, are not encompassed by the CBS data. Similarly, one-day visitors are also not included by any statistics, and thus the survey results may not be compared with other sources of tourism data. Travelers distribution by the accommodation type may be ob-

tained only based on the survey results.

The third problem encountered were the data on the total number of travelers who arrived to and left Croatia. According to the data of the neighboring countries, the number of travelers leaving that respective country does not always correspond to the number of travelers who arrive to Croatia on the same day and at the same border crossing, which is important since these data are used for obtaining the weights by which total consumption is assessed.

The stated problems could be reduced by improving the statistics on the number of travelers and vehicles. For example, the automated traffic counters and/or scanning of personal or travel documents could provide more accurate indicators on the number of travelers and their distribution, which would eventually result in higher quality consumption assessments. According to the results of the survey, in the 1999-2002 period, the balance of payments travel item shows continuing growth in income from foreign travelers and a relatively stable expenditures for international travels of domestic travelers (see Table 7).

Net inflow from international travel is entirely determined by travels on personal grounds, encompassing the following purposes: vacation and entertainment or visit to family and friends. Vacation and entertainment predominate over other purposes concerning income, irrespective of the fact whether the accommodation is paid (hotels, motels, tourist settlements, private accommodation) or unpaid (with relatives and friends, in own facility, vessel or vehicle). Similar applies to expenditures, but it should be noted that prior to opening large shopping centers, travel for the purpose of purchasing goods abroad played an important role. These expenditures, however, are not entered under travel item, but are rather classified as goods imports and exports in the goods account.

Apart from classification by purpose, the survey results may be classified by other characteristics. For example, during 2002 most of the foreign tourists were residents of Bosnia and Herzegovina, Slovenia, Germany, Austria and Italy (more than 80%), whereas the Croatian residents traveled mostly to Bosnia and Herzegovina, Slovenia, Austria, Hungary and Italy (more than 90%). Naturally, the average consumption does not have the identical distribution, neither have purposes of travel, means of transport, duration of stay or accommodation type.

According to the first results for the six months of 2003, a significant income growth is evident, caused by a changed structure of foreign travelers, reflected in a larger average consumption, especially of those tourists who pay for their overnight accommodation and of travelers in unpaid accommodation. These indicators correspond to the increase in prices of overnight stays, but also to the changed hotel policy, which includes price increase at an earlier time of the year and a division of a year into several price categories. Finally, a growth in average nights was recorded, which together with increased average consumption must lead to a rise in total inflow of foreign travelers.

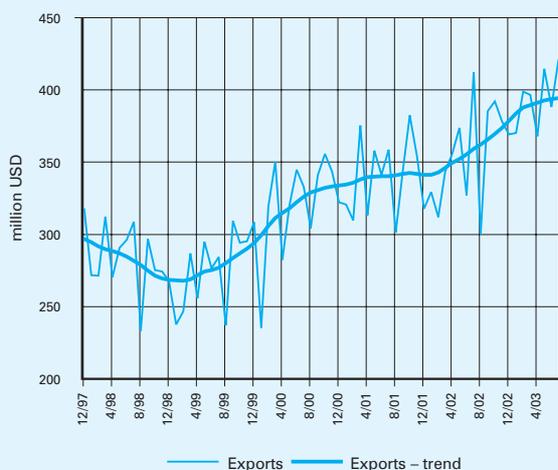
ported in US dollars at the constant exchange rate, increased by 14.3% in the first seven months of 2003 compared to the value recorded in the same period of the previous year. Imports of road vehicles, whose value reached USD 965m in January-July 2003 period, made the largest contribution to growth in total goods imports (USD 315m or 48.7% annual growth). The annual growth rate of road vehicles imports in the stated period would be twice lower if the impact of cross-currency changes (23.4%) were excluded.

As regards other divisions of the Standard International Trade Classification, the following divisions made a significant contribution to a growth in total goods imports: other trans-

port equipment (mostly ships, whose annual imports growth rate was 77.2% in the first seven months of 2003), electrical machinery, apparatus and equipment (40.6%), general purpose machinery (35.7%) and special purpose machinery (39.7%). These divisions (including road vehicles) account for almost the entire section of machinery and transport equipment, which, in its largest part, refers to imports of capital goods. Trend in machinery and transport equipment imports, excluding ships and road vehicles, reported in US dollars at the constant exchange rate, shows stronger dynamics partly related to the construction of capital infrastructure facilities. In the first seven months of 2003, it recorded the annual

Figure 75

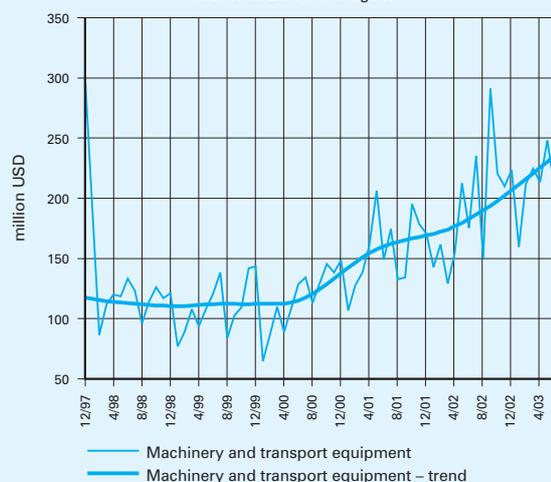
MERCHANDISE EXPORTS (f.o.b.) AND TREND
other transport equipment excluded,
at constant 2002 exchange rate



Sources: CBS and CNB.

Figure 77

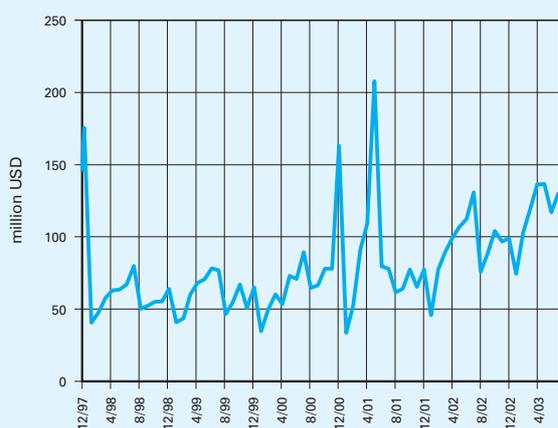
**IMPORTS OF MACHINERY AND
TRANSPORT EQUIPMENT (c.i.f.) AND TREND**
other transport equipment and road vehicles excluded,
at constant 2002 exchange rate



Sources: CBS and CNB.

Figure 76

IMPORTS OF ROAD VEHICLES (c.i.f.)
at constant 2002 exchange rate



Sources: CBS and CNB.

Figure 78

MERCHANDISE IMPORTS (c.i.f.) AND TREND
machinery and transport equipment excluded,
at constant 2002 exchange rate



Sources: CBS and CNB.

growth rate of 25.1%.

When machinery and transport equipment are excluded from the time series of total goods imports, movements in imports of goods, which excludes imports of capital goods, may be monitored. The stated aggregate, expressed in US dollars at the constant exchange rate, recorded a 7.4% annual growth rate, which is a 2.4 percentage point fall compared to the annual growth rate recorded in the same period of the previous year.

Merchandise trade structure by economic classification of countries shows that over the first seven months of 2003 the share of exports to EU in total exports amounted to 56.3%, which corresponds to a decrease of 0.4 percentage points compared to the share recorded in the same period of the previous year. However, the share of exports to Italy, Germany and Austria (Croatia's most important foreign trade partners) in total exports remained almost unchanged. The share of exports to developing countries in total exports stood

at 36.5% in the January-July 2003 period, which is an annual fall of 2.4 percentage points. At the same time, exports to neighboring Bosnia and Herzegovina (annual growth in exports value reported in US dollars amounted to 29.5% in the first seven months of 2003) and Slovenia (24.4%) contributed most to the 18% absolute annual growth in exports of the Republic of Croatia to developing countries.

In the period from January to July 2003, the Republic of Croatia's imports from EU countries accounted for 57.7% of total goods imports – 0.8 percentage points more than in the same period last year. Imports from Italy (34% annual growth), Germany (30.1% annual growth, and a moderate annual fall in the share of value of imports from that country in total value of imports of the Republic of Croatia was recorded at the same time) and France (40.5%) made the largest contribution to growth in total goods imports of the Republic of Croatia, in terms of US dollars, in the first seven months of 2003. As regards developing countries, growth in total value

Table 8: Imports and Exports by Economic Classification of Countries, in %

Exports	2000	2001	2002	Jan. – Jun. 2002	Jan. – Jul. 2003 ^a
Developed countries	60.1	61.7	58.1	61.1	63.5
EU-15	54.5	54.1	52.7	56.7	56.3
Austria	6.6	5.7	7.5	8.0	8.2
Italy	22.3	23.7	22.7	26.6	27.0
Germany	14.3	14.8	12.5	12.3	12.3
EFTA	1.0	1.1	0.8	0.8	0.7
Other developed countries	4.6	6.5	4.6	3.6	6.5
Developing countries	39.9	38.3	41.9	38.9	36.5
CEFTA	13.8	12.1	12.4	11.4	11.7
Slovenia	10.8	9.1	8.7	8.2	8.1
Bosnia and Herzegovina	11.2	12.0	14.4	13.5	13.9
Serbia and Montenegro	2.4	3.2	3.5	3.4	2.9
Imports	2000	2001	2002	Jan. – Jun. 2002	Jan. – Jul. 2003 ^a
Developed countries	64.7	66.0	64.5	65.7	66.4
EU-15	55.4	57.1	55.8	56.9	57.7
Austria	6.7	6.9	6.6	6.8	6.5
Italy	16.6	18.1	17.3	18.4	18.5
Germany	16.5	17.3	16.3	16.1	15.7
EFTA	2.4	2.1	2.0	2.2	1.7
Other developed countries	7.0	6.8	6.8	6.7	7.0
Developing countries	35.3	34.0	35.5	34.3	33.6
CEFTA	14.8	14.8	16.0	15.6	16.3
Slovenia	7.9	7.8	7.7	7.9	7.6
Bosnia and Herzegovina	1.0	1.4	1.6	1.5	1.5
Serbia and Montenegro	0.4	0.4	0.5	0.5	0.5

^a Preliminary data. Source: CBS.

of goods imports of the Republic of Croatia can mostly be accounted for by: Syria (in the period from January to July 2003, the annual growth of 170.1% was recorded, mainly due to petroleum imports), Slovenia (28.1%) and Hungary (44.9%).

Capital and Financial Account

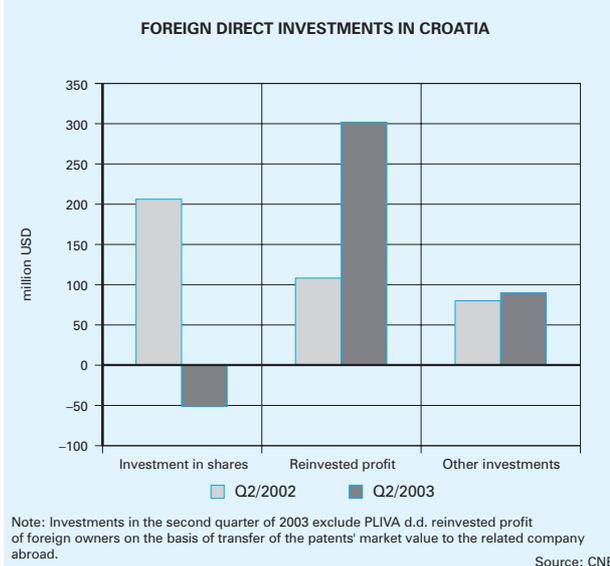
In the second quarter of 2003, the value of transactions recorded in the capital account stood at USD 62m, which is uncommonly high for that part of the season. In addition to the common quarterly value based on migrants' transfers (USD 8m), the total amount results from the inflow of USD 55m on the basis of the succession distribution of foreign financial assets of the former National Bank of Yugoslavia which were placed in the accounts with the US banks.

FDI in the Republic of Croatia in the second quarter of 2003 reached USD 666m. This increase was greatly contributed by a growth in reinvested profit earned from the transfer of the market value of patents of PLIVA d.d., so that the actual amount of foreign direct investments in Croatia amounted to USD 339m from April to June 2003, which is USD 54m or 13.8% less than in the same period last year. Investment in shares of USD 206m, or 52.3% of total FDI in Croatia, predominate in the structure of FDI in the second quarter of 2002 (approximately half of the stated USD amount refers to the first tranche in the repeated privatization of Riječka banka). It is followed by reinvested profit of companies of USD 108m or 27.4% of total FDI in the Republic of Croatia, and the remaining part refers to other investments. In the same period of 2003, the structure changed significantly: reinvested profit accounted for USD 301m or 89% of total FDI

in Croatia (USD 339m), which foreign investors decided to invest in development of the Croatian companies in their majority ownership. Two leading telecommunications operators in Croatia, together with the two strongest banks in the domestic financial intermediation market predominate in the reinvested profit growth.

In the portfolio investment account, liabilities based on portfolio investments stood at USD 165m in the second quarter of 2003, resulting to the largest extent from the foreign issues of the Republic of Croatia's bonds denominated in JPY (USD 212m), and a reduction of liabilities of other sectors

Figure 79



based on investments in shares, to a smaller extent (USD –59m). In the second quarter 2003, the portfolio investment account assets were mostly marked by a reduction of bank assets based on bonds and notes (USD 84m).

In the second quarter of 2003, financial assets based on other investments were mostly influenced by movements in the currency and deposits item of the Croatian banks abroad (they recorded an increase of USD 270m) and long-term loans of other sectors (they recorded a USD 21m fall). Financial liabilities arising from other investments increased significantly in the stated period. Currency and deposits of foreign parent banks transferred to their domestic subsidiaries made the largest contribution to growth in total liabilities (transaction value of about USD 491m was recorded in the second quarter of 2003, i.e. the absolute annual growth of about USD 200m), followed by trade credits of other sectors with a 90-day maturity (transaction value of USD 493m, corresponding to the absolute annual growth of about USD 100m).

In April-June 2003 period, the value of CNB international reserves transactions increased by additional USD 291m (at end-June 2003, CNB international reserves amounted to USD 6.8bn). Movements in international reserves transactions were marked in the second quarter of 2003 by significant foreign currency inflows arising from issued bonds (USD 926m) and a reduction in currency and deposits items for banks (USD 635m). The Croatian National Bank purchased EUR 81m from the Ministry of Finance of the Republic of Croatia in April and additional EUR 69m in May for the Croatian Highways needs. The CNB sold EUR 5.3m to the Ministry of Finance intended for EFSAL repayments.

Changes in the current account, and capital and financial account resulted in net errors and omissions amounting to USD 14m in the second quarter of 2003, which is a significant reduction compared to the balance in the same period last year (USD –94m).

External Debt

At the end of August 2003, external debt of the Republic of Croatia reached USD 18.7bn, which corresponds to an increase of USD 3.3bn or 21.7% compared to the balance recorded at end-2002. External debt structure by debtor shows that the share of government external debt in total external debt of the Republic of Croatia stood at 38.4% at end-August 2003, 3 percentage points less than the debt recorded at the end of 2002. In the stated period, an increase in the share in total external debt was recorded by banks (from 26.1% to

27.7%), other sectors (from 25.6% to 25.8%) and direct investments (from 6.9% to 8.1%).

Data on changes in external debt in the period from January to August 2003 show that the share of net transactions in total increase in external debt of USD 3.3bn amounts to USD 2.9bn or 85.6% (accounting for a difference between new disbursements of USD 4.7bn and repaid principals of external debt amounting to USD 1.8bn), whereas the remaining difference between the two amounts of outstanding external debt refers to cross-currency changes.

As regards debtors sector, in the first eight months of 2003, the largest contribution to the increase in total external debt arising from net transactions (excluding cross-currency changes) was made by banks. In the stated period, banks' external debt arising from net transactions rose by USD 1bn, of which USD 0.7bn refers to a debt increase based on net transactions arising from loans, while the remaining amount refers to a debt increase for currency and deposits. The government sector follows, whose external debt arising from net transactions grew by USD 0.6bn in the stated period, mainly due to movements in net transactions arising from foreign bonds (portfolio investments). Debt increase on the basis of the Republic of Croatia's bonds issued in the international capital markets over the first eight months of 2003 amounted to USD 0.8bn (eurobonds equivalent to USD 542m issued in the first quarter of 2003 and bonds denominated in JPY equivalent to USD 212m issued in the second quarter of 2003), while principal payments arising from the foreign issues of government bonds stood at USD 0.2bn (2 due semi-annual annuities payable to the London Club). An increase in external debt of other sectors on the basis of net transactions amounted to USD 0.8bn, of which the largest part can be accounted for by an increase in net long-term loans (USD 0.5bn). Net portfolio investment increase mainly refers to the foreign issue of Bina-Istra corporate bonds in the first quarter of 2003 (USD 202m).

Growth in external debt of the Republic of Croatia on the basis of cross-currency changes amounted to USD 0.5bn in January-August 2003 period. Cross-currency changes reflect the fact that the largest part of external debt of the Republic of Croatia is reported in EUR (the share of euro in total external debt, excluding non-resident deposits, was 70.8%), which was effected by depreciation of the US dollar exchange rate against the euro of 4.8%, recorded at end-August 2003 in comparison with the USD/EUR exchange rate at end-December 2002.

The share of external debt in the projected GDP for 2003 amounted to 67% at end-August 2003, which is a 1.5 per-

Table 9: External Debt by Debtor, end of period, in million USD and %

Sector	2000	2001	2002	Aug. 2003	Structure				Indices		
					2000	2001	2002	Aug. 2003	2001/00	2002/01	Aug. 2003/02
1. Monetary sector	159	122	0	0	1.4	1.1	0.0	0.0	76.9	0.0	0.0
2. Government	4,828	5,133	6,361	7,184	43.7	45.4	41.4	38.4	106.3	123.9	112.9
3. Banks	2,086	2,299	4,009	5,185	18.9	20.3	26.1	27.7	110.2	174.4	129.3
4. Other sectors (enterprises)	3,355	3,128	3,943	4,832	30.3	27.6	25.6	25.8	93.2	126.1	122.5
5. Direct investments	627	635	1,059	1,510	5.7	5.6	6.9	8.1	101.3	166.8	142.6
Total (1+2+3+4+5)	11,055	11,317	15,372	18,711	100.0	100.0	100.0	100.0	102.4	135.8	121.7

Source: CNB.

Table 10: Change in External Debt by Debtor, in million USD

Sector	Outstanding debt 31/12/2002	Change				Cross-currency change	Outstanding debt 31/8/2003
		Disbursement	Amortization				
			Principal	Interest			
1. Direct investments	1,059	544	134	22	40	1,510	
2. Government	6,361	967	328	263	184	7,184	
3. Central bank (CNB)	0	0	0	0	0	0	
4. Banks	4,009	1,757	717	57	136	5,185	
5. Other sectors (enterprises)	3,943	1,412	641	93	119	4,832	
Total (1+2+3+4+5)	15,372	4,680	1,821	436	479	18,711	

Source: CNB.

centage point decrease compared to the indicators for end-2002 (68.5%). The share of government external debt in the projected GDP stood at 25.7% at end-August 2003, which corresponds to a 2.7 percentage point fall in comparison with the indicator for end-2002. It should be noted, however, that none of the foreign bond issues of the Republic of Croatia have fallen due in 2003, compared to USD 300m of eurodollar bonds that fell due in 2002. Data on the potential government external debt (government external debt increased by the total issued guarantees of the central government, excluding guarantees provided to the government sector) also show that this debt is reduced by 3.2 percentage points, from 33.1% of GDP at end-December 2002 to 29.9% of the estimated GDP at end-August 2003. The value of the central government guarantees, excluding the government sector, stood at USD 1.2bn at the end of August 2003, which is an absolute increase of only USD 102m compared to the balance recorded at end-2002. External debt of banks increased from 17.9% of GDP at end-2002 to 18.6% of the estimated GDP at the end of August 2003, whereas the share of external debt of other sectors was reduced by 0.3 percentage points in the stated period.

The expectations of a further growth in net borrowing of other sectors and a milder growth in net borrowing of banks, a continuation of investment in capital infrastructure projects in Croatia, as well as the projected principal and interest payments in the remaining part of 2003, show that the projected

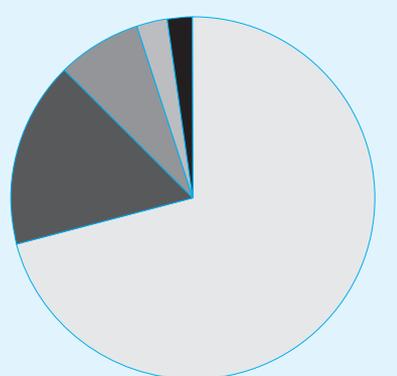
balance of external debt of the Republic of Croatia at end-2003 could range between 71% and 73% of the projected GDP for 2003. It should be noted that the share of (statistical) increase in external debt due to cross-currency changes in total increase in external debt in 2003 will probably be considerably lower compared to the share recorded in 2002.

The estimates of future principal and interest payments indicate that USD 2.3bn and USD 0.7bn, respectively, will fall due during 2004. In 2004, government foreign liabilities will be significantly larger than in 2003. According to the balance of external debt as at 31 August 2003, the estimated value of principal maturing in 2004 is USD 0.9bn, which is a USD 0.5bn or 128.1% increase compared to the amortized and estimated 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. 180, EUR 192m). The estimated government interest payments will also increase by USD 70m or 23% in 2004 in comparison with the previous year. A continuation of highways construction and the announced significant investments in modernization of Croatian Railways (estimated at HRK 10bn in the mid-run) show that the share of government external debt in the estimated GDP for 2004 will probably deteriorate compared to the projected indicator for end-2003 (26.5% of the projected GDP for 2003).

In 2004, bank borrowing should decelerate compared to the movements recorded during 2003, whereas borrowing of other sectors (enterprises) is more difficult to forecast due to the expected continuation of real economic growth in 2004. If the exchange rate fluctuations of the US dollar against the euro were less pronounced in 2004 than in 2003, a negative contribution of cross-currency changes to a growth in total external debt would probably continue to fall. Assuming that total external debt of the Republic of Croatia will increase by USD 2bn on the basis of net transactions in 2004, accompanied by a real economic growth of 4%, inflation (measured by the retail price index) of 2.5%, and mild appreciation of the US dollar against the euro in 2004 in comparison with the third quarter of 2003, the share of external debt in the projected GDP for 2004 could be expected, in the best case, to remain at the level of the projected ceiling of the indicator for end 2003 (73% of the projected GDP for 2003). In view of the economic fundamentals preventing, in the short run, a faster growth in goods exports without significant investments,

Figure 80

CURRENCY STRUCTURE OF EXTERNAL DEBT OF THE REPUBLIC OF CROATIA (as at 31 August 2003)



Note: External debt balance does not include deposits of non-residents.

Source: CNB.

Table 11: Projected Future Principal and Interest Payments by Debtor, in million USD

Sector	Outstanding debt 31/8/2003	Repaid principal by 31/8/2003	Estimated payment for period Sep.-Dec. 2003	Total 2003	Projected future principal payments			
					2004	2005	2006	Other
1. Central bank (CNB)	0	0	0	0	0	0	0	0
2. Government	7,184	328	53	382	870	902	907	4,448
3. Banks	5,185	717	93	811	265	672	841	3,241
4. Other sector (enterprises)	4,832	641	354	995	982	645	508	1,784
5. Direct investments	1,510	134	252	386	143	126	320	514
Total (1+2+3+4+5)	18,711	1,821	752	2,573	2,261	2,346	2,576	9,987
Supplement:								
Projected interest payments	–	436	179	615	711	601	474	1,426
Total principal and interest	–	2,257	932	3,188	2,972	2,947	3,049	11,413

Source: CNB.

along with sensitivity of service exports to possible external shocks, the current movements in total external debt and a rather large current account deficit, despite a strong international liquidity of the Republic of Croatia, are unsustainable in the mid-run.

Government Finance

Budget Highlights in the First Half of 2003

Budget revenues started showing signs of a slowdown in the second quarter of this year, following a very good performance in the first three months and an excellent performance in 2002. Expectations are that the relative revenue shortfall from the second quarter will be compensated by a better outturn in the summer season so that the projected annual revenue outturn, at least for the time being, remains feasible. In contrast, budget expenditures, especially capital expenditures, increased in the second quarter due to the seasonal cycle of capital projects construction. The logical outcome was a further widening of the budget deficit, which reached HRK 5.1bn at the consolidated general government level in the first six months (if capital revenues are excluded from budget revenues). This deficit, together with principal repayments, was largely financed from domestic sources. It needs emphasizing that despite the September budget revision the annual deficit target of the general government budget has remained unaltered at HRK 8.7bn (excluding capital revenues) or 4.6% of the 2003 GDP estimate.

The general government debt increased by HRK 6.5bn in the first half of the year standing at HRK 81.3bn in late June. Of this amount, HRK 80.7bn was accounted for by the central government debt. If issued guarantees totaling HRK 14.3bn (i.e. the potential debt) are added to the general government debt, it reaches HRK 95.6bn or 50.3% of GDP.

Budget Outturn

Budget Revenues

In the first six months, revenues totaled HRK 40.1bn or 48.8% of the consolidated general government annual plan. As previously, our comments relate to the revenues and expenditures of the consolidated central government, compris-

ing revenues and expenditures of the CH, CR, DAB and CPF. This is because this level is the highest consolidation level wherein the budget is drawn up based on the economic classification and which provides an insight into the movements of specific revenue and expenditure items. The local government, whose revenues and expenditures approximately account for up to 10% of the central government revenues/expenditures, is not analyzed.

Consolidated central government revenues totaled HRK 36.0bn in the first half of the year, a rise of 4.3% over the same period last year, or 6.5% if capital revenues, standing at a negligible HRK 170m in the first half of the year, are excluded. Seemingly on a substantial increase, these revenues actually recorded a shortfall in the second quarter, which becomes evident if the increase in the first quarter (11.5%) is separated from that in the second (2.4%). This was primarily due to considerably lower nontax revenues decreasing by HRK 650m or almost 40% compared with the second quarter of the previous year. At the same time, tax revenues rose by a relatively modest 6.5%, considering their 10.6% increase in the first quarter. Of these revenues, income tax revenues, taxes on international trade and excises were lower than expected. Specifically, income tax revenues declined by about 10% (compared with the second quarter in the previous year) due to tax changes, whereas revenues deriving from tax on international trade decreased by about 15% in consequence of further trade liberalization. Excise revenues rose by a mere 3% in nominal terms if excise duties on car imports, rising by a considerable 21.3% in the second quarter, are excluded.

However, some grounds for optimism is provided by two most important revenue sources generating two thirds of overall revenues: very good VAT revenues, rising by 11.6% in the second quarter, and social security contributions increasing by a substantial 7.7%. In addition, profit tax revenues increased by a sizeable 15.3% in the second quarter. In general, these developments give proof of a continued high level of economic activity so that all expectations are that the summer season will offset somewhat lower revenues generated in the second quarter of this year.

Budget Expenditures

Consolidated general government expenditures totaled HRK 44.8bn in the first half of the year or 51.1% of the overall

annual amount planned. Of this amount, HRK 41.1bn was accounted for by the consolidated central government, an increase of 9.3% in nominal terms over the same period last year. It should be pointed out that on the expenditure side quarterly spending growth did not show any considerable deviations. In other words, the increase in expenditures in the second quarter this year was only slightly higher (9.7%) than in the first quarter (8.9%), which is understandable as the season of construction works reaches its peak in spring and summer months.

Capital expenditures contributed the most to the relatively high expenditure growth in the second quarter, rising by almost 80% for the quarter compared with the same period last year¹². Capital expenditures totaled HRK 3.0bn in nominal terms from early April to late June. Of this amount, the largest part was accounted for by capital expenditures of the CH and CR (an approximate HRK 2.3bn) in proof of the fact that motorway and road construction works intensified in spring this year. It is worth noting that last winter was unusually long and that weather conditions were unfavorable for construction workers. However, they obviously made up for running behind schedule before the summer as new motorway sections were opened according to plan. Bearing this in mind, it can be expected that construction works planned for this year will be completed, in contrast with last year when CH and CR performance and, in turn, capital expenditures, were 20% lower than planned.

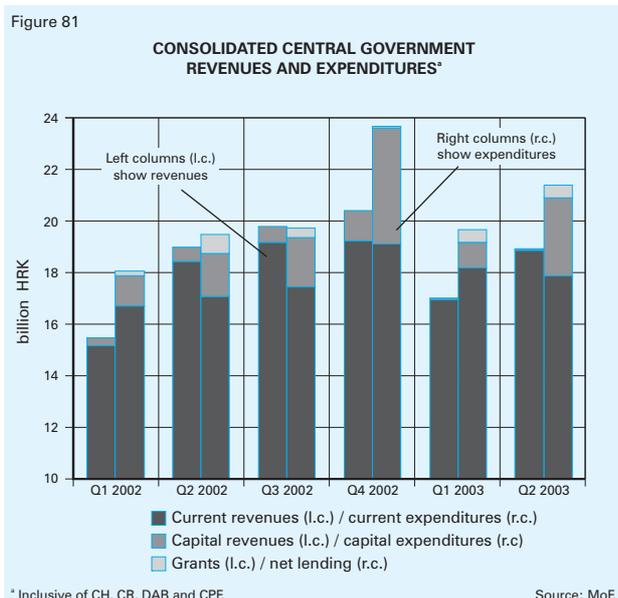
As for other expenditures, it should be pointed out that wage outlays exceeded the amount planned. They stood at HRK 4.8bn in the second quarter (a rise of 11% compared with the same period last year) and expectations are that the annual amount planned will be exceeded by an approximate HRK 1.0bn. This was primarily caused by the increase in outlays for severance pays but a considerable amount was also accounted for by court mandated payments to ex civil servants that are to be settled from the budget. The mentioned overrun in wage outlays, as well as some other changes (see Box 4), necessitated a budget revision, adopted by the Parlia-

ment in September. The revision focused on reallocating funds within existing items and meeting newly arisen needs. Within budget execution, the revision slightly altered limits on consolidated central government revenues and expenditures and widened the budget deficit. However, as explained in Box 4, since CH and CR revenues are expected to exceed the initial plan, unaltered by the revision, we believe that the general government deficit target for 2003 (4.6% of GDP) will be met.

Budget Balance and Financing

Revenue and expenditure outturn in the first six months resulted in a consolidated general government deficit of HRK 4.7bn, or HRK 5.1bn if capital revenues are excluded. Although the deficit (including repayments) was largely financed from domestic sources, foreign financing sources were also important (the February issue of eurobonds). Regarding domestic financing, eurobonds worth EUR 200m were issued in the domestic market in January and the first kuna bonds (without a currency clause), worth HRK 1.0bn, in May. It should be stressed that kuna bonds mature in five years and that they aroused a considerable interest in the domestic market. A JPY 25bn bond issue was placed on the Japanese market in June, but the resulting inflows were not used for financing in the first half of this year. It is important to notice that the spread of Croatian bonds continued to converge towards the German bond spread. The spread on the last issue of Samurai bonds even fell slightly below 100 basis points, a significant decrease compared with last year (from 120 to 130 basis points). Regarding financing from privatization revenues, considerable revenues are expected only from the privatization of 25% of INA shares this year. The privatization procedure has been completed and the proceeds are due into the treasury by the beginning of October. It should be noted that the share block achieved a surprisingly good price of USD 505m, surpassing all projections ranging from USD 300m to USD 400m. Finally, it should be mentioned that government arrears decreased almost by HRK 350m over the first half of the year.

Figure 81 shows quarterly trends in the revenues and expenditures of the consolidated central government budget from the beginning of last year, indirectly displaying trends in the budget deficit or surplus, at several levels. Firstly, it shows the overall deficit or surplus by quarters as the difference between total revenues and expenditures. Secondly, it shows the overall deficit or surplus excluding capital revenues as the difference between current revenues (which exclude capital revenues) and total expenditures. Finally, it displays the current deficit/surplus amount as the difference between current revenues and current expenditures, which is an especially important indicator of the sustainability of fiscal policy. Fiscal policy is considered sustainable (at least in one segment) if



12 It should be noted that capital expenditures in the first three quarters last year were probably underestimated since the CH showed the main part of its capital expenditures as late as in the last quarter of 2002. The nominal growth of expenditures in the second quarter of 2003, capital expenditures included, could therefore be lower than indicated.

Table 12: Balance of the Consolidated General Government Budget by Levels, in million HRK and %

	2002		2003		2003/2002
	Q1 and Q2	Q1 – Q4	Q1 and Q2	Q1 – Q4 ^a	Q1 and Q2
Government budget	-2,675	-3,166	-3,596	-1,574	1.34
Revenues	32,425	70,650	34,072	77,333	1.05
Expenditures	35,100	73,816	37,668	78,907	1.07
State agencies	82	-1,909	-1,225	-3,288	-14.87
CH	-264	-2,032	-1,334	-3,599	5.05
CR	65	62	-86	-145	-1.31
DAB	164	12	123	360	0.75
CPF	117	49	72	97	0.62
Local government budgets	596	-45	97	-611	0.16
Consolidated general government balance	-1,997	-5,120	-4,724	-5,473	2.37
as % of GDP		-2.9		-2.9	
Consolidated general government balance, exclusive of capital revenues	-3,144	-8,270	-5,097	-8,724	1.62
as % of GDP		-4.7		-4.6	
Note:					
General government arrears, change	....	....	-343	....

^a Plan. Source: MoF.

current revenues suffice to settle current expenditures. As shown by Figure 81, only the operations in the first quarter of 2002 generated a current deficit. This deficit was offset by

surpluses in the remaining quarters and the result was the current surplus at the annual level, which leads to the conclusion that fiscal policy is conducted within sustainable limits.

Box 4: Budget Revision

Revision of this year's budget, adopted in September, will probably have the neutral effect on revenues and expenditures, and on budget deficit of the consolidated central government. In technical terms, the revision refers only to government budget and extrabudgetary funds, which nevertheless caused a formal deficit deepening in the amount of HRK 410m. If positive movements in individual government agencies (CH and CR, in particular) are taken into account, which are also included in central government consolidation, we believe that the final impact on budget deficit will be neutral.

The most important reasons for this year's budget revision include: increased expenditures of defense sector for wages, increased expenditures for social care, increased expenditures for drought recovery programs and other natural disasters (fire), increased expenditures for accelerated employment, and finally, newly incurred expenses for claims of wrongly dismissed workers (former civil servants) during 1990 and 1991.

For the purpose of meeting the above stated needs, the revision intended to reallocate the already existing budget fund, amounting to HRK 2.4bn. Consolidated central government budget revenues decreased by HRK 360m (net), as a result of decreased revenues of the Croatian Health Insurance Institute (by HRK 410m) and larger revenues of Croatian Waters (by HRK 50m); in contrast, expenditures increased by HRK 50m, as a result of the increased needs of the government budget. Accordingly, budget deficit rose by HRK 410m. However, it should be noted here that the budget of government agencies (CH, CR, DAB and CPF) were not effected by the revision. Since individual agencies, CH and CR in particular, earned revenues significantly above the expectations in the first eight months of this year, it can be expected that increased CH and CR revenues (by the end of the year) will suffice to neutralize a formal deficit deepening of HRK 410m. In that regards, a neutral effect of budget revision on budget deficit can be expected at the entire year level.

Finally, a few small details should be noted concerning the internal budget structure. For example, within the revenue side of the budget, the revision caused changes in the structure of tax revenues

as a result of changed relations between value added tax revenues and revenues from taxes on international trade (which was discussed in more detail in the CNB Bulletin No. 83). The planned VAT revenues increased by HRK 2.1bn, whereas revenues from taxes on international trade were reduced by the same amount.

As regards changes on the expenditure side, the largest reduction in the planned expenditures occurred in the Ministry of Finance, approximately by HRK 450m in net terms. Savings on the basis of less paid interests thus amount to HRK 500m (due to exchange rate differences, lower interest rates and decreased needs for borrowing during the year). Furthermore, expenditures for current transfers (decentralization) fell by HRK 200m, while expenditures for asset financing and repayments declined by HRK 340m. In contrast, increased expenditures of the Ministry of Finance refer to the greatest extent to severance pays of the Ministry of Defense. In the Ministry of Public Works, Reconstruction and Construction the planned expenditures were reduced by HRK 160m, while the expenditures of the Ministry of Maritime Affairs, Transport and Communications were reduced by HRK 120m.

The budget beneficiaries who profited the most from the reallocated funds were the Ministry of Defense, Ministry of Agriculture and Forestry, Ministry of the Interior, Ministry of Labor and Social Welfare and HBOR. The planned expenditures of the Ministry of Defense, as a part of the armed forces reform, increased by HRK 760m, of which HRK 460 can be accounted for by severance pays. The remaining HRK 300m can be accounted for by the expenditures for wages, the increase in which results from this year's change in the wage system, leveling the wages of a part of the Ministry of Defense employees with the wages of other public servants (wages of a part of the Ministry of Defense employees did not grow over the past 7 years, which resulted in disproportion relative to other parts of the state apparatus). The planned expenditures of the Ministry of the Interior grew by HRK 245m and those of the Ministry of Labor and Social Welfare grew by HRK 225m. In addition, the most significant increases refer to an increase in the planned expenditures of the Ministry of Agriculture and Forestry for drought recovery programs in the amount of HRK 400m, followed by HRK 100m to HBOR for exports incentives and HRK 75m for organizing parliamentary elections.

Table 13: Domestic Debt of Central Government, end of period, in Million HRK

	Stock				Change	
	Dec. 2001	Dec. 2002 ^a	Mar. 2003	Jun. 2003	Jan. – Jun. 2002	Jan. – Jun. 2003
1. Domestic debt of central government	24,907.3	28,746.7	30,814.2	32,554.8	1,851.9	3,808.0
1.1. Domestic debt of the Republic of Croatia	21,467.9	24,735.0	27,000.1	28,759.7	2,146.7	4,024.7
Treasury bills	4,892.3	5,632.7	5,696.1	5,983.8	886.5	351.1
Money market instruments	7.4	0.1	0.0	0.1	-7.3	0.0
Bonds	15,415.8	16,021.7	17,472.6	17,980.8	217.3	1,959.2
Credits from the CNB	-	0.5	2.0	1.5	-	1.0
Credits from DMBs	1,152.4	3,080.0	3,829.3	4,793.5	1,047.8	1,713.5
1.2. Domestic debt of central government funds	3,439.4	4,011.8	3,814.1	3,795.1	-294.9	-216.7
Money market instruments	-	-	-	-	-	-
Bonds	1,636.1	1,652.2	1,707.7	1,667.0	-10.9	14.8
Credits from DMBs	1,803.3	2,359.6	2,106.4	2,128.1	-283.9	-231.4
Note: Issued guarantees	6,025.6	7,528.1	8,231.6	6,807.7	403.8	-720.4

Source: CNB.

Table 14: External Debt of Central Government, End of period, in Million HRK

	Stock				Change	
	Dec. 2001	Dec. 2002	Mar. 2003	Jun. 2003	Jan. – Jun. 2002	Jan. – Jun. 2003
1. External debt of central government	42,413.4	45,252.1	49,025.3	48,100.0	651.7	2,847.9
1.1. External debt of the Republic of Croatia	39,656.8	41,472.9	45,243.0	44,432.9	1,028.0	2,960.1
Bonds	30,029.0	30,261.1	33,936.6	33,747.4	819.5	3,486.3
Credits	9,627.8	11,211.7	11,306.4	10,685.5	208.5	-526.2
1.2. External debt of central government funds	2,756.7	3,779.2	3,782.2	3,667.1	-376.2	-112.2
Bonds	696.6	1,024.0	1,045.1	1,004.0	-413.3	-20.0
Credits	2,060.0	2,755.3	2,737.2	2,663.1	37.1	-92.2
Note: Issued guarantees	8,548.9	7,786.7	7,683.7	7,741.8	-649.3	-45.0

Source: CNB Bulletin.

Government Debt

According to CNB data, the general government debt (excluding issued government guarantees) amounted to HRK 81.3bn at the end of the second quarter of 2003 or 42.8% of the expected GDP for 2003. At the same time, guarantees issued by the Republic of Croatia amounted to HRK 14.3bn or 7.5% of the expected GDP. In other words, the total general government debt including the potential debt in the form of guarantees stood at HRK 95.6bn or 50.3% of the expected GDP. The trend dynamics of the general government debt in the first quarter of this year was considerably different from that in the second quarter. Having risen considerably in the first quarter (in the net amount), from HRK 74.8bn to HRK 80.5bn, the total debt increased only slightly more, reaching HRK 81.3bn, in the second quarter. There are differences in the structure of the debt increase as the component dominant in the first quarter – foreign borrowing – decreased and was gradually replaced by domestic borrowing accounting for 57% of the total debt increase in the first six months of 2003. In addition, total guarantees issued decreased by a marked HRK 750m in the first six months (following the HRK 460m rise in the first quarter).

At the end of June, the central government accounted for HRK 80.7bn of the total general government debt of HRK 81.3bn. It should be noted that data on the total debt on both

levels include the HBOR debt and that the amount of the local government debt is the only difference between the central government and general government debt.

Central Government Domestic Debt

The central government domestic debt increased by HRK 3.8bn net in the first half of 2003, which is in nominal terms twice the increase recorded in the same period last year. It should be stressed that the debt of central government funds declined by HRK 0.2bn net, whereas the debt of the Republic of Croatia increased by HRK 4.0bn. The largest share in the domestic debt increase was accounted for by borrowing through bond issue (49%) and bank loans (43%). Borrowing by issuing T-bills contributed 9% to the increase in the Republic of Croatia domestic debt.

Central Government External Debt

The central government external debt rose by HRK 2.8bn in net terms in the first six months of 2003, mostly due to borrowing through bond issue (EUR 500m). The proceeds from eurobonds were partly used for the repayment of foreign credits so that the net indebtedness of the Republic of Croatia, on the basis of credits, has been reduced by somewhat more than HRK 0.5bn.

Box 5. The Croatian National Bank and Questionnaire of the European Commission

After the questionnaire of the European Commission was submitted to Croatia on 10 July, the public administration worked hard to prepare answers to some two and a half thousand questions contained in the questionnaire. The answers provided will serve as a basis for the opinion of the Commission on Croatia's application to the EU. Although the Croatian National Bank was not one of the formal bearers of the work involved, a number of central bank services were included in the process. Answers provided by these services concerned those parts of the Questionnaire that covered the economy, in particular areas under the direct responsibility of the Croatian National Bank but also those related to wider economic areas that fell within the wider sphere of responsibility of the Ministry of Finance. Moreover, the coordination between the Ministry of Finance and other competent bodies involved active cooperation between the concerned institutions and not just a mere distribution of the parts of the Questionnaire among them. More precisely, institutions were asked to provide their opinions and give their comments on a number of specific subjects. Although time-consuming and demanding, such cooperation added considerably to the quality of the answers provided.

The answers offered by the CNB covered several areas. These included general economic criteria and the conditions for Croatia's successful participation in the Economic and Monetary Union. Freedom to provide services, in particular financial services, free movement of capital and the banking and financial system were some of the areas covered by the CNB. Questions largely concerned regulatory requirements as well as technical aspects of their implementation. The answers provided by the CNB showed Croatia's monetary policy implementation and its objectives to be fully compliant with the European requirements. In addition, overall institutional and nominal convergence was shown to be high.

CNB's primary objective of price stability, as defined in the Croatian National Bank Act, is in line with the objective of the European Central Bank under the Treaty on European Union. The CNB has successfully achieved its objective over the past ten-year period, through the stability of the exchange rate. The stability of the ex-

change rate is an indirect objective of the country's monetary policy due to high-level euroization and imbalance of foreign currency sub-balances of almost all economic entities in the country and the link between the exchange rate and inflationary expectations. To achieve its objective, the CNB mostly used interventions in the domestic foreign exchange market.

The Croatian central bank has been granted the same level of independence as central banks within the Eurosystem. Some small differences exist only in the area of personal independence of the Governor. There are currently also some departures from the Treaty on European Union concerning the free movement of capital, but this area has been regulated by the Foreign Exchange Act enacted this year, which provides for partial liberalization of capital flows and for full liberalization within four years from the date of the Act's entry into force, or within the terms stipulated by the Stabilization and Association Agreement or until Croatia's accession to the EU.

Nominal convergence is evaluated by means of the level of inflation, long-term interest rates, exchange rate fluctuations, budget deficit and the level of public debt. The average level of inflation in Croatia in the past year equaled European Union average, and was within the limits allowed under the convergence criteria. If high level of nominal convergence and the level of prices in Croatia are taken into consideration, the integration processes and the achievement of EU level of development are not expected to create too strong inflationary pressures. The high level of achieved nominal convergence can be seen in yields on long-term government bonds denominated in kuna, which, since their listing in Quotation I of the Zagreb Stock Exchange in May this year, were on the borderline relative to the convergence criteria. The fluctuations of the exchange rate of the kuna against the euro since this currency's introduction were moderate so the fulfillment of the exchange rate criterion should also not be a problem. The biggest challenge, as regards the fulfillment of the convergence criteria, presently lies with the fiscal adjustment, or the issue of the reduction of consolidated general government budget deficit, while the present level of public debt can be considered acceptable. Moreover, with Croatia's accession to the EU, the country's economic policy will come into focus as an issue of mutual interest so the Republic of Croatia will have to join the processes within the EU for economic policies coordination.

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

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

The financial institutions sector includes the following sub-sectors: monetary authorities (the central bank), deposit money banks (DMBs), other banking institutions and other financial institutions. The central bank is the Croatian National Bank (CNB). Deposit money banks are institutions to which the Croatian National Bank has issued a license to perform banking business services in accordance with the Banking Law, including savings banks during a transition period. Data on DMBs do not include claims and liabilities of banks undergoing bankruptcy proceedings, nor former branches of banks with their headquarters in the former Yugoslavia. Other banking institutions comprise housing savings banks, savings and loan cooperatives and investment funds. Other financial institutions are financial institutions not classified as banks or other banking institutions (for exam-

ple insurance companies, pension funds).

The central government and funds comprise government authorities including the Croatian Roads and Croatian Highways, State Agency for Deposit Insurance and Bank Rehabilitation, and the following central government funds: Croatian Institute for Health Insurance, Croatian Pension Insurance Institute, Croatian Employment Institute, Croatian Privatization Fund, Croatian Waters and Croatian Bank for Reconstruction and Development. Other domestic sectors are local government authorities and local funds, public and private enterprises and households, including craftsmen and non-profit institutions providing services to households. In some tables other domestic sectors are divided into the following sub-sectors: local government (which comprises local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal and natural persons.

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

Table A1: Monetary and Credit Aggregates

End of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth						
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	
1993	December	2,248.9	3,134.4	3,759.2	10,061.1	12,005.7	20,287.9	–	–	–	–	–	–	–
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45	
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88	
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	–5.41	–11.61	
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96	
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25	
1999	December ^a	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	June	22,036.3	28,254.4	28,792.8	106,593.3	69,213.8	85,013.2	4.98	5.76	5.64	0.14	1.13	1.22	
	July	21,309.5	28,947.0	29,480.3	109,733.8	71,437.7	87,472.7	–3.30	2.45	2.39	2.95	3.21	2.89	
	August	21,706.3	29,502.1	30,155.7	113,036.5	72,714.9	89,091.9	1.86	1.92	2.29	3.01	1.79	1.85	
	September	20,871.2	28,913.6	30,043.0	113,275.2	73,340.9	91,165.6	–3.85	–1.99	–0.37	0.21	0.86	2.33	
	October	20,319.8	29,090.4	29,899.1	114,826.3	76,709.3	94,581.1	–2.64	0.61	–0.48	1.37	4.59	3.75	
	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	

^a Domestic credit decreased by a one-off HRK 2,759.4m.

Table A1: Monetary and Credit Aggregates

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

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

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

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

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

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

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

Table B1: Monetary Survey

End of period, million kuna

	1998	1999	2000	2001	2002	2003.			
	Dec.	Dec. ^a	Dec.	Dec. ^b	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS									
1. Foreign assets (net)	12,713.5	16,655.5	29,017.2	48,661.3	32,817.4	32,838.0	30,297.6	31,096.7	34,528.6
2. Domestic credit	66,923.1	65,938.6	72,051.4	87,637.6	112,518.9	117,269.0	119,500.8	123,792.9	122,557.4
2.1. Claims on central government and funds (net)	7,131.1	10,062.8	11,167.6	12,673.1	15,055.2	14,563.0	15,435.2	16,970.0	15,795.6
2.2. Claims on other domestic sectors	59,597.7	55,676.4	60,653.4	74,513.0	96,329.0	101,128.3	102,711.2	104,529.5	104,561.9
2.3. Claims on other banking institutions	0.4	45.4	68.7	170.2	219.5	214.0	209.2	396.4	249.9
2.4. Claims on other financial institutions	193.9	154.0	161.7	281.4	915.3	1,363.7	1,145.2	1,896.9	1,949.9
Total (1+2)	79,636.5	82,594.1	101,068.7	136,298.9	145,336.3	150,107.0	149,798.4	154,889.6	157,086.0
LIABILITIES									
1. Money	13,531.4	13,858.9	18,030.3	23,703.5	30,869.8	29,512.2	32,828.3	34,381.5	34,044.3
2. Savings and time deposits	5,683.8	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	17,712.6	18,590.2
3. Foreign currency deposits	37,970.9	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	72,515.8	73,830.7
4. Bonds and money market instruments	154.1	436.8	478.2	317.8	216.3	153.7	263.0	413.3	514.6
5. Restricted and blocked deposits	4,315.2	3,814.7	2,864.5	1,926.2	1,729.5	1,812.6	1,873.8	1,734.6	1,742.9
o/w: Households' blocked f/c deposits	3,419.1	2,742.7	1,695.1	770.2	319.3	257.5	242.3	181.8	178.2
6. Other items (net)	17,981.1	22,120.0	25,143.1	28,301.4	27,465.1	29,503.2	27,903.1	28,131.7	28,363.4
Total (1+2+3+4+5+6)	79,636.5	82,594.1	101,068.7	136,298.9	145,336.3	150,107.0	149,798.4	154,889.6	157,086.0

^a 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)".

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

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting DMBs	Reporting DMBs classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1993	December	43	16	12	7	4	2	2	0	0	0	0
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	June	49	7	14	8	6	11	3	12	2	8	2
	July	47	7	13	8	6	10	3	11	3	6	2
	August	47	7	13	7	7	10	3	11	3	6	2
	September	47	7	12	6	9	10	3	11	3	6	2
	October	47	7	12	6	9	10	3	11	3	6	2
	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

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

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

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

tions, 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 Law by 31 December 2006.

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

Table C1: Monetary Authorities Accounts

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS									
1. Foreign assets	17,592.5	23,135.7	28,747.4	39,308.9	42,058.8	44,479.0	44,520.5	43,919.4	45,277.0
1.1. Gold	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	1,444.4	1,449.2	1,204.2	905.8	17.4	10.2	8.3	8.3	6.9
1.3. Reserve position in the IMF	1.0	1.6	1.8	1.8	1.6	1.7	1.6	1.6	1.6
1.4. Currency and demand deposits with foreign banks	342.0	1,109.6	7.4	6.1	6.4	5.9	1,370.7	22.8	6.1
1.5. Time deposits with foreign banks	11,696.6	17,702.4	20,986.9	25,565.9	28,183.2	25,243.7	18,423.8	18,694.4	20,406.8
1.6. Securities in f/c	4,107.2	2,871.6	6,545.7	12,829.3	13,850.0	19,217.5	24,716.2	25,192.3	24,855.5
1.7. Nonconvertible foreign exchange	1.4	1.3	1.3	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	0.5	2.6
2.1. Claims in kuna	–	24.1	0.0	–	0.5	2.0	1.5	0.5	2.6
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	1.0	276.8	289.5	229.2	110.6	110.5	102.4	102.4	100.8
4. Claims on DMBs	1,053.8	1,138.7	329.9	18.5	17.9	14.1	13.7	13.8	13.8
4.1. Credits to DMBs	1,044.4	1,125.3	313.6	–	–	–	–	–	–
Lombard credits	252.3	176.7	–	–	–	–	–	–	–
Short-term liquidity credits	–	929.0	–	–	–	–	–	–	–
Other credits	333.0	19.7	14.0	–	–	–	–	–	–
CNB bills under repurchase agreement	459.2	–	299.6	–	–	–	–	–	–
4.2. CNB deposits with DMBs	9.3	13.4	15.2	16.6	17.6	13.8	13.7	13.8	13.8
4.3. Overdue claims	0.0	0.0	1.1	1.9	0.3	0.3	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	18,647.3	24,575.3	29,366.8	39,556.6	42,187.7	44,605.6	44,638.0	44,036.1	45,394.1
LIABILITIES									
1. Reserve money	9,954.2	10,310.0	11,717.3	17,803.2	23,027.9	21,883.5	24,264.7	25,064.8	25,854.2
1.1. Currency outside banks	5,718.8	5,958.9	6,636.7	8,507.4	9,680.9	9,526.1	10,637.2	11,294.2	11,320.6
1.2. DMBs' cash in vaults	251.4	382.1	532.3	538.8	1,214.8	1,624.7	1,548.5	1,553.5	1,516.1
1.3. DMBs' deposits	3,980.2	3,960.4	4,540.7	8,741.5	12,109.4	10,719.2	12,075.5	12,212.9	12,993.0
Settlement accounts	467.5	247.9	459.5	2,450.1	3,923.4	2,132.0	3,097.3	3,031.7	3,157.2
Statutory reserves	3,512.7	3,712.5	4,081.2	6,291.4	8,186.0	8,587.2	8,951.5	9,095.5	9,750.0
CNB bills on obligatory basis	–	–	–	–	–	–	26.7	85.8	85.8
1.4. Deposits of other banking institutions	2.4	8.5	7.5	15.5	19.1	4.2	1.5	1.6	1.2
1.5. Deposits of other domestic sectors ^b	1.3	–	0.0	0.1	3.5	9.2	1.8	2.6	23.3
2. Restricted and blocked deposits	1,787.6	5,016.8	5,805.5	6,030.5	7,091.2	7,589.1	7,998.5	7,896.8	8,327.7
2.1. Statutory reserve in f/c	1,668.4	4,636.2	5,490.5	5,705.1	7,042.3	7,562.5	7,983.0	7,880.7	8,310.4
2.2. Restricted deposits	119.1	380.6	315.0	325.4	49.0	26.6	15.5	16.1	17.3
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,465.4	1,671.2	1,630.8	1,597.5	195.7	1,134.2	868.0	1,423.7	1,142.9
3.1. Use of IMF credit	1,461.3	1,501.7	1,290.3	1,025.5	2.8	–	–	–	–
3.2. Liabilities to international organizations	4.1	6.8	9.5	12.2	12.6	13.2	16.3	16.3	16.6
3.3. Liabilities to foreign banks ^a	–	162.7	331.0	559.8	180.2	1,121.0	851.7	1,407.4	1,126.3
4. Central government and funds deposits	434.8	397.2	1,157.4	1,752.1	768.1	2,858.9	2,555.9	1,051.2	1,330.9
4.1. Demand deposits	390.2	394.2	1,008.5	1,752.1	608.3	649.9	750.1	536.1	816.8
Central government demand deposits	291.0	388.0	980.8	1,564.8	569.5	648.1	742.1	535.9	813.5
Central government funds demand deposits	99.3	6.2	27.7	187.3	38.7	1.8	7.9	0.3	3.3
4.2. Central government f/c deposits	–	0.0	–	–	–	2,094.3	1,741.0	515.1	514.1
4.3. CNB bills	44.6	2.9	148.8	–	159.9	114.8	64.9	–	–
5. CNB bills	2,242.9	2,887.2	4,207.3	6,372.3	6,212.4	5,279.0	4,229.4	3,834.4	3,956.6
5.1. CNB bills in kuna	830.7	1,252.5	2,394.6	3,458.9	4,986.2	3,871.4	2,659.9	2,174.2	1,134.8
5.2. CNB bills in f/c	1,412.2	1,634.7	1,812.7	2,913.4	1,226.3	1,407.6	1,569.5	1,660.2	2,821.8
6. Capital accounts	2,898.2	4,535.5	5,216.6	6,425.2	5,353.5	6,328.8	5,194.0	5,236.2	5,251.1
7. Other items (net)	–135.8	–242.4	–368.1	–424.2	–461.1	–467.9	–472.4	–471.1	–469.3
Total (1+2+3+4+5+6+7)	18,647.3	24,575.3	29,366.8	39,556.6	42,187.7	44,605.6	44,638.0	44,036.1	45,394.1

^a Since October 2001, Liabilities to foreign banks include also liabilities based on CNB bills subscribed by nonresidents.^b 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 from the sub-sector other banking institutions to the sub-sector banks. The whole data series has been revised accordingly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table D1: Deposit Money Banks' Accounts

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS									
1. Reserves with the CNB	5,908.1	8,987.9	10,588.9	15,002.7	20,373.5	19,993.5	21,492.5	21,697.4	22,885.4
1.1. In kuna	4,239.7	4,352.6	5,098.4	9,306.2	13,340.0	12,438.6	13,516.3	13,823.8	14,581.8
1.2. In f/c	1,668.4	4,635.3	5,490.5	5,696.5	7,033.5	7,554.8	7,976.2	7,873.7	8,303.6
2. Foreign assets	12,763.1	12,400.1	19,710.4	32,807.6	25,977.8	26,950.7	27,100.6	29,371.6	29,282.8
3. Claims on central government and funds	14,864.2	16,264.4	19,055.5	20,059.9	21,917.7	22,935.5	23,243.1	23,218.6	22,273.3
3.1. Bonds arising from blocked f/c deposits	5,802.3	5,419.9	4,484.4	3,420.1	2,473.5	2,047.2	1,999.5	1,514.1	1,495.9
3.2. Big bonds	2,103.1	1,321.8	1,475.7	1,659.4	1,699.1	1,725.0	1,702.1	1,705.2	1,711.1
3.3. Other claims	6,958.8	9,522.8	13,095.3	14,980.4	17,745.2	19,163.3	19,541.6	19,999.3	19,066.3
4. Claims on other domestic sectors	59,596.7	55,399.7	60,363.9	74,283.8	96,218.4	101,017.8	102,608.8	104,427.1	104,461.2
4.1. Claims on local government and funds	654.0	905.6	1,174.9	1,280.0	1,422.4	1,307.4	1,278.7	1,271.7	1,243.3
4.2. Claims on enterprises	41,225.5	35,244.3	35,890.7	42,882.0	51,723.4	53,023.3	52,020.7	52,443.3	52,451.8
4.3. Claims on households	17,717.2	19,249.8	23,298.3	30,121.9	43,072.6	46,687.1	49,309.4	50,712.1	50,766.1
5. Claims on other banking institutions	0.4	45.4	68.7	170.2	219.5	214.0	209.2	396.4	249.9
6. Claims on other financial institutions	193.9	154.0	161.7	281.4	915.3	1,363.7	1,145.2	1,896.9	1,949.9
Total (1+2+3+4+5+6)	93,326.4	93,251.5	109,949.1	142,605.6	165,622.2	172,475.1	175,799.5	181,008.1	181,102.5
LIABILITIES									
1. Demand deposits	7,808.9	7,891.5	11,386.0	15,180.6	21,166.2	19,972.7	22,187.7	23,083.1	22,699.1
2. Savings and time deposits	5,683.8	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	17,712.6	18,590.2
3. Foreign currency deposits	37,970.9	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	72,515.8	73,830.7
4. Bonds and money market instruments	154.1	436.8	478.2	317.8	216.3	153.7	263.0	413.3	514.6
5. Foreign liabilities	16,176.8	17,209.1	17,809.7	21,857.8	35,023.5	37,457.5	40,455.6	40,770.6	38,888.3
6. Central government and funds' deposits	7,298.3	5,828.6	6,730.5	5,634.7	6,094.9	5,515.5	5,253.5	5,197.8	5,149.3
7. Credit from central bank	1,049.2	1,138.7	328.8	16.6	17.6	13.8	13.7	13.8	13.8
8. Restricted and blocked deposits	4,196.0	3,434.2	2,549.6	1,600.8	1,680.5	1,785.9	1,858.3	1,718.5	1,725.6
o/w: Households' blocked f/c deposits	3,419.1	2,742.7	1,695.1	770.2	319.3	257.5	242.3	181.8	178.2
9. Capital accounts	19,785.6	21,975.4	24,953.1	25,455.1	26,323.2	26,526.4	26,120.3	26,458.1	26,640.9
10. Other items (net)	-6,797.2	-7,026.4	-8,839.4	-9,507.8	-9,955.6	-8,075.7	-7,282.8	-6,875.6	-6,949.9
Total (1+2+3+4+5+6+7+8+9+10)	93,326.4	93,251.5	109,949.1	142,605.6	165,622.2	172,475.1	175,799.5	181,008.1	181,102.5

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

Table D1: Deposit Money Banks' Accounts

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

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

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

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

Claims on other domestic sectors include the following claims in

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

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

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

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

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

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

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

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

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

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

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

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

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

Tables: D2-D12

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

Table D2: Deposit Money Banks' Foreign Assets

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Foreign assets in f/c	12,743.4	12,352.8	19,619.2	32,763.6	25,924.4	26,879.1	26,948.4	29,262.7	29,026.3
1.1. Claims on foreign banks	11,980.5	11,598.5	19,154.9	31,660.3	21,333.5	23,598.3	23,785.5	25,778.7	25,587.5
Foreign currencies	586.9	886.7	1,002.8	7,324.7	1,019.8	853.0	1,270.7	1,319.4	1,233.1
Demand deposits	6,228.6	1,498.5	995.0	1,231.9	757.7	1,611.7	1,050.3	910.6	992.6
Time and notice deposits	4,637.1	8,509.4	16,286.7	21,765.2	17,569.8	18,477.0	19,349.9	21,483.4	21,293.5
Securities	51.1	–	454.9	1,008.5	1,690.2	2,330.3	1,845.2	1,764.8	1,754.1
Loans and advances	343.4	569.8	370.9	290.3	278.7	308.5	252.0	283.0	296.9
Shares and participations	133.5	134.1	44.6	39.7	17.2	17.8	17.4	17.5	17.2
1.2. Claims on foreign nonbanks	762.9	754.3	464.3	1,103.3	4,590.8	3,280.8	3,162.9	3,484.0	3,438.9
Claims on foreign governments	–	399.9	137.8	596.2	3,855.5	2,764.0	2,708.0	3,003.1	2,957.9
Claims on other nonresidents	583.9	350.4	322.4	505.5	733.7	515.2	454.6	480.5	480.5
Securities	3.7	4.5	–	72.1	191.3	40.3	36.7	36.0	37.1
Loans and advances	580.2	345.9	322.4	433.4	542.4	474.9	417.9	444.5	443.5
Shares and participations	179.0	4.0	4.1	1.6	1.6	1.6	0.3	0.3	0.4
2. Foreign assets in kuna	19.7	47.3	91.2	44.1	53.4	71.7	152.2	108.9	256.5
2.1. Claims on foreign banks	3.1	16.6	66.1	29.2	19.6	19.3	130.2	87.4	235.1
2.2. Claims on foreign nonbanks	16.6	30.6	25.1	14.8	33.8	52.4	22.1	21.5	21.3
o/w: Loans and advances	16.6	29.6	23.3	13.9	33.0	51.6	21.3	20.7	20.5
Total (1+2)	12,763.1	12,400.1	19,710.4	32,807.6	25,977.8	26,950.7	27,100.6	29,371.6	29,282.8

Table D2: Deposit Money Banks' Foreign Assets

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

Foreign assets of DMBs' comprise foreign assets in kuna and foreign currency.

Claims on foreign banks and Claims on foreign nonbanks (total and by financial instruments) are shown separately within both foreign as-

sets in kuna and in foreign currency.

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

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

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Bonds (c'part to blocked f/c savings deposits)	5,802.3	5,419.9	4,484.4	3,420.1	2,473.5	2,047.2	1,999.5	1,514.1	1,495.9
2. Big bonds	2,103.1	1,321.8	1,475.7	1,659.4	1,699.1	1,725.0	1,702.1	1,705.2	1,711.1
3. Other claims	6,958.8	9,522.8	13,095.3	14,980.4	17,745.2	19,163.3	19,541.6	19,999.3	19,066.3
3.1. In kuna	5,066.1	8,564.0	11,412.0	12,699.2	14,271.8	15,452.9	15,723.3	16,007.8	14,869.8
3.1.1. Claims on central government	4,614.1	7,831.3	9,812.6	11,150.7	12,270.8	13,605.5	13,810.0	13,715.9	12,554.5
Securities	4,426.9	6,897.3	8,587.8	10,323.7	9,816.5	10,506.7	10,106.0	9,906.7	9,563.2
Loans and advances	187.2	934.0	1,224.9	826.9	2,454.3	3,098.8	3,704.1	3,809.2	2,991.3
3.1.2. Claims on central government funds	452.0	732.7	1,599.4	1,548.5	2,001.0	1,847.4	1,913.2	2,291.9	2,315.3
Securities	–	–	627.3	560.1	560.7	641.7	654.7	641.2	670.6
Loans and advances	452.0	732.7	972.1	988.4	1,440.3	1,205.7	1,258.5	1,650.7	1,644.7
3.2. In f/c	1,892.7	958.8	1,683.3	2,281.2	3,473.3	3,710.4	3,818.3	3,991.5	4,196.5
3.2.1. Claims on central government	1,879.5	921.4	1,492.7	1,390.9	2,359.1	2,591.3	2,777.2	2,943.7	3,179.6
Bonds	1,182.2	518.1	869.2	1,065.5	1,733.4	1,860.8	1,687.8	1,637.5	1,865.2
Loans and advances	697.3	403.3	623.5	325.5	625.7	730.5	1,089.4	1,306.2	1,314.4
3.2.2. Claims on central government funds	13.2	37.4	190.6	890.3	1,114.2	1,119.0	1,041.1	1,047.8	1,016.9
Securities	0.2	27.6	35.0	75.4	195.0	218.4	171.4	187.9	174.9
Loans and advances	13.0	9.8	155.5	814.8	919.2	900.7	869.6	859.9	842.0
Total (1+2+3)	14,864.2	16,264.4	19,055.5	20,059.9	21,917.7	22,935.5	23,243.1	23,218.6	22,273.3

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

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

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

Big bonds are those issued in accordance with the Law on the Issue

of Bonds for the Restructuring of the Economy of the Republic of Croatia.

Other claims are all other DMBs' kuna and foreign currency claims on central government and funds: securities, loans and equities.

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

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

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Claims in kuna	50,509.7	48,336.4	53,739.5	66,626.8	85,418.7	90,821.9	92,714.2	94,748.2	94,584.2
1.1. Money market instruments	101.8	365.7	231.9	544.7	1,394.7	1,483.2	1,503.7	1,486.8	1,509.7
1.2. Bonds	0.7	0.0	1.0	7.7	72.4	60.5	78.2	68.0	70.8
1.3. Loans and advances	45,956.0	44,505.1	49,566.8	62,180.6	80,887.6	86,206.8	88,190.3	90,191.1	89,995.6
1.4. Shares and participations	4,451.3	3,465.5	3,939.8	3,893.8	3,064.0	3,071.3	2,942.0	3,002.3	3,008.2
2. Claims in f/c	9,087.0	7,063.3	6,624.3	7,657.0	10,799.8	10,195.9	9,894.6	9,679.0	9,876.9
2.1. Securities	0.6	74.9	112.4	126.6	243.2	197.3	276.2	303.9	298.5
2.2. Loans and advances	9,086.3	6,988.5	6,512.0	7,530.5	10,556.6	9,998.7	9,618.4	9,375.1	9,578.4
Total (1+2)	59,596.7	55,399.7	60,363.9	74,283.8	96,218.4	101,017.8	102,608.8	104,427.1	104,461.2

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

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

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

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

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

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

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
LOANS IN KUNA									
1. Loans to central government and funds	633.2	1,666.6	2,196.9	1,815.4	3,894.6	4,304.5	4,962.6	5,459.9	4,636.0
1.1. Loans to central government	181.9	934.0	1,224.9	826.9	2,454.3	3,098.8	3,704.1	3,809.2	2,991.3
1.2. Loans to central government funds	451.3	732.7	972.1	988.4	1,440.3	1,205.7	1,258.5	1,650.7	1,644.7
2. Loans to local governments and funds	623.5	785.7	996.8	1,069.1	1,202.9	1,177.7	1,190.4	1,193.8	1,169.6
3. Loans to enterprises	27,660.0	24,533.4	25,328.0	31,049.4	36,708.1	38,437.9	37,791.1	38,387.5	38,163.0
4. Loans to households	17,672.5	19,186.1	23,242.1	30,062.1	42,976.6	46,591.3	49,208.8	50,609.8	50,663.0
o/w: Housing loans	....	7,469.5	8,257.8	9,450.0	12,363.4	13,604.9	14,432.0	14,914.5	14,990.3
5. Loans to other banking institutions	0.4	31.3	33.5	34.7	17.6	18.5	21.1	133.5	44.1
6. Loans to other financial institutions	114.2	138.6	105.5	240.9	521.3	827.2	815.3	1,571.1	1,591.3
A. Total (1+2+3+4+5+6)	46,703.7	46,341.6	51,902.8	64,271.6	85,321.1	91,357.0	93,989.2	97,355.5	96,267.0
LOANS IN F/C									
1. Loans to central government and funds	637.4	413.1	779.1	1,140.3	1,544.9	1,631.2	1,959.0	2,166.2	2,156.4
1.1. Loans to central government	624.5	403.3	623.5	325.5	625.7	730.5	1,089.4	1,306.2	1,314.4
1.2. Loans to central government funds	13.0	9.8	155.5	814.8	919.2	900.7	869.6	859.9	842.0
2. Loans to local governments and funds	30.5	118.7	171.6	179.1	152.3	55.1	55.4	48.1	47.9
3. Loans to enterprises	9,009.8	6,806.1	6,284.0	7,291.7	10,308.3	9,847.7	9,462.3	9,224.6	9,427.4
4. Loans to households	46.0	63.7	56.3	59.7	96.0	95.8	100.6	102.3	103.1
5. Loans to other banking institutions	-	1.7	-	-	1.2	-	7.5	70.6	25.6
6. Loans to other financial institutions	-	-	-	-	28.3	105.8	50.4	43.8	75.5
B. Total (1+2+3+4+5+6)	9,723.8	7,403.2	7,291.0	8,670.7	12,131.0	11,735.6	11,635.4	11,655.6	11,835.8
TOTAL (A+B)	56,427.5	53,744.9	59,193.9	72,942.3	97,452.1	103,092.6	105,624.5	109,011.1	108,102.8

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

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' loans amounted to 4,463.3 million kuna. Data for June 1999 are comparable with data for July 1999 if total loans in kuna are increased by 2,972.6 million kuna, and total loans in f/c are increased by 840.9 million kuna.

Table D6: Demand Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Local governments and funds	514.3	314.7	573.6	907.0	1,910.4	1,867.3	1,995.5	2,070.6	2,077.9
2. Enterprises	4,794.2	4,695.6	7,087.1	8,981.6	12,344.5	10,982.9	12,301.5	12,685.4	12,205.1
3. Households	2,492.2	2,686.5	3,499.7	4,872.0	6,307.4	6,594.0	7,379.5	7,752.8	7,880.0
4. Other banking institutions	-	6.9	11.6	17.0	42.1	86.6	30.2	53.6	62.1
5. Other financial institutions	190.0	190.0	221.7	407.1	568.1	443.9	485.1	524.0	478.7
6. Less: Checks of other banks and checks in collection	-181.8	-2.2	-7.6	-4.2	-6.4	-2.1	-4.0	-3.2	-4.7
Total (1+2+3+4+5+6)	7,808.9	7,891.5	11,386.0	15,180.6	21,166.2	19,972.7	22,187.7	23,083.1	22,699.1

Table D6: Demand Deposits with Deposit Money Banks

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

Demand deposits are the sum of other domestic sectors', other banking institutions' and other financial institutions' giro and current accounts balances, minus currency in the payment system (i.e. amount

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

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

Table D7: Time and Savings Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Savings deposits	1,117.5	1,371.4	1,676.1	2,006.8	2,236.2	2,212.5	2,349.4	2,382.5	2,449.8
1.1. Local governments and funds	–	91.7	137.6	118.3	14.8	15.1	17.0	15.5	13.7
1.2. Enterprises	–	92.1	142.4	88.0	213.3	124.9	140.9	125.1	190.6
1.3. Households	1,117.5	1,167.3	1,348.3	1,712.2	1,996.3	2,061.9	2,129.8	2,215.5	2,216.1
1.4. Other banking institutions	–	2.6	0.6	20.8	0.0	0.0	0.0	0.0	0.0
1.5. Other financial institutions	–	17.8	47.2	67.5	11.8	10.5	61.7	26.4	29.5
2. Time and notice deposits	4,566.3	4,026.2	5,975.0	8,206.3	10,764.9	12,844.3	13,476.5	15,330.1	16,140.3
2.1. Local governments and funds	185.3	176.1	230.7	340.7	482.8	684.5	653.9	659.9	660.5
2.2. Enterprises	1,569.2	1,417.0	2,871.4	3,618.3	4,633.6	5,620.2	6,095.8	6,698.8	7,426.5
2.3. Households	1,998.7	1,531.7	1,789.8	2,554.1	3,793.8	4,451.6	4,908.1	5,206.9	5,296.3
2.4. Other banking institutions	–	33.5	20.8	24.7	58.4	75.3	132.8	165.4	155.3
2.5. Other financial institutions	813.1	867.8	1,062.2	1,668.5	1,796.3	2,012.6	1,685.9	2,599.1	2,601.7
Total (1+2)	5,683.8	5,397.5	7,651.1	10,213.1	13,001.1	15,056.8	15,825.9	17,712.6	18,590.2

Table D7: Time and Savings Deposits with Deposit Money Banks

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

In May 1999, bankruptcy proceedings have been initiated against

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

Table D8: Foreign Currency Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Savings deposits	12,140.3	12,228.1	14,566.3	23,748.8	21,074.4	21,649.3	20,835.2	21,528.2	22,123.6
1.1. Local governments and funds	19.5	29.5	16.8	13.2	12.2	12.9	13.3	13.8	13.7
1.2. Enterprises	2,091.9	1,842.6	2,408.0	2,884.2	3,346.7	3,703.9	3,473.3	3,920.9	4,037.8
1.3. Households	9,976.4	10,256.6	12,041.5	20,688.3	17,537.3	17,785.4	17,232.4	17,484.7	17,939.1
1.4. Other banking institutions	–	6.4	10.3	23.9	34.7	6.7	2.6	6.7	3.6
1.5. Other financial institutions	52.5	93.0	89.8	139.2	143.5	140.4	113.6	102.2	129.4
2. Time deposits	25,830.6	24,737.9	32,335.3	48,088.1	50,980.3	52,419.3	50,269.1	50,987.6	51,707.1
2.1. Local governments and funds	–	15.5	8.2	1.7	9.5	6.8	5.0	4.5	4.5
2.2. Enterprises	1,579.4	1,442.3	2,753.1	4,619.1	6,009.6	5,868.3	5,186.9	5,204.7	5,760.7
2.3. Households	23,994.7	22,957.7	29,097.2	42,705.4	44,159.2	45,894.9	44,479.1	45,251.0	45,405.4
2.4. Other banking institutions	–	2.5	4.2	11.5	41.5	2.8	20.5	21.8	6.9
2.5. Other financial institutions	256.5	320.0	472.7	750.3	760.5	646.5	577.6	505.7	529.7
Total (1+2)	37,970.9	36,966.0	46,901.6	71,836.9	72,054.6	74,068.6	71,104.3	72,515.8	73,830.7

Table D8: Foreign Currency Deposits with Deposit Money Banks

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

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

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

Table D9: Bonds and Money Market Instruments

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Money market instruments (net)	4.5	1.4	–	–	5.1	0.2	–	–	–
2. Bonds (net)	24.1	384.1	353.5	104.4	92.8	62.5	138.9	152.5	148.9
3. Other domestic borrowing	125.6	51.2	124.7	213.4	118.4	91.0	124.2	260.8	365.7
3.1. Local governments and funds	0.0	–	–	–	–	–	0.8	0.8	0.8
3.2. Enterprises	22.5	13.7	15.2	158.1	46.3	44.0	43.6	42.0	42.0
3.3. Other banking institutions	54.2	15.7	1.3	4.6	10.0	8.5	24.3	52.0	25.3
3.4. Other financial institutions	48.9	21.8	108.2	50.7	62.0	38.5	55.5	166.0	297.6
Total (1+2+3)	154.1	436.8	478.2	317.8	216.3	153.7	263.0	413.3	514.6

Table D9: Bonds and Money Market Instruments

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

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

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

ments, excluding those purchased by foreign investors.

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

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

Table D10: Deposit Money Banks' Foreign Liabilities

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	15,878.2	17,066.0	17,669.8	21,692.7	34,198.5	36,276.5	37,421.8	37,273.8	36,745.7
1.1. Liabilities to foreign banks	10,557.0	11,525.4	11,957.6	16,407.4	28,662.3	30,461.5	31,635.5	31,528.0	30,809.1
Demand deposits	242.3	157.1	176.3	147.1	130.9	100.8	118.0	125.9	107.4
Time and notice deposits	411.5	1,267.0	345.9	1,208.3	9,002.9	9,621.7	11,003.4	11,313.0	10,863.9
Loans and advances	9,903.2	10,101.2	11,435.4	15,052.1	19,528.5	20,739.0	20,514.1	20,089.2	19,837.8
1.2. Liabilities to foreign nonbanks	5,321.2	5,540.7	5,712.2	5,285.2	5,536.2	5,815.1	5,786.4	5,745.8	5,936.6
Savings and time deposits	2,892.6	2,545.9	2,868.1	3,777.8	4,160.2	4,359.0	4,477.5	4,471.4	4,662.5
Sight deposits	620.5	754.0	745.5	873.7	875.6	938.6	855.7	888.2	949.0
Time and notice deposits	2,272.1	1,791.9	2,122.6	2,904.1	3,284.6	3,420.4	3,621.8	3,583.3	3,713.5
Loans and advances	2,428.6	2,994.8	2,844.1	1,507.4	1,376.0	1,456.0	1,308.8	1,274.3	1,274.1
2. Foreign liabilities in kuna	298.6	143.1	140.0	165.1	825.0	1,180.9	3,033.8	3,496.8	2,142.6
2.1. Liabilities to foreign banks	156.3	65.0	37.0	46.9	690.9	845.6	2,707.5	3,165.6	1,717.7
Demand deposits	70.5	52.6	14.4	38.2	53.6	225.8	64.4	170.4	91.7
Time and notice deposits	85.8	11.7	22.0	4.2	635.8	618.4	2,003.7	1,444.3	92.3
Loans and advances	–	0.7	0.7	4.5	1.5	1.5	639.4	1,550.9	1,533.8
2.2. Liabilities to foreign nonbanks	142.3	78.1	103.0	118.2	134.1	335.3	326.3	331.2	424.9
Demand deposits	41.0	42.1	50.8	60.1	56.2	54.0	67.0	72.6	110.2
Time and notice deposits	96.1	35.9	52.2	58.1	77.9	281.4	259.3	258.6	314.7
Loans and advances	5.2	0.1	–	–	–	–	–	–	–
Total (1+2)	16,176.8	17,209.1	17,809.7	21,857.8	35,023.5	37,457.5	40,455.6	40,770.6	38,888.3

Table D10: Deposit Money Banks' Foreign Liabilities

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

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

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

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

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

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

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. In kuna	3,033.3	3,269.6	3,073.3	3,335.1	4,036.8	3,805.2	3,748.8	3,722.1	3,664.9
1.1. Central government deposits	130.1	330.9	430.0	295.9	634.3	459.1	420.8	429.9	342.5
Demand deposits	4.5	74.7	116.7	33.9	476.4	265.4	287.9	300.1	250.1
Savings deposits	–	15.9	26.1	41.6	3.3	24.9	18.3	16.3	16.0
Time and notice deposits	100.4	202.3	259.5	217.6	153.6	167.7	113.6	112.4	75.4
Loans and advances	25.2	38.1	27.7	2.8	1.1	1.1	1.1	1.1	1.1
1.2. Central government funds' deposits	2,903.2	2,938.8	2,643.3	3,039.2	3,402.5	3,346.1	3,327.9	3,292.2	3,322.4
Demand deposits	83.0	40.6	116.9	214.6	553.2	383.7	381.8	354.4	317.2
Savings deposits	–	4.5	15.2	10.8	0.0	0.0	0.1	0.8	0.0
Time and notice deposits	33.9	57.2	32.6	195.2	144.3	173.7	196.7	197.5	186.9
Loans and advances	2,786.4	2,836.5	2,478.6	2,618.6	2,705.0	2,788.7	2,749.4	2,739.5	2,818.4
2. In f/c	4,265.0	2,559.0	3,657.1	2,299.6	2,058.1	1,710.3	1,504.7	1,475.7	1,484.4
2.1. Central government deposits	4,249.5	2,497.6	3,622.6	2,275.0	1,938.9	1,522.4	1,417.0	1,415.0	1,406.3
Savings deposits	83.2	59.1	1,256.1	329.8	263.0	265.5	263.4	381.1	334.3
Time and notice deposits	0.1	10.5	27.0	55.8	293.1	4.7	4.6	0.1	–
Refinanced loans and advances	4,166.2	2,428.0	2,339.4	1,889.5	1,382.8	1,252.2	1,148.9	1,033.8	1,072.1
2.2. Central government funds' deposits	15.5	61.4	34.6	24.5	119.2	188.0	87.7	60.7	78.1
Savings deposits	8.0	55.2	25.0	22.9	114.1	177.7	79.5	51.6	72.1
Time and notice deposits	7.5	6.1	9.5	1.6	5.0	10.3	8.3	9.1	6.0
Total (1+2)	7,298.3	5,828.6	6,730.5	5,634.7	6,094.9	5,515.5	5,253.5	5,197.8	5,149.3

^a Refinanced loans and advances decreased by a one-off HRK 2,759.4m.

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

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

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

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

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

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
1. Restricted deposits	700.6	691.4	854.4	830.6	1,361.2	1,528.4	1,616.0	1,536.7	1,547.4
1.1. In kuna	202.5	81.8	131.6	100.3	789.6	750.5	814.2	802.4	790.0
1.2. In f/c	498.0	609.7	722.8	730.3	571.6	777.9	801.8	734.3	757.4
2. Blocked f/c deposits	3,495.5	2,742.7	1,695.1	770.2	319.3	257.5	242.3	181.8	178.2
2.1. Central government	74.0	–	–	–	–	–	–	–	–
2.2. Enterprises	2.4	–	–	–	–	–	–	–	–
2.3. Households	3,419.1	2,742.7	1,695.1	770.2	319.3	257.5	242.3	181.8	178.2
Total (1+2)	4,196.0	3,434.2	2,549.6	1,600.8	1,680.5	1,785.9	1,858.3	1,718.5	1,725.6

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

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

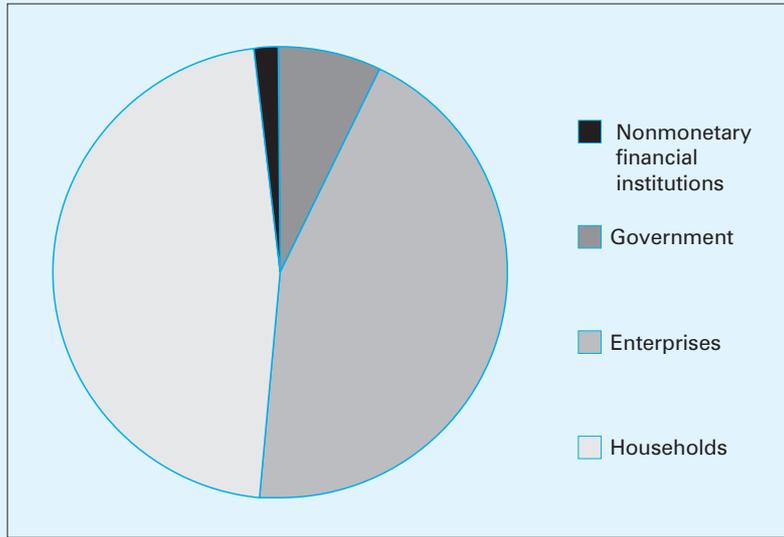
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

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

Figure D1

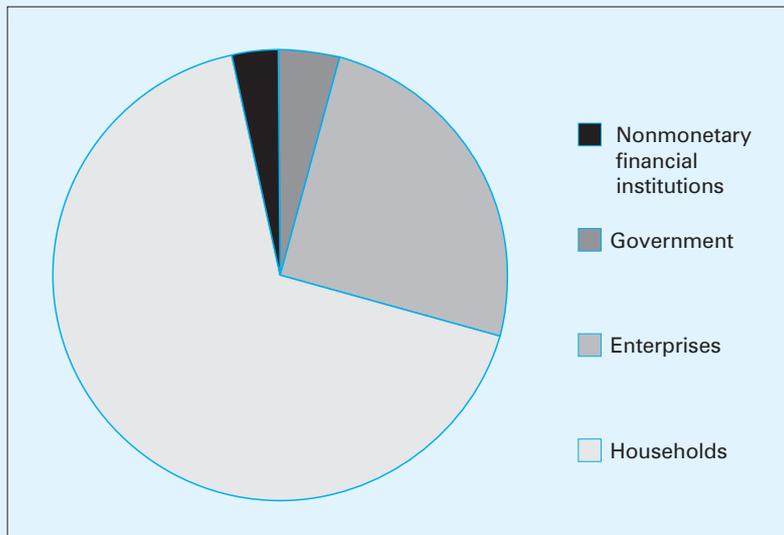
**DISTRIBUTION OF DEPOSIT MONEY BANKS' LOANS
BY DOMESTIC INSTITUTIONAL SECTORS**



August 2003

Figure D2

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



August 2003

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

Table E1: Housing Savings Banks' Accounts

End of Period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Jul.	Aug.
ASSETS									
1. Reserves with the CNB	2.4	8.6	7.6	15.5	19.1	4.2	1.6	1.7	1.3
2. Claims on central government and funds	49.7	81.4	497.6	1,208.8	1,983.9	2,178.9	2,445.1	2,492.4	2,510.0
3. Claims on other domestic sectors	–	5.3	1.1	11.6	93.3	114.1	139.6	149.1	152.6
o/w: Claims on households	–	–	0.6	11.6	91.3	114.1	139.6	149.1	152.6
4. Claims on banks	54.2	57.0	7.6	18.1	37.2	36.8	60.6	50.2	62.7
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	106.3	152.3	513.8	1,254.0	2,133.6	2,334.0	2,646.9	2,693.4	2,726.6
LIABILITIES									
1. Time deposits	8.7	87.6	437.8	1,137.5	2,012.9	2,210.7	2,470.5	2,534.3	2,559.6
2. Bonds and money market instruments	0.4	–	10.0	10.0	–	–	10.5	10.6	10.4
3. Capital accounts	108.3	117.4	112.5	124.0	141.1	159.7	181.8	184.3	174.0
4. Other items (net)	–11.0	–52.7	–46.5	–17.5	–20.4	–36.4	–16.0	–35.8	–17.4
Total (1+2+3+4)	106.3	152.3	513.8	1,254.0	2,133.6	2,334.0	2,646.9	2,693.4	2,726.6

Table E1: Housing Savings Banks' Accounts

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

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

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

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

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

its with banks.

Claims on other banking institutions include investments in investment funds.

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

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

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

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

Table F1: Credit Rates of the Croatian National Bank

In percentage, on annual basis

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

^a Since 24 April 2002. ^b 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 September 11, 1996 interest rate charged by the CNB on lombard credits was 1.5 percentage point higher than the weighted average interest rate on CNB bills on a voluntary basis (which serve as collateral for lombard credits) in cases when the weighted average interest rate was higher than 16.5%. Congruently, from June 1995 to August 1996 the table reports weighted average interest rate on lombard credits. Interest rate in September 1996 is calculated as the weighted average of interest rate applied in the first 10 days of September 1996 (according to the regime mentioned above) and fixed interest rate applied since September 11, 1996.

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

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

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

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

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

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

Table F2: Deposit Rates of the Croatian National Bank

In percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis				Interest rates on f/c CNB bills on a voluntary basis				
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	367.60	556.66	1,057.67	1,889.39	–	–	–	–	–	–	–
1993	December	0.00	–	67.84	63.08	97.38	–	–	–	–	–	–
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–
2002	June	1.75	–	–	2.24	2.76	3.39	1.92	2.67	3.06	3.41	–
	July	1.75	–	–	1.90	–	–	2.29	2.97	–	–	–
	August	1.75	–	–	1.97	–	–	2.36	3.05	–	–	–
	September	1.75	–	–	2.00	–	–	2.50	3.01	–	–	–
	October	1.75	–	–	2.03	–	–	2.52	2.85	–	–	–
	November	1.75	–	–	2.08	–	–	2.70	2.85	–	–	–
	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–
2003	January	1.50 ^b	–	–	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	–	–	–

^a Since 24 April 2002. ^b Since 29 January 2003. ^c Revised data.

Table F2: Deposit Rates of the Croatian National Bank

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

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

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

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

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

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

Table F3: Deposit Money Banks' Reserve Requirements

Daily averages and percentages, million kuna and %

Year	Month	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	June	19.00	23,483.2	10,225.7	13,257.5	–	7,393.2	6,590.9	1.73	2.82
	July	19.00	23,659.6	10,415.5	13,244.1	–	7,473.7	6,588.8	1.70	2.42
	August	19.00	23,967.9	10,599.9	13,368.0	–	7,578.3	6,607.1	1.71	2.55
	September	19.00	24,482.1	10,822.7	13,659.4	–	7,742.9	6,748.3	1.69	2.48
	October	19.00	24,997.1	11,056.5	13,940.5	–	7,908.7	6,909.4	1.68	2.45
	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

Table F3: Deposit Money Banks' Reserve Requirements

This table shows data on monthly averages of day-to-day balances of DMBs' 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 deposit in a special statutory reserve account with the CNB, or to main-

tain (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 forms of immobilized funds which include reserve requirements and

Table F4: Deposit Money Banks' Liquidity Indicators

Daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	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	1,348.7	1,507.6	410.4
2000	December	638.8	10,721.4	3.32	80.1	2,496.0	1,692.7	2,095.8
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,457.2
2002	June	2,010.0	11,774.5	6.58	0.4	3,910.6	1,846.1	4,018.2
	July	1,106.9	11,952.8	3.50	8.4	4,726.2	1,757.5	4,235.6
	August	916.2	12,727.4	2.83	0.6	4,766.4	1,704.2	4,091.8
	September	611.1	14,981.0	1.85	0.6	5,509.6	1,722.7	4,251.7
	October	558.4	13,230.0	1.66	0.6	5,417.9	1,596.0	4,311.3
	November	732.7	11,602.3	2.14	19.4	5,221.3	1,257.8	4,435.8
	December	1,225.0	10,398.0	3.53	0.6	4,966.0	1,273.9	4,356.6
2003	January	890.4	9,601.7	2.50	0.6	5,118.3	1,184.0	4,418.2
	February	652.6	9,228.8	1.78	0.7	4,666.4	1,241.1	4,494.5
	March	622.1	10,130.5	1.67	0.6	3,883.8	1,370.7	4,307.0
	April	973.5	11,109.2	2.57	0.6	3,384.6	1,391.4	4,203.4
	May	1,282.3	10,104.0	3.29	0.4	2,809.7	1,463.6	4,184.2
	June	827.9	10,479.6	2.01	0.4	3,090.7	1,457.2	4,182.2
	July	756.3	13,122.4	1.79	0.4	2,004.4	1,617.3	4,167.9
	August	568.1	16,349.2	1.27	84.1	1,792.3	1,931.0	3,896.8

other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency. The Croatian National Bank pays remuneration equaling 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: Deposit Money Banks' Liquidity Indicators

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency							
		On overnight credits	On other credits	Total average	On short-term credits					On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	....	....	....	....	1,166.29	....	....
1993	December	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	June	1.35	0.87	12.78	12.94	8.42	16.55	16.66	11.16	9.23	6.35	12.15
	July	1.07	0.90	11.89	12.02	8.16	15.00	16.54	5.58	9.55	6.84	11.20
	August	0.99	0.95	12.35	12.55	7.85	16.45	16.58	9.34	8.12	7.34	11.02
	September	1.15	1.55	11.81	12.18	7.69	16.27	16.34	10.61	6.99	6.21	11.29
	October	1.29	1.58	12.54	12.71	8.02	16.30	16.38	10.76	8.36	6.75	11.37
	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
Relative significance ^a		–	–	69.36	61.98	23.55	38.43	37.33	1.10	7.38	1.82	5.57

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

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

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

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

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

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

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 trading in over-

night 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 DMBs' required reserves with the CNB. Columns 5 through 13 show weighted averages of DMBs' and savings banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

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

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

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

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

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros		
		Total average	On short-term credits			On long-term credits					Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Total average	Housing credits	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1992	December	20.41	9.90	....	....	21.41	....	....	....	....	....	....	....
1993	December	21.84	19.00	....	....	23.14	....	....	....	....	....	....	....
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	June	8.21	8.25	7.57	11.66	8.20	7.14	8.83	7.55	9.06	6.71	6.65	6.89
	July	8.12	8.70	7.98	11.44	7.99	6.57	9.48	7.35	10.16	6.48	6.69	6.24
	August	7.99	8.70	7.95	11.52	7.83	6.61	9.40	7.37	10.14	6.55	6.48	6.61
	September	8.54	9.16	8.41	10.97	8.39	6.57	9.59	7.40	10.35	5.79	7.02	5.19
	October	8.04	8.67	7.89	11.39	7.91	6.42	9.51	7.38	10.27	6.18	7.00	5.51
	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
	Relative significance ^a	25.00	3.93	2.79	1.13	21.07	7.22	13.85	5.05	8.80	5.64	2.22	3.43

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency									
		Total average	In giro and current accounts	On time deposits							
				Total average	On short-term deposits			On long-term deposits			
					Total average	Households	Enterprises	Total average	Households	Enterprises	
1	2	3	4	5	6	7	8	9	10	11	
1992	December	434.47	184.69	1,867.18	....	....	....	....	....	....	....
1993	December	27.42	18.16	52.16	....	....	....	....	....	....	....
1994	December	5.03	3.55	9.65	....	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62	....
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88	....
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06	....
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56	....
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18	....
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63	....
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70	....
2002	June	1.91	1.16	4.51	4.45	5.48	3.36	6.51	7.37	2.66	....
	July	1.75	1.01	4.25	4.23	5.45	2.96	4.54	7.57	1.97	....
	August	1.77	1.00	4.04	3.97	5.45	3.07	6.20	7.57	3.72	....
	September	1.71	0.98	4.18	4.10	5.24	3.17	6.46	7.33	1.82	....
	October	1.67	0.95	3.75	3.68	5.22	2.61	6.09	7.21	2.26	....
	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	....
	Relative significance ^a	43.63	35.05	5.16	5.05	1.71	3.34	0.12	0.11	0.01	....

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

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

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

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

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

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

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

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

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

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

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

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

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

Year	Month	Interest rates on savings and time deposits indexed to f/c				Interest rates on foreign currency deposits				
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Total average	Households		Enterprises	
							EUR	USD	EUR	USD
1	2	3	4	5	6	7	8	9	10	11
1992	December	6.04	....	....	....	....	....	....	....	....
1993	December	5.91	....	....	....	....	....	....	....	....
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	June	3.39	4.54	3.20	2.58	0.59	0.58	0.56	0.77	0.43
	July	3.59	4.11	3.66	2.59	0.58	0.57	0.52	0.79	0.38
	August	3.44	3.66	4.90	2.59	0.57	0.56	0.48	0.60	0.87
	September	3.39	4.03	3.53	2.56	0.53	0.54	0.43	0.69	0.41
	October	3.62	3.57	4.54	2.54	0.53	0.53	0.42	0.65	0.44
	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 ^b	2.71	4.77	2.17	0.32	0.36	0.24	0.25	0.18
Relative significance ^a		2.77	2.16	0.20	53.60	34.55	24.15	4.67	4.72	1.00

^a 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). ^b Of the total amount of deposits to which this interest rate refers, 59.45 percent refers to enterprises.

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

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

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

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

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

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

Up to December 2001, interest rates on foreign currency deposits

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

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

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

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

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

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

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

Year	Month	Interest rates on foreign currency deposits											
		On time deposits											
		Total Average	On short-term deposits				On long-term deposits						
			Total Average	Households		Enterprises		Total Average	Households		Enterprises		
1	2	12	13	EUR	USD	EUR	USD	18	EUR	USD	EUR	USD	
1992	December
1993	December
1994	December
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50	
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50	
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76	
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92	
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77	
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53	
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23	
2002	June	3.17	3.07	3.34	2.74	3.24	1.75	4.56	4.73	4.21	3.51	0.76	
	July	3.28	3.14	3.36	2.69	3.41	1.89	4.52	4.68	4.25	3.69	2.90	
	August	3.33	3.14	3.40	2.63	3.27	1.84	4.66	4.84	4.03	3.62	0.00	
	September	3.28	3.16	3.35	2.59	3.29	1.89	4.47	4.64	3.87	4.18	-	
	October	3.19	3.07	3.30	2.29	3.21	1.84	4.34	4.57	3.86	3.50	3.68	
	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	
Relative significance ^a		19.06	17.24	10.78	1.57	3.35	1.54	1.82	1.55	0.18	0.08	0.00	

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

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

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

Table G5: Deposit Money Banks' Trade with Foreign Exchange

Million EUR, current exchange rate

	1998	1999	2000	2001	2002	2003				
						Mar.	Jun.*	Jul. ^b	Aug. ^a	Sep. ^a
A. Purchase of foreign exchange										
1. Legal persons	3,186.0	2,924.9	3,316.4	5,012.4	7,112.1	1,006.4	1,077.1	1,319.3	1,059.0	1,328.9
2. Natural persons	2,273.5	2,170.0	2,549.2	3,339.9	3,342.7	271.2	334.4	415.6	377.2	284.7
2.1. Residents	1,854.5	1,794.7	2,021.1	2,684.5	2,842.0	250.4	276.3	320.7		
2.2. Non-residents	419.1	375.3	528.0	655.4	500.8	20.9	58.1	94.9		
3. Commercial banks	1,138.2	1,204.4	2,441.4	3,985.8	5,996.0	407.9	479.5	763.2	740.3	851.4
4. Croatian National Bank	582.2	934.8	168.2	481.7	294.4	150.1	–	–	–	–
Total (1+2+3+4)	7,179.9	7,234.0	8,475.2	12,820.1	16,745.2	1,835.7	1,890.9	2,498.2	2,176.6	2,465.0
B. Sale of foreign exchange										
1. Legal persons	4,656.0	4,487.0	5,414.8	8,534.2	11,227.4	1,399.6	1,396.3	1,591.2	1,510.8	1,722.1
2. Natural persons	1,011.8	893.1	963.6	1,253.5	1,333.6	119.1	93.5	126.4	117.3	137.8
2.1. Residents	1,011.5	892.7	962.8	1,252.3	1,329.9	118.9	92.6	124.9		
2.2. Non-residents	0.3	0.4	0.6	1.2	3.7	0.3	0.9	1.6		
3. Commercial banks	1,138.2	1,204.4	2,441.4	3,985.8	5,996.0	407.9	479.5	763.2	740.3	851.4
4. Croatian National Bank	217.0	48.3	284.2	915.7	745.3	–	–	–	–	–
Total (1+2+3+4)	7,022.9	6,632.8	9,104.1	14,689.5	19,302.4	1,926.7	1,969.3	2,480.8	2,368.4	2,711.4
C. Net purchase (A-B)										
1. Legal persons	-1,470.1	-1,562.1	-2,098.4	-3,521.9	-4,115.1	-393.2	-319.2	-271.9	-451.7	393.2
2. Natural persons	1,261.7	1,276.8	1,585.4	2,086.3	2,009.1	152.1	240.9	289.2	259.9	-146.9
2.1. Residents	843.0	901.9	1,058.2	1,432.2	1,512.3	131.5	183.6	195.9		
2.2. Non-residents	418.7	374.9	527.3	654.2	497.0	20.6	57.3	93.3		
3. Croatian National Bank	365.2	886.5	-116.0	-434.0	-450.9	150.1	–	–	–	–
Total (1+2+3)	156.8	601.2	-628.9	-1,869.6	-2,557.0	-91.0	-78.4	17.3	-191.9	246.3
Memo items: Other Croatian National Bank transactions										
Purchase of foreign exchange	254.5	1,044.9	405.8	536.8	197.5	–	–	–		
Sale of foreign exchange	279.5	100.4	86.9	2.6	3.3	–	5.3	–		

^a Preliminary data. ^b Revised data.

Table G5: Deposit Money Banks' Trade with Foreign Exchange

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

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

Table H1: Balance of Payments – Summary

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-1,397.2	-459.4	-725.1	-1,605.8	-876.3	-776.9	1,002.7	-955.2	-996.9	-1,269.9
1. Goods, services, and income (2+5)	-2,029.7	-1,342.6	-1,690.8	-2,682.0	-1,116.0	-1,040.2	705.9	-1,231.7	-1,325.3	-1,641.6
1.1. Credit	8,372.6	9,008.9	10,053.1	10,970.0	1,760.6	2,522.6	4,292.5	2,394.4	2,428.9	3,534.1
1.2. Debit	-10,402.2	-10,351.4	-11,743.8	-13,652.0	-2,876.6	-3,562.7	-3,586.5	-3,626.1	-3,754.2	-5,175.8
2. Goods and services (3+4)	-1,673.4	-935.9	-1,174.3	-2,163.9	-898.0	-820.9	766.2	-1,211.1	-1,104.0	-840.8
2.1. Credit	8,117.8	8,663.1	9,634.2	10,545.4	1,663.9	2,420.6	4,182.5	2,278.4	2,307.7	3,424.1
2.2. Debit	-9,791.1	-9,598.9	-10,808.5	-12,709.3	-2,561.9	-3,241.5	-3,416.3	-3,489.5	-3,411.8	-4,264.9
3. Goods	-3,298.6	-3,203.8	-4,101.3	-5,279.3	-1,011.6	-1,381.4	-1,410.9	-1,475.4	-1,346.5	-2,002.0
3.1. Credit	4,394.7	4,567.2	4,758.7	4,994.6	1,051.2	1,250.2	1,319.4	1,373.8	1,490.5	1,534.9
3.2. Debit	-7,693.3	-7,770.9	-8,860.0	-10,273.9	-2,062.8	-2,631.6	-2,730.4	-2,849.1	-2,837.0	-3,536.8
4. Services	1,625.2	2,267.9	2,927.0	3,115.4	113.6	560.5	2,177.1	264.2	242.5	1,161.1
4.1. Credit	3,723.0	4,095.9	4,875.5	5,550.8	612.7	1,170.4	2,863.1	904.6	817.2	1,889.2
4.2. Debit	-2,097.8	-1,828.0	-1,948.5	-2,435.4	-499.1	-609.8	-686.0	-640.4	-574.7	-728.1
5. Income	-356.3	-406.7	-516.5	-518.1	-218.0	-219.3	-60.2	-20.6	-221.3	-800.8
5.1. Credit	254.8	345.8	418.9	424.6	96.7	102.0	110.0	116.0	121.1	110.1
5.2. Debit	-611.1	-752.5	-935.3	-942.7	-314.7	-321.3	-170.2	-136.6	-342.4	-910.9
6. Current transfers	632.5	883.2	965.7	1,076.2	239.7	263.3	296.7	276.5	328.4	371.7
6.1. Credit	967.4	1,101.0	1,174.5	1,358.5	302.0	335.3	355.2	366.0	393.0	448.8
6.2. Debit	-335.0	-217.8	-208.8	-282.3	-62.4	-72.0	-58.5	-89.4	-64.6	-77.0
B. CAPITAL AND FINANCIAL ACCOUNT	1,946.1	1,339.4	1,316.9	2,654.7	766.1	870.7	86.6	931.3	1,080.5	1,256.2
B1. Capital account	24.9	20.9	133.0	443.4	5.6	427.3	7.5	3.1	6.5	62.4
B2. Financial account, excl. reserves	2,299.7	1,900.7	2,497.0	2,908.2	983.5	722.9	248.4	953.4	1,248.5	1,484.5
1. Direct investment	1,420.0	1,084.8	1,406.7	466.5	223.7	-57.7	20.2	280.3	301.7	662.3
1.1. Abroad	-47.2	-3.9	-154.6	-514.1	-8.4	-450.4	-36.3	-19.0	-23.3	-3.3
1.2. In Croatia	1,467.2	1,088.7	1,561.3	980.5	232.1	392.7	56.5	299.2	325.0	665.6
2. Portfolio investment	532.4	707.6	600.7	-259.8	-83.9	224.0	-111.9	-288.0	811.8	244.3
2.1. Assets	-38.3	-22.7	-129.3	-669.8	-191.9	-24.9	-78.7	-374.4	78.3	79.3
2.2. Liabilities	570.8	730.3	730.0	410.0	108.0	248.9	-33.3	86.4	733.6	165.0
3. Other investment	347.2	108.3	489.5	2,701.5	843.7	556.6	340.1	961.2	134.9	577.8
3.1. Assets	-575.7	-844.5	395.9	401.9	654.8	0.9	-282.7	28.9	-73.0	-257.8
3.2. Liabilities	922.9	952.8	93.6	2,299.6	188.9	555.6	622.8	932.3	207.9	835.6
B3. Reserve assets (CNB)	-378.5	-582.1	-1,313.1	-696.9	-223.0	-279.5	-169.2	-25.2	-174.5	-290.6
C. NET ERRORS AND OMISSIONS	-548.8	-880.0	-591.8	-1,048.9	110.2	-93.8	-1,089.2	23.9	-83.6	13.7

^a Preliminary 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 Institute for Payment Transactions, banks, enterprises and the Croatian National Bank, as well as research by the Institute for Tourism and the Croatian National Bank.

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

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

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

Regarding exports, beginning with the first quarter of 1999, coverage has been increased via estimates on purchases by individual foreign travelers in the Republic of Croatia. These estimates are based on the Survey on Consumption of Foreign Travelers in Croatia, carried out jointly by the Croatian National Bank and the Institute for Tourism. Regarding imports, the difference between c.i.f. and f.o.b. is estimated on the basis of research studies of the CNB on samples of the largest and large importers, and the resulting value of f.o.b. imports is adjusted on the basis of foreign payments for repairs of ships and supply purchases in foreign ports, as well as estimates on purchases by individual Croatian citizens abroad, obtained via a research study of the CNB. From the first quarter of 1999 on, estimates are based on the Survey on Consumption of Domestic Travelers Abroad, carried out jointly by the Croatian National Bank and the Institute for Tourism. For the 1993 to 1996 period, merchandise imports from the merchandise trade statis-

Table H2: Balance of Payments – Goods and Services

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
1. Goods	-3,298.6	-3,203.8	-4,101.3	-5,279.3	-1,011.6	-1,381.4	-1,410.9	-1,475.4	-1,346.5	-2,002.0
1.1. Credit	4,394.7	4,567.2	4,758.7	4,994.6	1,051.2	1,250.2	1,319.4	1,373.8	1,490.5	1,534.9
1.1.1. Exports f.o.b. in trade statistics	4,302.5	4,431.6	4,665.9	4,894.6	1,033.9	1,228.7	1,291.3	1,340.7	1,467.7	1,503.7
1.1.2. Adjustments for coverage	92.2	135.6	92.8	100.0	17.2	21.5	28.1	33.1	22.9	31.2
1.2. Debit	-7,693.3	-7,770.9	-8,860.0	-10,273.9	-2,062.8	-2,631.6	-2,730.4	-2,849.1	-2,837.0	-3,536.8
1.2.1. Imports c.i.f. in trade statistics	-7,798.6	-7,886.5	-9,147.1	-10,703.8	-2,142.5	-2,748.6	-2,829.2	-2,983.5	-2,952.4	-3,652.0
1.2.2. Adjustments for coverage	-448.4	-444.4	-362.3	-330.1	-72.4	-78.1	-102.1	-77.5	-94.3	-144.1
1.2.3. Adjustments for classification	553.7	559.9	649.4	760.0	152.1	195.2	200.9	211.8	209.6	259.3
2. Services	1,625.2	2,267.9	2,927.0	3,115.4	113.6	560.5	2,177.1	264.2	242.5	1,161.1
2.1. Transportation	83.8	178.6	166.8	141.2	30.4	23.0	49.2	38.6	47.6	64.4
2.1.1. Credit	484.0	557.3	588.6	590.2	118.1	141.3	177.3	153.5	153.6	202.0
2.1.2. Debit	-400.1	-378.7	-421.8	-448.9	-87.6	-118.3	-128.1	-114.9	-106.0	-137.6
2.2. Travel	1,742.0	2,189.9	2,728.6	3,030.2	95.0	551.7	2,096.0	287.4	262.7	1,209.5
2.2.1. Credit	2,493.4	2,758.0	3,335.0	3,811.4	236.7	756.9	2,350.0	467.9	389.8	1,357.1
2.2.2. Debit	-751.4	-568.1	-606.4	-781.3	-141.7	-205.2	-254.0	-180.4	-127.1	-147.6
2.3. Other services	-200.6	-100.6	31.6	-56.0	-11.9	-14.1	31.9	-61.8	-67.8	-112.8
2.3.1. Credit	745.7	780.6	951.9	1,149.2	257.9	272.2	335.8	283.2	273.8	330.1
2.3.2. Debit	-946.3	-881.2	-920.3	-1,205.2	-269.8	-286.4	-303.9	-345.1	-341.6	-442.9
Total (1+2)	-1,673.4	-935.9	-1,174.3	-2,163.9	-898.0	-820.9	766.2	-1,211.1	-1,104.0	-840.8

^a Preliminary data.

tics are modified by estimates on imports in duty-free zones (prepared by the CNB), while from 1997 on, data on these imports are included in the merchandise trade statistics.

Beginning with the first quarter of 1999, income and expenditures from transport services are compiled on the basis of data from a new CNB research project on international transport services, with two exceptions: first, income and expenditures from road transport are compiled via data on realized foreign payments, and second, a portion of expenditures on transport services for transport of goods imported to the Republic of Croatia are based on a survey of the largest and large Croatia importers. This survey is carried out in the context of the reformulation of data on imports from a c.i.f. to an f.o.b. basis.

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

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

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

The income account includes data from the foreign payments statistics on compensation of employees, payments on the basis of interest, data from the CNB's research on income paid from foreign direct and portfolio investment of the private sector, Croatian National Bank data and Institute for Payment Transactions data on income paid from foreign portfolio investment in the official sector and estimates on residents' income from factor services to peacekeeping and humanitarian missions in the Republic of Croatia, based on the research of the Cro-

atian National Bank for the period 1993 to 1996, data on foreign direct investment do not include data on retained profit.

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

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

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

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

Table H3: Balance of Payments – Income and Current Transfers

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
1. Income	-356.3	-406.7	-516.5	-518.1	-218.0	-219.3	-60.2	-20.6	-221.3	-800.8
1.1. Compensation of employees	60.3	69.6	124.5	154.8	34.6	36.5	39.8	43.9	46.8	41.0
1.1.1. Credit	75.2	82.7	137.3	173.2	38.3	40.3	44.7	49.8	51.7	54.4
1.1.2. Debit	-14.9	-13.1	-12.8	-18.4	-3.8	-3.9	-4.9	-5.9	-4.9	-13.4
1.2. Direct investment income	-65.5	-152.9	-290.5	-339.3	-74.1	-201.7	-40.2	-23.3	-62.4	-787.8
1.2.1. Credit	4.6	9.3	20.2	20.0	0.6	3.4	6.5	9.4	10.7	2.0
1.2.2. Debit	-70.1	-162.2	-310.7	-359.2	-74.7	-205.2	-46.7	-32.7	-73.1	-789.8
1.3. Portfolio investment income	-129.4	-178.8	-218.1	-193.5	-142.4	-8.9	-35.1	-7.1	-176.1	-18.2
1.3.1. Credit	0.1	0.0	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	-142.4	-9.0	-35.1	-7.1	-176.1	-18.2
1.4. Other investment income	-221.6	-144.5	-132.4	-140.1	-36.1	-45.1	-24.8	-34.1	-29.6	-35.9
1.4.1. Credit	174.9	253.8	261.4	231.4	57.8	58.2	58.7	56.8	58.7	53.6
1.4.2. Debit	-396.6	-398.3	-393.7	-371.5	-93.9	-103.3	-83.5	-90.9	-88.3	-89.6
2. Current transfers	632.5	883.2	965.7	1,076.2	239.7	263.3	296.7	276.5	328.4	371.7
2.1. General government	-130.3	21.7	56.7	28.6	4.0	6.8	17.4	0.4	23.8	29.8
2.1.1. Credit	76.2	118.0	125.5	132.2	27.6	30.4	36.5	37.7	58.5	70.1
2.1.2. Debit	-206.5	-96.3	-68.9	-103.6	-23.6	-23.5	-19.1	-37.3	-34.7	-40.3
2.2. Other sectors	762.7	861.5	909.0	1,047.6	235.7	256.4	279.3	276.2	304.6	341.9
2.2.1. Credit	891.2	983.0	1,049.0	1,226.3	274.4	304.9	318.7	328.3	334.4	378.7
2.2.2. Debit	-128.5	-121.5	-139.9	-178.7	-38.7	-48.4	-39.4	-52.1	-29.8	-36.8
Total (1+2)	276.2	476.5	449.2	558.1	21.7	44.0	236.5	256.0	107.1	-429.1

^a Preliminary data.

tute for Tourism). Expenditures on transfers of other sectors are based on foreign payments statistics data on the total value of foreign exchange transfers abroad.

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

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

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

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

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

Item Assets – Currency and deposits - Banks in the 1993 to 1998 period shows the change in the total liquid foreign exchange of banks authorized to do business abroad reduced by the amount of foreign exchange deposited by DMBs with the CNB in fulfillment of a part of their reserve requirements. Beginning with the first quarter of 1999, transaction-based changes are estimated by converting changes in the

original currencies into US dollar changes using the average monthly exchange rate of currencies held in the banks' assets against the US dollar. Item Assets – Currency and deposits - Other sectors, in the 1993 to 1998 period includes a part of the net foreign exchange inflows of the household sector which is not classified on the current account, and which amounts to 85% of the unexplained foreign exchange inflows to the household sector. Beginning with the first quarter of 1999, this item is no longer estimated.

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

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

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

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

Table H4: Balance of Payments – Other Investments

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
ASSETS	-575.7	-844.5	396.6	401.9	654.8	0.9	-282.7	28.9	-73.0	-257.8
1. Trade credits	-292.1	97.8	56.7	-87.0	45.0	-20.5	-47.7	-63.7	-31.8	1.1
1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other sectors	-292.1	97.8	56.7	-87.0	45.0	-20.5	-47.7	-63.7	-31.8	1.1
1.2.1. Long-term	-20.7	2.4	8.3	-10.3	-8.7	1.9	-6.1	2.5	-6.4	2.3
1.2.2. Short-term	-271.4	95.4	48.4	-76.7	53.7	-22.4	-41.7	-66.3	-25.4	-1.2
2. Loans	-97.5	-93.2	34.7	-42.1	-3.7	34.9	-28.1	-45.2	11.1	26.8
2.1. General government	1.1	0.0	-3.2	0.6	0.0	0.0	-0.3	0.9	-0.6	-0.4
2.1.1. Long-term	1.1	0.0	-3.2	0.6	0.0	0.0	-0.3	0.9	-0.6	-0.4
2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Banks	-24.6	2.7	-9.2	-7.0	-4.3	-13.6	-2.0	12.9	-1.0	6.4
2.2.1. Long-term	-14.8	2.3	-3.0	-11.2	-0.7	-4.8	-3.0	-2.6	7.8	3.4
2.2.2. Short-term	-9.8	0.4	-6.3	4.2	-3.5	-8.8	1.1	15.5	-8.9	2.9
2.3. Other sectors	-74.0	-96.0	47.1	-35.7	0.6	48.5	-25.8	-59.0	12.8	20.8
2.3.1. Long-term	-74.0	-96.0	47.1	-35.6	0.6	48.5	-25.7	-59.0	12.8	20.8
2.3.2. Short-term	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
3. Currency and deposits	-186.1	-849.1	305.1	531.0	613.5	-13.5	-206.8	137.9	-52.3	-285.7
3.1. General government	12.3	-26.7	-15.2	-28.4	3.4	75.1	-44.1	-62.8	69.4	-15.9
3.2. Banks	185.6	-921.4	-1,613.7	1,366.8	972.4	332.5	-120.7	182.7	-191.7	-269.8
3.3. Other sectors	-384.0	99.0	1,934.0	-807.4	-362.3	-421.1	-42.0	18.0	70.0	0.0
LIABILITIES	922.9	952.8	93.6	2,300.5	189.0	555.9	623.0	932.7	208.1	835.8
1. Trade credits	310.6	276.9	72.7	474.0	-106.7	400.9	79.8	100.0	-290.6	480.2
1.1. General government	0.9	-3.2	1.1	0.1	0.4	0.0	-0.2	-0.1	-0.2	-0.1
1.1.1. Long-term	-1.0	-0.5	1.1	0.1	0.4	0.0	-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	0.0
1.2. Other sectors	309.7	280.1	71.6	474.0	-107.1	401.0	80.1	100.0	-290.4	480.3
1.2.1. Long-term	-9.3	-12.7	-14.9	-8.4	1.5	5.5	-3.6	-11.7	-8.4	-14.1
1.2.2. Short-term	319.0	292.8	86.5	482.3	-108.6	395.5	83.7	111.8	-282.0	494.4
2. Loans	576.7	780.8	-179.8	658.9	124.0	-135.4	345.4	324.9	394.0	-135.9
2.1. Monetary authorities	-31.4	-28.7	-30.8	-129.6	-3.0	-13.7	-3.1	-109.8	0.0	0.0
2.1.1. Use of Fund credit and loans	-31.4	-28.7	-30.8	-129.6	-3.0	-13.7	-3.1	-109.8	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	0.0
2.1.1.2. Repayments	-31.4	-28.7	-30.8	-129.6	-3.0	-13.7	-3.1	-109.8	0.0	0.0
2.2. General government	186.1	300.8	-189.8	390.1	108.0	23.1	140.1	119.0	-18.2	-1.1
2.2.1. Long-term	170.6	13.9	170.2	390.1	108.0	23.1	140.1	119.0	-18.2	-1.1
2.2.1.1. Drawings	236.1	264.6	325.3	547.3	138.5	59.6	183.5	165.7	34.5	67.2
2.2.1.2. Repayments	-65.5	-250.6	-155.1	-157.2	-30.6	-36.5	-43.3	-46.7	-52.7	-68.3
2.2.2. Short-term (net)	15.5	286.9	-360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Banks	-5.7	101.5	127.6	65.6	-10.8	-22.8	-84.6	183.9	250.3	-227.0
2.3.1. Long-term	-7.2	107.9	133.1	65.4	-10.5	-23.2	-84.3	183.3	250.4	-194.2
2.3.1.1. Drawings	494.6	652.6	750.0	610.6	71.3	57.1	238.9	243.4	450.6	47.8
2.3.1.2. Repayments	-501.8	-544.7	-616.9	-545.2	-81.7	-80.3	-323.2	-60.0	-200.3	-242.0
2.3.2. Short-term (net)	1.5	-6.4	-5.5	0.2	-0.3	0.4	-0.4	0.5	-0.1	-32.8
2.4. Other sectors	427.7	407.2	-86.8	332.7	29.8	-122.0	293.1	131.8	161.9	92.2
2.4.1. Long-term	439.3	466.5	-38.7	252.8	9.8	-132.7	233.2	142.6	131.6	74.6
2.4.1.1. Drawings	979.8	971.1	690.1	1,107.0	161.6	167.1	350.2	428.0	363.7	306.4
2.4.1.2. Repayments	-540.5	-504.6	-728.8	-854.1	-151.9	-299.8	-117.0	-285.5	-232.2	-231.8
2.4.2. Short-term (net)	-11.6	-59.3	-48.1	79.9	20.1	10.8	59.9	-10.8	30.4	17.6
3. Currency and deposits	35.6	-104.9	200.7	1,167.6	171.7	290.3	197.7	507.8	104.7	491.5
3.1. Monetary authorities	0.0	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	171.7	290.3	197.7	507.8	104.7	491.5
4. Other liabilities (short-term)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H5: Balance of Payments – Summary

Million kuna

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-9,953.0	-3,894.0	-6,052.7	-13,251.4	-7,465.9	-6,249.2	7,525.5	-7,061.8	-7,024.8	-8,318.8
1. Goods, services, and income (2+5)	-14,456.2	-11,217.5	-14,108.1	-21,751.4	-9,515.7	-8,366.6	5,303.5	-9,172.6	-9,364.7	-10,798.8
1.1. Credit	59,736.5	74,694.1	83,975.4	85,187.9	14,983.5	20,253.9	32,111.9	17,838.5	17,171.9	23,620.4
1.2. Debit	-74,192.7	-85,911.5	-98,083.6	-106,939.4	-24,499.2	-28,620.6	-26,808.4	-27,011.1	-26,536.5	-34,419.2
2. Goods and services (3+4)	-11,928.5	-7,894.9	-10,019.2	-17,527.7	-7,657.9	-6,610.3	5,758.7	-9,018.2	-7,797.7	-5,537.5
2.1. Credit	57,919.7	71,797.8	80,246.0	81,879.3	14,165.6	19,439.7	31,294.7	16,979.3	16,316.2	22,890.5
2.2. Debit	-69,848.2	-79,692.7	-90,265.2	-99,407.0	-21,823.5	-26,050.0	-25,536.1	-25,997.4	-24,113.9	-28,428.1
3. Goods	-23,586.6	-26,686.7	-34,327.9	-41,252.7	-8,626.5	-11,065.4	-10,551.5	-11,009.3	-9,513.0	-13,376.9
3.1. Credit	31,369.6	37,910.1	39,690.9	39,129.0	8,951.5	10,088.0	9,861.3	10,228.2	10,538.2	10,176.5
3.2. Debit	-54,956.2	-64,596.7	-74,018.8	-80,381.7	-17,578.0	-21,153.4	-20,412.7	-21,237.6	-20,051.2	-23,553.4
4. Services	11,658.1	18,791.7	24,308.7	23,724.9	968.6	4,455.1	16,310.1	1,991.2	1,715.3	7,839.4
4.1. Credit	26,550.1	33,887.7	40,555.2	42,750.3	5,214.2	9,351.7	21,433.4	6,751.0	5,778.0	12,714.1
4.2. Debit	-14,892.0	-15,096.0	-16,246.4	-19,025.3	-4,245.6	-4,896.6	-5,123.3	-4,759.8	-4,062.7	-4,874.7
5. Income	-2,527.7	-3,322.5	-4,089.0	-4,223.7	-1,857.8	-1,756.3	-455.1	-154.4	-1,567.0	-5,261.3
5.1. Credit	1,816.8	2,896.3	3,729.4	3,308.7	817.9	814.3	817.2	859.3	855.6	729.9
5.2. Debit	-4,344.5	-6,218.8	-7,818.4	-7,532.3	-2,675.7	-2,570.5	-1,272.4	-1,013.7	-2,422.6	-5,991.2
6. Current transfers	4,503.2	7,323.5	8,055.5	8,500.0	2,049.8	2,117.5	2,222.0	2,110.8	2,339.9	2,480.0
6.1. Credit	6,898.2	9,131.4	9,795.4	10,465.9	2,553.5	2,618.7	2,617.9	2,675.9	2,757.9	2,928.6
6.2. Debit	-2,394.9	-1,807.9	-1,740.0	-1,965.9	-503.7	-501.2	-395.9	-565.1	-418.0	-448.6
B. CAPITAL AND FINANCIAL ACCOUNT	13,217.7	10,832.0	9,347.7	20,783.7	6,810.1	6,432.9	649.5	6,891.1	7,658.8	8,342.0
B1. Capital account	178.0	172.1	1,140.1	3,695.5	47.9	3,568.9	55.8	22.9	45.8	402.5
B2. Financial account, excl. reserves	16,031.7	15,469.6	19,242.6	22,660.5	8,650.9	5,079.7	1,859.1	7,070.8	8,822.6	9,943.3
1. Direct investment	10,131.7	8,539.9	9,356.5	3,548.2	1,897.4	-561.1	155.0	2,057.0	2,131.3	4,354.3
1.1. Abroad	-347.2	-32.9	-1,279.6	-4,234.5	-72.4	-3,752.9	-269.1	-140.1	-164.4	-20.0
1.2. In Croatia	10,478.9	8,572.8	10,636.1	7,782.8	1,969.7	3,191.8	424.1	2,197.1	2,295.7	4,374.4
2. Portfolio investment	3,697.3	5,658.5	4,975.0	-1,889.3	-716.5	1,807.3	-838.8	-2,141.3	5,737.2	1,606.0
2.1. Assets	-277.4	-189.8	-1,081.7	-5,201.7	-1,635.3	-194.1	-587.8	-2,784.5	550.3	514.2
2.2. Liabilities	3,974.8	5,848.2	6,056.7	3,312.4	918.9	2,001.4	-251.1	643.2	5,186.9	1,091.7
3. Other investment	2,202.6	1,271.3	4,911.1	21,001.5	7,470.0	3,833.5	2,542.9	7,155.2	954.1	3,983.0
3.1. Assets	-4,476.5	-7,042.5	4,031.7	3,424.9	5,861.8	-538.6	-2,113.5	215.2	-515.9	-1,525.9
3.2. Liabilities	6,679.1	8,313.8	879.4	17,576.6	1,608.1	4,372.1	4,656.4	6,940.0	1,470.0	5,508.9
B3. Reserve assets (CNB)	-2,992.0	-4,809.8	-11,035.1	-5,572.2	-1,888.6	-2,215.6	-1,265.4	-202.6	-1,209.6	-2,003.8
C. NET ERRORS AND OMISSIONS	-3,264.8	-6,938.0	-3,295.0	-7,532.3	655.8	-183.8	-8,175.0	170.7	-634.0	-23.2

^a Preliminary 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 ^a
		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	June	5,601.8	95.9	0.2	–	5,505.7	3,627.8	1,878.0	2,573.3
	July	5,648.4	95.5	0.2	–	5,552.7	3,638.7	1,914.0	2,618.3
	August	5,758.3	95.3	0.2	–	5,662.8	3,779.1	1,883.7	2,674.6
	September	5,705.2	91.6	0.2	–	5,613.4	3,573.5	2,039.9	2,705.4
	October	5,715.9	77.3	0.2	–	5,638.4	3,628.7	2,009.7	2,677.9
	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 ^b	7,058.5	1.0	0.2	–	7,057.2	3,227.4	3,829.8	3,821.5

^a Data starting from May 1999 have been revised. ^b Preliminary data.

Table H6: International Reserves and Banks' Foreign Exchange Reserves

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

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

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

Table H7: International Reserves and Foreign Currency Liquidity

Million US dollars

	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec. ^b	Dec.	Mar.	Jun.	Jul.	Aug.
I. Official reserve assets and other f/c assets (approximate market value)								
A. Official reserve assets	2,847.4	3,432.3	4,704.2	5,885.8	6,207.8	6,772.2	6,663.5	6,624.1
(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	5,893.5	5,912.6
(a) Securities	375.5	802.6	1,535.3	1,938.2	2,682.1	3,759.7	3,822.2	3,636.4
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	2,071.4	2,276.2
(i) other national central banks, BIS and IMF	712.3	545.7	406.9	338.6	335.5	401.6	325.7	319.3
(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	1,745.7	1,956.9
o/w: located in the reporting country								
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	189.5	147.7	108.4	2.4	1.4	1.3	1.3	1.0
(4) gold								
(5) other reserve assets	41.4	717.0	1,175.3	1,460.1	1,297.0	649.1	768.4	710.2
– reverse repo	41.4	717.0	1,175.3	1,460.1	1,297.0	649.1	768.4	710.2
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	6,663.5	6,624.1
II. Predetermined short-term net drains on f/c assets (nominal value)								
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	-1,071.7	-1,212.6
(a) Croatian National Bank	-258.7	-265.0	-391.1	-174.4	-199.2	-241.4	-254.6	-415.9
Up to 1 month								
Principal	-90.2	-107.6	-172.9	-142.6	-150.6	-184.3	-168.7	-353.1
Interest	-5.0	-4.3	-2.8	-2.3	-2.0	-1.9	-1.9	-2.1
More than 1 and up to 3 months								
Principal	-123.6	-116.5	-179.6	-27.6	-46.4	-55.0	-83.8	-60.6
Interest	-2.7	-2.8	-1.9	-0.1	-0.2	-0.2	-0.2	-0.2
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	-817.1	-796.7
Up to 1 month								
Principal	-63.5	-89.3	-89.7	-102.1	-3.1	-104.5	0.0	-8.2
Interest	-58.3	-69.0	-49.0	-44.6	-3.2	-53.6	-4.6	-2.7
More than 1 and up to 3 months								
Principal	-6.0	-93.8	-310.1	-9.0	-55.0	-8.3	-11.9	-6.7
Interest	-42.9	-77.1	-110.9	-154.3	-20.2	-7.3	-6.1	-5.8
More than 3 months and up to 1 year								
Principal	-384.6	-497.1	-150.6	-183.5	-261.0	-186.6	-463.6	-449.7
Interest	-118.7	-119.6	-90.0	-103.8	-304.7	-282.9	-330.9	-323.6
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	-179.4	-164.7
– outflows related to repos (-)	-21.3	-40.7	-66.3	-22.4	-153.8	-129.6	-179.4	-164.7
Up to 1 month								
Principal	-21.3	-40.6	-66.3	-22.4	-153.6	-129.5	-179.3	-164.7
Interest	0.0	-0.1	-0.1	0.0	-0.2	0.0	-0.1	-0.1
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	-1,251.1	-1,377.3
III. Contingent short-term net drains on f/c assets (nominal value)								
1. Contingent liabilities in foreign currency	-869.9	-969.3	-960.3	-1,698.7	-1,424.9	-1,594.3	-1,415.0	-1,428.6
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-278.6	-714.4	-370.5	-381.0	-220.4	-213.8
– Croatian National Bank								
– Central government (excluding extrabudgetary funds)	-263.6	-296.0	-278.6	-714.4	-370.5	-381.0	-220.4	-213.8
Up to 1 month	-37.3	-48.4	-43.6	-54.5	-10.9	-59.8	-2.7	-22.6
More than 1 and up to 3 months	-57.6	-11.4	-21.8	-36.7	-38.0	-39.8	-32.3	-10.4

More than 3 months and up to 1 year	-168.7	-236.2	-213.2	-623.2	-321.6	-281.4	-185.4	-180.7
(b) Other contingent liabilities	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,194.6	-1,214.8
– Croatian National Bank	-606.2	-673.2	-681.7	-984.3	-1,054.4	-1,213.3	-1,194.6	-1,214.8
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	-1,194.6	-1,214.8
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	-1,415.0	-1,428.6
IV. Memo items								
(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	-205.9	-159.1
– 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	713.0	675.2
(e) financial derivative assets (net, marked to market)								
(f) currency composition of official reserves assets ^a								
– currencies in SDR basket	2,983.7	3,524.8	4,704.2	5,885.8	6,207.8	6,772.2	6,663.4	6,624.1
– currencies not in SDR basket	41.4	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	2,105.0	2,081.3
EUR	1,405.1	2,453.9	2,062.0	4,215.9	4,335.2	4,427.7	4,554.4	4,541.5
Other	433.8	148.4	109.0	2.7	1.7	209.2	4.1	1.3

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

Table H7: International Reserves and Foreign Currency Liquidity

International reserves and foreign currency liquidity are shown in accordance with a Template on International Reserves and Foreign Currency Liquidity, drawn up by the IMF. A detailed explanation of the Template is given in “Data Template on International Reserves and Foreign Currency Liquidity – Operational Guidelines, October 1999” issued by the IMF.

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (I.A.) show those types of assets that are readily available to the CNB at any moment for bridging imbalances in international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of up to 1 year, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities. Other foreign currency assets of the CNB (I.B.) include foreign currency time deposits with a maturity over 3 months.

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

include future collections (+) or payments (–) arising from currency swaps between the CNB and domestic DMBs (temporary sale or purchase of foreign currency). Item Other (II.3.) includes future payments arising from repo agreements with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding extrabudgetary funds), which fall due in the next 12 months. Contingent liabilities in foreign currency (III.1.) include future principal and interest payments on foreign loans guaranteed by the central government, and banks’ foreign currency reserve requirements. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises households’ deposits in foreign currency with remaining maturity of up to 3 months). Undrawn credit lines show potential inflows (+) or outflows (–) which would arise from drawdowns under these credits.

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV.a) shows obligations arising from the Law on Converting Households’ Foreign Exchange Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV.c) show time deposits in foreign currency with a maturity over 3 months listed in item I.B. which are also a pledge. Repo transactions with securities show the value of collateral that is the subject of repo agreements and reverse repo transactions with securities as well as how these transactions are registered in the Template. Until December 2000, the currency structure of international and other foreign currency reserves showed the currency structure of the total foreign currency assets of the CNB (section I.). From January 2001, the currency structure refers to official reserve assets (section I.).

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1992		0.340174	0.024304	0.050419	0.020916	0.190597	0.375277	0.264299	0.171018
1993		4.133563	0.305485	0.621058	0.224018	2.433869	5.369428	3.577417	2.155526
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2002	June	7.344009				4.993381	11.405167	7.697451	
	July	7.350401				5.026632	11.500657	7.405215	
	August	7.377005				5.045000	11.605190	7.541780	
	September	7.346884				5.014697	11.644205	7.483577	
	October	7.426918				5.070771	11.795687	7.570804	
	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	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1992		0.964508	0.070357	0.145244	0.054153	0.546218	1.206464	0.798188	0.495000
1993		7.262200	0.540504	1.120052	0.381300	4.471653	9.714800	6.561900	3.801812
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2002	June	7.320722				4.972641	11.273055	7.359729	
	July	7.394853				5.071916	11.762133	7.522740	
	August	7.376568				5.022857	11.620302	7.488902	
	September	7.341343				5.003642	11.677021	7.504951	
	October	7.498423				5.126075	11.872107	7.627325	
	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	

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	June	119.64	109.37	101.24
	July	118.32	107.66	100.56
	August	119.29	108.79	101.71
	September	118.68	108.15	100.95
	October	120.00	108.69	101.71
	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	106.30 ^a	98.60 ^a
	August	116.45	106.85 ^a	99.60 ^a
	September	116.10		

^a Preliminary data.

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

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

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

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

Table H11: External Debt by Domestic Sectors

Million US dollars

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.	Jun.	Jul.	Aug.
1. Direct investment	270.8	348.6	626.6	635.0	1,059.0	1,282.3	1,469.0	1,560.1	1,509.8
2. Government	3,412.3	3,975.3	4,828.4	5,132.6	6,360.9	6,894.5	7,371.2	7,367.1	7,184.0
2.1 Portfolio investment	2,048.3	2,522.9	3,141.2	3,677.1	4,357.1	4,882.3	5,286.2	5,211.2	5,089.0
Bonds	2,048.3	2,522.9	3,141.2	3,677.1	4,357.1	4,882.3	5,286.2	5,211.2	5,089.0
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	1,364.0	1,452.4	1,687.2	1,455.5	2,003.9	2,012.2	2,085.1	2,155.9	2,095.0
2.2.1 Trade credits	2.7	3.3	0.1	1.1	1.3	1.0	1.0	0.8	0.8
Long-term	1.8	0.6	0.1	1.1	1.3	1.0	1.0	0.8	0.8
Short-term	0.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	1,361.3	1,449.1	1,687.1	1,454.4	2,002.6	2,011.2	2,084.1	2,155.1	2,094.2
Long-term	1,311.3	1,373.8	1,327.1	1,454.4	2,002.6	2,011.2	2,084.1	2,155.1	2,094.2
Short-term	50.0	75.3	360.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	233.3	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0
o/w: IMF	233.3	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0
4. Banks	2,491.7	2,184.8	2,086.5	2,299.4	4,009.4	4,473.4	5,002.5	5,409.9	5,185.2
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	2,491.7	2,184.8	2,086.5	2,299.4	4,009.4	4,473.4	5,002.5	5,409.9	5,185.2
4.2.1 Currency and deposits	614.6	537.7	432.8	633.5	1,975.7	2,130.0	2,737.1	2,709.2	2,376.3
4.2.2 Credits	1,877.1	1,647.1	1,653.7	1,665.9	2,033.8	2,343.4	2,265.4	2,700.8	2,808.9
Long-term	1,856.3	1,627.0	1,640.0	1,657.7	2,026.6	2,334.0	2,257.0	2,646.6	2,756.1
Short-term	20.8	20.1	13.7	8.2	7.2	9.4	8.4	54.2	52.9
5. Other sectors	3,275.1	3,272.6	3,354.6	3,127.5	3,942.7	4,345.3	4,717.1	4,870.6	4,831.7
5.1 Portfolio investment	8.7	48.5	38.4	54.8	167.7	374.7	409.9	410.7	391.6
Bonds	0.0	31.1	28.9	27.3	167.7	374.7	398.6	399.3	380.8
Money market instruments	8.7	17.4	9.5	27.4	0.0	0.0	11.3	11.3	10.8
5.2 Other investment	3,266.5	3,224.1	3,316.3	3,072.8	3,775.0	3,970.7	4,307.1	4,460.0	4,440.2
5.2.1 Trade credits	456.3	383.9	334.0	293.7	324.0	321.6	328.5	326.2	313.5
Long-term	353.9	298.5	269.5	239.9	274.4	270.0	272.3	271.6	258.1
Short-term	102.4	85.4	64.4	53.8	49.7	51.6	56.3	54.7	55.5
5.2.2 Credits	2,810.2	2,840.2	2,982.3	2,779.1	3,451.0	3,649.0	3,978.6	4,133.7	4,126.6
Long-term	2,523.4	2,611.6	2,838.0	2,691.6	3,352.7	3,469.2	3,809.7	3,951.3	3,926.6
Short-term	286.7	228.6	144.3	87.5	98.3	179.9	168.9	182.5	200.0
Total (1+2+3+4+5)	9,683.3	9,977.9	11,054.8	11,316.6	15,372.0	16,995.5	18,559.7	19,207.8	18,710.7

Table H11: External Debt by Domestic Sectors

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

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

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

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

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

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

Table H12: External Debt by Creditors

Million US dollars

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.	Jun.	Jul.	Aug.
1. Portfolio investment	2,057.0	2,571.4	3,179.6	3,731.8	4,524.8	5,257.0	5,696.1	5,621.8	5,480.6
Bonds	2,048.3	2,554.0	3,170.1	3,704.4	4,524.8	5,257.0	5,684.8	5,610.5	5,469.8
o/w: London Club	1,404.7	1,380.9	1,255.4	1,106.0	956.7	876.1	876.1	795.5	795.5
Money market instruments	8.7	17.4	9.5	27.4	0.0	0.0	11.3	11.3	10.8
2. Other investment	7,626.3	7,406.5	7,875.2	7,584.8	10,847.3	11,738.5	12,863.6	13,585.9	13,230.1
2.1. Currency and deposits	614.6	537.7	432.8	633.5	1,975.7	2,130.0	2,737.1	2,709.2	2,376.3
2.2. Long-term	6,540.9	6,442.8	6,781.7	6,769.0	8,659.6	9,189.2	9,714.1	10,360.5	10,342.3
2.2.1. Public creditors	2,305.7	2,157.6	2,269.1	2,230.4	2,569.1	2,648.9	2,750.0	2,773.3	2,704.5
a) International financial organizations	1,066.7	1,032.8	1,128.6	1,166.1	1,376.9	1,416.9	1,428.5	1,472.6	1,454.6
– IMF	233.3	196.6	158.7	122.1	0.0	0.0	0.0	0.0	0.0
– IBRD	345.2	396.3	417.7	468.8	611.0	618.5	629.4	638.4	622.6
– IFC	30.8	28.6	71.9	85.6	132.3	131.2	105.3	105.4	101.6
– EBRD	250.8	219.1	296.8	318.7	374.9	405.3	408.5	426.9	409.8
– EUROFIMA	72.1	78.5	85.6	82.7	109.4	111.6	115.1	115.2	110.4
– EIB	133.2	98.2	74.0	52.2	84.8	84.1	97.4	102.1	124.7
– CEB	1.1	15.4	24.0	36.0	64.5	66.2	72.7	84.6	85.5
b) Governments and government agencies	1,239.0	1,124.9	1,140.5	1,064.3	1,192.2	1,232.0	1,321.5	1,300.7	1,249.9
– Paris Club	884.7	771.9	687.5	622.4	631.2	613.9	630.7	607.8	588.9
– Other	354.3	353.0	453.0	441.9	561.1	618.2	690.8	692.8	660.9
2.2.2. Private creditors	4,235.2	4,285.1	4,512.6	4,538.6	6,090.4	6,540.3	6,964.1	7,587.2	7,637.8
a) Banks	3,302.0	3,366.8	3,397.6	3,477.9	4,694.2	5,153.6	5,425.7	6,003.8	6,089.3
o/w: guaranteed by government agencies	198.4	441.2	634.6	733.9	686.2	615.3	582.2	581.8	557.5
b) Other sectors	933.2	918.3	1,115.0	1,060.6	1,396.3	1,386.8	1,538.4	1,583.4	1,548.5
o/w: guaranteed by government agencies	28.3	17.8	13.8	9.8	6.0	5.5	5.8	5.7	4.9
2.3. Short-term	470.8	426.1	660.8	182.3	212.0	419.3	412.5	516.3	511.5
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	470.8	426.1	660.8	182.3	212.0	419.3	412.5	516.3	511.5
a) Banks	289.1	246.5	486.5	62.5	52.7	123.6	105.8	163.5	181.3
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	181.7	179.5	174.3	119.9	159.4	295.8	306.7	352.8	330.2
o/w: guaranteed by government agencies	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	9,683.3	9,977.9	11,054.8	11,316.6	15,372.0	16,995.5	18,559.7	19,207.8	18,710.7

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 31/8/2003	Nonreported principal payments	Projected future principal payments										
			Q3/03	Q4/03	2003	2004	2005	2006	2007	2008	2009	2010	Other
1. Direct investment	1,509.8	153.8	144.3	107.7	252.0	143.0	126.4	320.3	211.8	164.7	20.8	24.7	92.3
2. Government	7,184.0	4.3	11.7	41.6	53.3	870.5	901.7	906.6	655.7	532.9	1,075.6	796.8	1,386.6
2.1. Portfolio investment	5,089.0	0.0	0.0	0.0	0.0	580.7	706.8	702.1	419.8	313.4	859.0	645.4	862.0
Bonds	5,089.0	0.0	0.0	0.0	0.0	580.7	706.8	702.1	419.8	313.4	859.0	645.4	862.0
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
2.2. Other investment	2,095.0	4.3	11.7	41.6	53.3	289.8	195.0	204.4	235.9	219.5	216.6	151.4	524.6
2.2.1. Trade credits	0.8	0.0	0.1	0.1	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.8	0.0	0.1	0.1	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. Credits	2,094.2	4.3	11.7	41.5	53.2	289.2	195.0	204.4	235.9	219.5	216.6	151.4	524.6
Long-term	2,094.2	4.3	11.7	41.5	53.2	289.2	195.0	204.4	235.9	219.5	216.6	151.4	524.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	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
4. Banks	5,185.2	72.2	18.6	74.6	93.2	265.4	672.4	840.8	226.9	262.9	114.5	41.8	2,594.9
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Other investment	5,185.2	72.2	18.6	74.6	93.2	265.4	672.4	840.8	226.9	262.9	114.5	41.8	2,594.9
4.2.1. Currency and deposits	2,376.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2,376.3
4.2.2. Credits	2,808.9	72.2	18.6	74.6	93.2	265.4	672.4	840.8	226.9	262.9	114.5	41.8	218.6
Long-term	2,756.1	65.3	18.6	28.7	47.3	265.4	672.4	840.8	226.9	262.9	114.5	41.8	218.6
Short-term	52.9	6.9	0.0	45.9	45.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	4,831.7	558.5	97.4	256.5	353.9	981.9	645.4	508.3	521.4	287.3	187.3	133.2	654.7
5.1. Portfolio investment	391.6	0.0	0.0	10.8	10.8	33.8	0.0	0.0	141.8	7.2	7.2	8.2	182.6
Bonds	380.8	0.0	0.0	0.0	0.0	33.8	0.0	0.0	141.8	7.2	7.2	8.2	182.6
Money market instruments	10.8	0.0	0.0	10.8	10.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	4,440.2	558.5	97.4	245.7	343.1	948.0	645.4	508.3	379.6	280.1	180.1	125.0	472.1
5.2.1. Trade credits	313.5	123.4	9.4	43.8	53.3	87.0	27.7	12.7	5.1	2.0	1.3	0.8	0.3
Long-term	258.1	95.4	7.7	30.0	37.7	75.1	27.7	12.7	5.1	2.0	1.3	0.8	0.3
Short-term	55.5	27.9	1.7	13.9	15.6	11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	4,126.6	435.1	88.0	201.8	289.8	861.0	617.7	495.5	374.5	278.1	178.9	124.1	471.8
Long-term	3,926.6	351.3	72.3	154.3	226.6	808.1	617.7	495.5	374.5	278.1	178.9	124.1	471.8
Short-term	200.0	83.9	15.7	47.6	63.2	52.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	18,710.7	788.9	272.1	480.3	752.4	2,260.8	2,345.9	2,575.9	1,615.8	1,247.9	1,398.1	996.4	4,728.4
Supplement: Projected interest payments		82.6	39.7	139.5	179.3	711.1	600.6	473.5	363.2	286.3	238.2	178.0	360.5
Note:													
Publicly guaranteed debt	2,217.3												
o/w: Banks and other sectors	1,176.4												

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

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

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

able interest rates.

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

Table H14: International Investment Position – Summary

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
1. International investment position (net)	-5,196.3	-5,743.5	-4,452.8	-8,867.5	-6,289.6	-6,424.8	-7,018.7	-8,867.5	-9,709.0	-12,037.1
2. Assets	7,142.9	8,353.9	11,083.4	12,245.9	10,277.8	11,448.7	11,387.2	12,245.9	12,519.8	14,041.0
2.1. Direct investment abroad	881.7	875.1	967.1	1,818.1	922.1	1,477.5	1,224.9	1,818.1	1,480.4	2,144.4
2.2. Portfolio investment	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5
2.2.1. Equity securities	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5
2.2.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	3,210.2	3,942.3	5,389.6	4,515.7	4,408.7	4,342.9	4,442.0	4,515.7	4,808.2	5,085.0
2.4.1. Trade credits	194.4	186.3	181.8	188.6	183.5	179.3	188.6	188.6	195.7	199.6
2.4.2. Loans	164.9	154.7	107.3	134.1	111.6	130.6	134.1	134.1	140.7	138.5
2.4.3. Currency and deposits	2,850.9	3,601.2	5,100.5	4,193.1	4,113.6	4,033.0	4,119.4	4,193.1	4,471.9	4,746.9
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	3,025.0	3,522.2	4,704.2	5,885.8	4,885.4	5,601.7	5,705.2	5,885.8	6,207.8	6,772.2
3. Liabilities	12,339.2	14,097.4	15,536.3	21,113.5	16,567.4	17,873.5	18,405.9	21,113.5	22,228.8	26,078.1
3.1. Direct investment in Croatia	2,578.1	3,560.3	4,706.4	6,710.7	5,469.9	5,186.1	5,432.4	6,710.7	6,356.4	8,800.2
3.2. Portfolio investment	2,700.0	3,288.4	3,880.0	4,694.6	3,916.6	4,539.3	4,461.3	4,694.6	5,410.8	5,883.4
3.2.1. Equity securities	128.3	108.8	148.2	169.8	172.6	144.2	209.5	169.8	153.8	187.3
3.2.2. Debt securities	2,571.8	3,179.6	3,731.8	4,524.8	3,744.0	4,395.1	4,251.8	4,524.8	5,257.0	5,696.1
Bonds	2,554.4	3,170.1	3,704.4	4,524.8	3,739.1	4,390.2	4,246.9	4,524.8	5,257.0	5,684.8
Money market instruments	17.4	9.5	27.4	0.0	4.9	4.9	4.9	0.0	0.0	11.3
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,061.0	7,248.6	6,949.8	9,708.2	7,180.9	8,148.1	8,512.2	9,708.2	10,461.6	11,394.6
3.4.1. Trade credits	390.9	334.0	294.8	312.9	288.8	332.1	319.5	312.9	322.6	329.5
3.4.2. Loans	6,132.4	6,481.8	6,021.5	7,419.6	6,093.5	6,629.3	6,826.7	7,419.6	8,003.6	8,328.1
3.4.3. Currency and deposits	537.7	432.8	633.5	1,975.7	798.6	1,186.7	1,366.0	1,975.7	2,135.3	2,737.0
3.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H14: International Investment Position

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

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

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

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

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

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

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

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

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

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

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

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

Table H15: International Investment Position – Direct Investment

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Direct investment (net)	-1,696.4	-2,685.2	-3,739.3	-4,892.6	-4,547.8	-3,708.6	-4,207.4	-4,892.6	-4,876.0	-6,655.8
1. Abroad	881.7	875.1	967.1	1,818.1	922.1	1,477.5	1,224.9	1,818.1	1,480.4	2,144.4
1.1. Equity capital and reinvested earnings	839.7	824.1	926.8	1,776.0	881.1	1,435.7	1,182.9	1,776.0	1,428.1	2,081.7
Claims	839.7	824.1	926.8	1,776.0	881.1	1,435.7	1,182.9	1,776.0	1,428.1	2,081.7
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	42.0	51.0	40.3	42.1	41.0	41.8	42.1	42.1	52.3	62.7
Claims	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....
1.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	2,578.1	3,560.3	4,706.4	6,710.7	5,469.9	5,186.1	5,432.4	6,710.7	6,356.4	8,800.2
2.1. Equity capital and reinvested earnings	2,205.5	2,904.1	3,760.6	5,304.4	4,469.4	3,968.3	4,168.0	5,304.4	4,663.4	6,907.3
Claims	0.0	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	4,469.4	3,968.3	4,168.0	5,304.4	4,663.4	6,907.3
2.2. Other capital	372.6	656.2	945.9	1,406.3	1,000.5	1,217.8	1,264.3	1,406.3	1,693.0	1,892.8
Claims	....	....	....	....	....	....	....	....	....	....
Liabilities	....	....	....	....	....	....	....	....	....	....
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table H16: International Investment Position – Portfolio Investment

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Portfolio investment (net)	-2,674.0	-3,274.1	-3,857.5	-4,668.3	-3,855.0	-4,512.8	-4,446.3	-4,668.3	-5,387.4	-5,843.8
1. Assets	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5
1.1. Equity capital and reinvested earnings	26.0	14.3	22.5	26.3	61.6	26.5	15.0	26.3	23.4	39.5
Banks	0.7	7.2	7.1	8.5	6.5	8.1	6.5	8.5	3.9	5.7
Other sectors	25.3	7.1	15.4	15.7	52.5	15.8	6.5	15.7	16.4	30.6
1.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,700.0	3,288.4	3,880.0	4,694.6	3,916.6	4,539.3	4,461.3	4,694.6	5,410.8	5,883.4
2.1. Equity capital and reinvested earnings	128.3	108.8	148.2	169.8	172.6	144.2	209.5	169.8	153.8	187.3
Banks	61.5	36.5	36.5	40.4	42.5	36.8	96.9	40.4	31.0	43.9
Other sectors	66.8	72.3	111.7	129.4	130.1	107.5	112.6	129.4	122.8	143.4
2.2. Debt securities	2,571.8	3,179.6	3,731.8	4,524.8	3,744.0	4,395.1	4,251.8	4,524.8	5,257.0	5,696.1
Bonds	2,554.4	3,170.1	3,704.4	4,524.8	3,739.1	4,390.2	4,246.9	4,524.8	5,257.0	5,684.8
General government	2,523.2	3,141.2	3,677.1	4,357.1	3,712.1	4,230.0	4,089.4	4,357.1	4,882.3	5,286.2
Other sectors	31.2	28.9	27.3	167.7	27.0	160.1	157.5	167.7	374.7	398.6
Money market instruments	17.4	9.5	27.4	0.0	4.9	4.9	4.9	0.0	0.0	11.3
Other sectors	17.4	9.5	27.4	0.0	4.9	4.9	4.9	0.0	0.0	11.3

^a Preliminary data.

Table H17: International Investment Position – Other Investment

Million US dollars

	1999	2000	2001	2002	2002				2003	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Other investment (net)	-3,850.8	-3,306.3	-1,560.2	-5,192.5	-2,772.3	-3,805.2	-4,070.2	-5,192.5	-5,653.3	-6,309.6
1. Assets	3,210.2	3,942.3	5,389.6	4,515.7	4,408.7	4,342.9	4,442.0	4,515.7	4,808.2	5,085.0
1.1. Trade credits	194.4	186.3	181.8	188.6	183.5	179.3	188.6	188.6	195.7	199.6
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	194.4	186.3	181.8	188.5	183.5	179.2	188.5	188.5	195.6	199.5
Long-term	182.4	154.4	158.9	176.6	165.5	166.6	176.6	176.6	186.7	191.5
Short-term	12.0	31.9	22.9	11.9	18.0	12.7	11.9	11.9	9.0	8.0
1.2. Loans	164.9	154.7	107.3	134.1	111.6	130.6	134.1	134.1	140.7	138.5
1.2.1. General government	3.7	3.5	5.4	5.8	5.3	5.6	5.8	5.8	5.7	5.9
Long-term	3.7	3.5	5.4	5.8	5.3	5.6	5.8	5.8	5.7	5.9
1.2.2. Banks	94.8	121.7	73.0	97.5	76.7	95.2	97.5	97.5	104.1	101.4
Long-term	60.0	83.6	41.4	62.7	42.5	60.2	62.7	62.7	64.9	67.9
Short-term	34.8	38.1	31.6	34.8	34.2	35.1	34.8	34.8	39.2	33.5
1.2.3. Other sectors	66.4	29.6	28.9	30.7	29.5	29.8	30.7	30.7	30.9	31.2
Long-term	66.4	29.6	28.9	30.6	29.5	29.8	30.6	30.6	30.8	31.1
Short-term	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1
1.3. Currency and deposits	2,850.9	3,601.2	5,100.5	4,193.1	4,113.6	4,033.0	4,119.4	4,193.1	4,471.9	4,746.9
1.3.2. General government	46.0	69.0	83.5	120.5	79.3	11.4	55.4	120.5	53.2	70.7
1.3.3. Banks	1,562.9	2,389.2	3,915.0	2,868.6	2,906.3	2,837.6	2,931.0	2,868.6	3,110.7	3,472.2
1.3.4. Other sectors	1,242.0	1,143.0	1,102.0	1,204.0	1,128.0	1,184.0	1,133.0	1,204.0	1,308.0	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	0.0
2. Liabilities	7,061.0	7,248.6	6,949.8	9,708.2	7,180.9	8,148.1	8,512.2	9,708.2	10,461.6	11,394.6
2.1. Trade credits	390.9	334.0	294.8	312.9	288.8	332.1	319.5	312.9	322.6	329.5
2.1.1. General government	3.3	0.1	1.1	1.3	1.5	1.5	1.3	1.3	1.0	1.0
Long-term	0.6	0.1	1.1	1.3	1.5	1.5	1.3	1.3	1.0	1.0
Short-term	2.7	0.0	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	287.3	330.6	318.2	311.6	321.6	328.5
Long-term	302.1	269.5	239.9	262.1	237.9	269.9	262.2	262.1	270.0	272.3
Short-term	85.4	64.4	53.8	49.6	49.4	60.7	56.0	49.6	51.6	56.3
2.2. Loans	6,132.4	6,481.8	6,021.5	7,419.6	6,093.5	6,629.3	6,826.7	7,419.6	8,003.6	8,328.1
2.2.1. Croatian National Bank	196.7	158.7	122.1	0.0	118.4	111.7	107.8	0.0	0.0	0.0
o/w: IMF	196.7	158.7	122.1	0.0	118.4	111.7	107.8	0.0	0.0	0.0
2.2.2. General government	1,450.8	1,687.1	1,454.4	1,988.0	1,553.8	1,680.6	1,805.5	1,988.0	2,011.2	2,084.1
Long-term	1,375.4	1,327.1	1,454.4	1,988.0	1,553.8	1,680.6	1,805.5	1,988.0	2,011.2	2,084.1
Short-term	75.5	360.0	0.0	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	1,636.9	1,827.2	1,713.4	2,004.3	2,343.4	2,265.4
Long-term	1,630.1	1,640.0	1,657.7	1,995.0	1,629.0	1,818.3	1,705.0	1,995.0	2,334.0	2,257.0
Short-term	20.1	13.7	8.2	9.3	7.9	8.9	8.5	9.3	9.4	8.4
2.2.4. Other sectors	2,834.7	2,982.3	2,779.1	3,427.4	2,784.4	3,009.9	3,199.9	3,427.4	3,649.0	3,978.6
Long-term	2,606.5	2,838.0	2,691.6	3,258.3	2,677.8	2,880.7	3,024.2	3,258.3	3,469.2	3,809.7
Short-term	228.2	144.3	87.5	169.1	106.6	129.1	175.7	169.1	179.9	168.9
2.3. Currency and deposits	537.7	432.8	633.5	1,975.7	798.6	1,186.7	1,366.0	1,975.7	2,135.3	2,737.0
2.3.1. Banks	537.7	432.8	633.5	1,975.7	798.6	1,186.7	1,366.0	1,975.7	2,135.3	2,737.0
2.4. Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table 11: Consolidated Central Government

Million kuna

	1998	1999	2000	2001	2002 ^a	2003			
						Mar.	Apr.	May	Jun.
REVENUE AND GRANTS									
1. Budgetary central government	43,808.6	46,355.5	44,635.7	52,747.4	66,930.6	5,739.7	5,795.6	5,703.7	6,026.8
2. Extrabudgetary funds	21,302.1	21,185.5	22,099.3	18,098.2	3,998.3	380.1	399.8	494.5	532.2
2.1. Pension Fund	10,713.4	10,799.8	11,254.2	5,806.8	128.8	7.9	10.6	10.5	5.5
2.2. Health Insurance Fund	8,269.0	8,686.4	8,967.4	10,314.5	451.5	47.9	44.9	41.1	116.6
2.3. Employment Fund	718.2	760.6	822.4	910.9	25.4	2.2	1.7	1.7	1.6
2.4. Child Benefit Fund	542.8	9.1	7.1	5.1	–	–	–	–	–
2.5. Croatian Waters	1,058.6	929.6	1,048.2	1,060.9	1,094.0	63.9	59.0	59.9	88.3
2.6. Development and Employment Fund	–	–	–	–	1,797.8	–	–	–	–
2.7. Regional Development Fund	–	–	–	–	500.9	–	–	–	–
2.8. Croatian Highways	–	–	–	–	–	136.1	140.2	149.9	161.0
2.9. Croatian Roads	–	–	–	–	–	94.2	99.8	97.4	111.5
2.10. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	–	–	15.3	27.0	119.9	8.5
2.11. Croatian Privatization Fund	–	–	–	–	–	12.6	16.7	14.3	39.3
A. Total (1+2)	65,110.7	67,541.0	66,735.0	70,845.6	70,929.0	6,119.8	6,195.4	6,198.2	6,559.0
EXPENDITURE AND LENDING (minus repayments)									
3. Budgetary central government	34,125.4	35,979.1	36,730.8	44,844.5	67,882.2	6,666.0	5,684.1	6,685.1	5,842.1
4. Extrabudgetary funds	30,103.1	34,363.9	37,701.4	30,044.6	7,057.3	655.3	849.4	1,025.0	1,337.5
4.1. Pension Fund	16,170.4	18,998.5	20,180.8	12,125.3	1,557.8	139.8	143.4	141.5	152.0
4.2. Health Insurance Fund	10,776.0	11,919.6	13,918.1	13,192.7	1,281.5	33.6	46.3	65.1	155.6
4.3. Employment Fund	571.2	824.9	995.5	983.4	236.7	11.8	11.3	10.1	9.9
4.4. Child Benefit Fund	1,032.1	1,136.2	1,250.6	2,467.0	–	–	–	–	–
4.5. Croatian Waters	1,553.3	1,484.8	1,356.4	1,276.1	1,416.6	49.8	75.3	82.2	105.3
4.6. Development and Employment Fund	–	–	–	–	2,288.0	–	–	–	–
4.7. Regional Development Fund	–	–	–	–	276.6	–	–	–	–
4.8. Croatian Highways	–	–	–	–	–	291.8	448.4	597.5	653.4
4.9. Croatian Roads	–	–	–	–	–	102.7	108.7	117.8	150.2
4.10. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	–	–	22.5	11.2	6.8	106.5
4.11. Croatian Privatization Fund	–	–	–	–	–	3.2	5.0	3.9	4.6
B. Total (3+4)	64,228.6	70,343.0	74,432.3	74,889.1	74,939.5	7,321.3	6,533.5	7,710.0	7,179.6
C. Overall surplus/deficit (A-B)	882.1	–2,802.1	–7,697.3	–4,043.5	–4,010.5	–1,201.5	–338.1	–1,511.8	–620.6
5. Budgetary central government (1-3)	9,683.1	10,376.4	7,904.8	7,902.9	–951.6	–926.3	111.5	–981.4	184.8
6. Extrabudgetary funds (2-4)	–8,801.1	–13,178.4	–15,602.1	–11,946.4	–3,059.0	–275.2	–449.6	–530.5	–805.3

^a Preliminary data. Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

Million kuna

	1998	1999	2000	2001	2002	2003				
						Mar.	Apr.	May	Jun.	Jul.
1. Total revenue	43,808.6	46,355.5	44,635.7	53,503.6	69,869.1	6,012.1	6,113.2	5,971.4	6,315.6	6,999.0
1.1. Current revenue	42,019.4	40,044.6	41,535.0	48,906.3	69,651.1	5,989.9	6,094.5	5,956.2	6,297.3	6,980.7
1.1.1. Tax revenue	39,899.7	38,317.6	39,939.0	47,274.0	67,965.5	5,850.0	6,001.9	5,845.1	6,202.7	6,771.1
1.1.2. Nontax revenue	2,119.7	1,727.0	1,595.9	1,632.3	1,685.6	139.8	92.6	111.0	94.7	209.5
1.2. Capital revenue	1,789.2	6,310.9	3,100.7	4,597.3	218.0	22.2	18.7	15.2	18.3	18.4
2. Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1. Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Capital	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)	43,808.6	46,355.5	44,635.7	53,503.6	69,869.1	6,012.1	6,113.2	5,971.4	6,315.6	6,999.0
3. Total expenditure	41,390.4	47,379.6	49,567.5	56,723.3	71,992.1	6,716.0	6,172.6	7,008.3	6,003.5	7,284.1
3.1. Current expenditure	34,883.0	38,476.1	44,237.4	52,819.2	68,923.5	6,540.0	6,007.2	6,475.0	5,569.5	6,896.8
3.2. Capital expenditure	6,507.3	8,903.5	5,330.1	3,904.1	3,068.7	176.1	165.5	533.3	434.0	387.3
4. Lending minus repayments	1,161.5	1,499.2	1,176.1	1,089.5	1,377.5	388.8	59.2	133.6	326.3	125.4
B. Total expenditure and lending minus repayment	42,551.9	48,878.8	50,743.5	57,812.8	73,369.6	7,104.8	6,231.8	7,141.9	6,329.8	7,409.5
5. Current account surplus without grants (1.1.-3.1.)	7,136.4	1,568.5	-2,702.4	-3,912.9	727.6	-550.1	87.3	-518.8	727.8	83.9
6. Current account surplus with current grants (5+2.1.)	7,136.4	1,568.5	-2,702.4	-3,912.9	727.6	-550.1	87.3	-518.8	1,727.8	-916.1
7. Gross fixed capital formation ^a	976.1	-2,216.9	-395.4	-3,101.4	966.7	45.0	76.6	176.2	127.5	191.0
8. Gross capital formation ^b	976.1	-2,216.9	-395.4	-3,101.4	966.7	45.0	76.6	176.2	127.5	191.0
C. Overall surplus/deficit (A-B)	1,256.7	-2,523.3	-6,107.9	-4,309.1	-3,500.5	-1,092.8	-118.6	-1,170.5	-14.2	-410.5
9. Foreign financing	-9.1	4,615.1	6,921.5	2,299.6	2,347.8	3,014.4	-580.8	-559.1	1,046.3	-583.6
10. Domestic financing	-1,247.6	-2,091.8	-813.6	2,009.6	1,152.7	-1,921.6	699.4	1,729.6	-1,032.2	994.0
10.1. From other general government	190.0	-87.0	-92.0	-11.0	0.0	0.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	112.4	2.0	-12.5	-389.1	241.7	-2,027.6	749.4	623.5	-947.5	1,455.7
10.3. From deposit money banks	-1,638.6	-1,859.4	-288.8	2,559.1	782.9	83.4	-33.9	1,067.7	-121.0	-444.3
10.4. Other domestic financing	88.7	-147.4	-420.3	-149.4	128.1	22.6	-16.1	38.4	36.3	-17.4
D. Total financing (9+10)	-1,256.7	2,523.3	6,107.9	4,309.1	3,500.5	1,092.8	118.6	1,170.5	14.2	410.5

^a Net purchase of fixed capital formation. ^b Net purchase of fixed capital formation and net purchase of shares. Source: Ministry of Finance.

Table I3: Central Government Debt

End of period, million kuna

	1998	1999	2000	2001	2002	2003			
	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.	Jun.	Jul.	Aug.
1. Domestic debt of central government	15,047.8	16,754.6	21,324.2	24,907.3	28,746.7	30,814.2	32,554.8	32,834.9	31,785.4
1.1. Domestic debt of the Republic of Croatia	14,582.9	16,012.1	18,509.7	21,467.9	24,735.0	27,000.1	28,759.7	28,650.1	27,643.0
Treasury bills	565.8	776.7	2,564.6	4,892.3	5,632.7	5,696.1	5,983.8	5,988.1	6,023.2
Money market instruments	96.8	153.3	14.2	7.4	0.1	0.0	0.1	0.1	0.1
Bonds	13,035.8	13,720.7	14,082.5	15,415.8	16,021.7	17,472.6	17,980.8	17,546.1	17,311.5
Credits from the CNB	–	24.1	0.0	–	0.5	2.0	1.5	0.5	2.6
Credits from DMBs	884.4	1,337.3	1,848.4	1,152.4	3,080.0	3,829.3	4,793.5	5,115.4	4,305.6
1.2. Domestic debt of central government funds	465.0	742.5	2,814.4	3,439.4	4,011.8	3,814.1	3,795.1	4,184.9	4,142.4
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	–	–	1,686.8	1,636.1	1,652.2	1,707.7	1,667.0	1,674.2	1,655.7
Credits from DMBs	465.0	742.5	1,127.6	1,803.3	2,359.6	2,106.4	2,128.1	2,510.6	2,486.7
2. External debt of central government	21,155.8	29,981.4	38,927.2	42,413.4	45,056.1	49,025.3	48,100.0	48,223.7	48,774.6
2.1. External debt of the Republic of Croatia	20,031.0	28,617.0	36,845.7	39,656.8	41,296.8	45,243.0	44,432.9	44,574.3	45,149.9
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	12,425.8	18,903.3	25,231.2	30,029.0	30,115.3	33,936.6	33,747.4	33,339.4	33,775.4
Credits	7,605.2	9,713.7	11,614.5	9,627.8	11,181.6	11,306.4	10,685.5	11,234.9	11,374.5
2.2. External debt of central government funds	1,124.7	1,364.3	2,081.5	2,756.7	3,759.3	3,782.2	3,667.1	3,649.4	3,624.7
Money market instruments	–	–	–	–	–	–	–	–	–
Bonds	371.0	390.6	386.5	696.6	1,019.3	1,045.1	1,004.0	1,007.9	1,008.9
Credits	753.8	973.7	1,695.0	2,060.0	2,739.9	2,737.2	2,663.1	2,641.5	2,615.7
3. Total (1+2)	36,203.6	46,735.9	60,251.4	67,320.8	73,802.9	79,839.4	80,654.8	81,058.6	80,560.0
Supplement: Central government guaranteed debt									
– guarantees for domestic debt	....	....	3,412.3	6,025.6	7,528.1	7,683.7	6,807.7	6,562.2	6,452.8
– guarantees for external debt	7,508.3	8,844.0	9,636.0	8,548.9	7,786.1	8,231.6	7,741.8	7,641.3	8,140.4

Table I3: Central Government Debt

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

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

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

Year	Month	Chain indices			Monthly year-on-year indices			Cumulative year-on-year indices		
		Retail prices	Cost of living	Producer prices	Retail prices	Cost of living	Producer prices	Retail prices	Cost of living	Producer prices
1992	December	122.4	125.3	129.1	1,053.4	1,026.3	1,120.9	745.4	694.7	846.6
1993	December	99.5	100.6	98.5	1,249.7	1,225.1	1,175.6	1,616.6	1,591.3	1,610.4
1994	December	100.2	100.9	100.2	97.0	102.5	94.5	197.5	207.2	177.7
1995	December	100.2	100.7	100.5	103.7	104.6	101.6	102.0	104.0	100.8
1996	December	100.0	100.4	100.3	103.4	103.7	101.5	103.5	104.3	101.4
1997	December	100.7	101.2	99.9	103.8	104.9	101.6	103.6	104.1	102.3
1998	December	100.2	100.7	100.0	105.4	105.3	97.9	105.7	106.4	98.8
1999	December	100.3	101.0	100.3	104.4	103.6	105.9	104.2	103.5	102.6
2000	December	100.0	100.5	100.2	107.4	106.8	111.2	106.2	105.3	109.7
2001	December	99.8	100.6	99.0	102.6	102.5	96.9	104.9	104.8	103.6
2002	June	100.1	99.2	100.3	102.2	101.0	99.0	119.7	102.2	98.1
	July	99.6	99.1	100.5	102.3	101.3	100.2	102.6	102.1	98.4
	August	99.9	99.8	99.9	101.2	101.1	100.7	102.4	102.0	98.7
	September	100.5	100.3	100.4	101.5	101.1	100.4	102.2	101.9	98.9
	October	100.5	100.3	101.0	102.1	101.8	100.6	102.2	101.9	99.2
	November	99.7	100.3	99.4	102.0	102.0	101.5	102.3	101.9	99.4
	December	100.1	100.4	99.9	102.3	101.8	102.3	102.2	101.9	99.6
2003	January	100.4	100.4	100.5	101.6	100.8	102.9	101.6	100.8	102.9
	February	100.2	100.2	100.4	101.7	101.0	102.7	101.6	100.9	102.8
	March	100.4	100.5	100.8	101.7	101.4	104.7	101.7	101.1	103.4
	April	99.6	100.2	99.1	100.9	101.1	102.8	101.5	101.1	103.3
	May	100.2	101.0	99.2	100.9	101.3	101.8	101.4	101.1	103.0
	June	100.1	99.9	100.2	101.1	102.3	101.7	101.3	101.3	102.8
	July	100.0	99.7	100.2	101.5	102.9	101.4	101.3	101.5	102.5
	August	100.1	99.6	100.5	101.7	102.8	102.0	101.4	101.7	102.5
	September	100.4	100.6	99.6	101.6	103.2	101.2	101.4	101.9	102.4

Source: Central Bureau of Statistics.

Table J2: Core Retail Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services
1994	December	100.1	99.9	101.2	96.3	94.8	109.1
1995	December	100.1	100.0	100.5	103.1	102.6	107.1
1996	December	100.0	100.0	100.0	102.8	101.9	109.5
1997	December	100.2	100.2	100.5	102.5	102.3	104.5
1998	December	100.1	100.0	100.2	105.7	105.3	107.8
1999	December	100.1	100.2	100.0	104.2	104.2	104.1
2000	December	100.1	100.1	100.2	104.6	104.8	103.5
2001	December	99.8	99.7	100.8	101.7	101.1	105.6
2002	June	100.1	100.1	100.0	101.0	100.4	104.1
	July	99.7	99.7	100.0	100.4	100.0	103.3
	August	100.0	100.0	99.9	100.3	99.9	102.9
	September	100.3	100.3	100.1	100.6	100.3	102.7
	October	100.5	100.5	100.5	101.1	100.8	103.0
	November	99.9	100.2	98.4	101.0	101.0	101.2
	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

Source: Central Bureau of Statistics.

Table J3: Average Monthly Net Wages

In current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1992	December	74.4	120.2	681.7	409.4
1993	December	1,073.2	105.2	1,442.1	1,605.3
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	June	3,722.0	97.9	106.2	103.9
	July	3,757.0	101.0	105.8	104.2
	August	3,738.0	99.5	104.8	104.3
	September	3,673.0	98.3	107.1	104.6
	October	3,766.0	102.5	106.4	104.8
	November	3,916.0	104.0	105.7	104.8
2003	December	3,839.0	98.0	107.2	105.0
	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	

Source: Central Bureau of Statistics.

Table J2: Core Retail Prices Indices

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

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

List of Deposit Money Banks & Savings Banks

1 October 2003

Licensed Banks

1. Banka Brod d.d., Slavonski Brod¹
2. Banka Kovanica d.d., Varaždin¹
3. Banka Sonic d.d., Zagreb
4. Brodsko-posavska banka d. d., Slavonski Brod
5. Centar banka d.d., Zagreb
6. Convest banka d.d., Zagreb
7. Credo banka d.d., Split
8. Croatia banka d.d., Zagreb
9. Dresdner Bank Croatia d.d. , Zagreb
10. Dubrovačka banka d.d., Dubrovnik
11. Erste & Steiermärkische Bank d.d., Zagreb
12. Gospodarsko kreditna banka d.d., Zagreb
13. Hrvatska poštanska banka d.d., Zagreb
14. HYPO Alpe-Adria-Bank d.d., Zagreb
15. Imex banka d.d., Split
16. Istarska kreditna banka Umag d.d., Umag
17. Jadranska banka d.d., Šibenik
18. Karlovačka banka d.d., Karlovac
19. Kreditna banka Zagreb d.d., Zagreb
20. Križevačka banka d.d. Križevci¹
21. Kvarner banka d.d., Rijeka
22. Međimurska banka d.d., Čakovec
23. Nava banka d.d., Zagreb
24. Nova banka d.d., Zagreb
25. Partner banka d.d., Zagreb
26. Podravska banka d.d., Koprivnica
27. Požeška banka d.d., Požega
28. Primorska banka d.d. Rijeka
29. Primus banka d.d., Zagreb
30. Privredna banka – Laguna banka d.d., Poreč
31. Privredna banka Zagreb d.d., Zagreb
32. Raiffeisenbank Austria d.d., Zagreb
33. Riadria banka d.d., Rijeka
34. Samoborska banka d.d., Samobor
35. Slatinska banka d.d., Slatina
36. Slavonska banka d.d., Osijek
37. Splitska banka d.d., Split
38. Splitsko-dalmatinska banka d.d., Split¹
39. Štedbanka d.d., Zagreb
40. Varaždinska banka d.d., Varaždin
41. Volksbank d.d., Zagreb
42. Zagorska banka d.d., Krapina¹
43. Zagrebačka banka d.d., Zagreb

Licensed Savings Banks

1. Međimurska štedionica d.d., Čakovec²

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. Slavonska 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

¹ 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.

² Operating license includes collection of households' foreign exchange savings and exchange operations.

23. Trgovačko-turistička banka d.d., Split	08/09/2000	3. Štedionica SA-GA d.d., Zagreb	31/12/2001
24. Vukovarska banka d.d., Vukovar	25/02/1998	4. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001
25. Županjska banka d.d., Županja	03/05/1999	5. Trgovačka štedionica d.o.o., Zagreb	01/01/2002

Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
2. Štedionica Dora d.d., 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 October 2003

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
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
DMB	– deposit money bank
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– European Monetary Union
EU	– European Union
f/c	– foreign currency
FDI	– foreign direct investment
FINA	– Financial Agency
FISIM	– Financial Intermediation Services Indirectly Measured
GDP	– gross domestic product
GVA	– gross value added
IMF	– International Monetary Fund
IPT	– Institute for Payment Transactions
MEFP	– Memorandum of Economic and Financial Policies
MoF	– Ministry of Finance
NUR	– net usable reserves
o.w.	– of which
PPI	– producer price index

Q	– quarterly
RPI	– retail price index
RR	– reserve requirement
SDR	– special drawing rights
VSE	– Varaždin Stock Exchange
ZIBOR	– Zagreb Interbank Offered Rate
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange
WTO	– World Trade Organization

Abbreviations for Currency

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

Symbols

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

