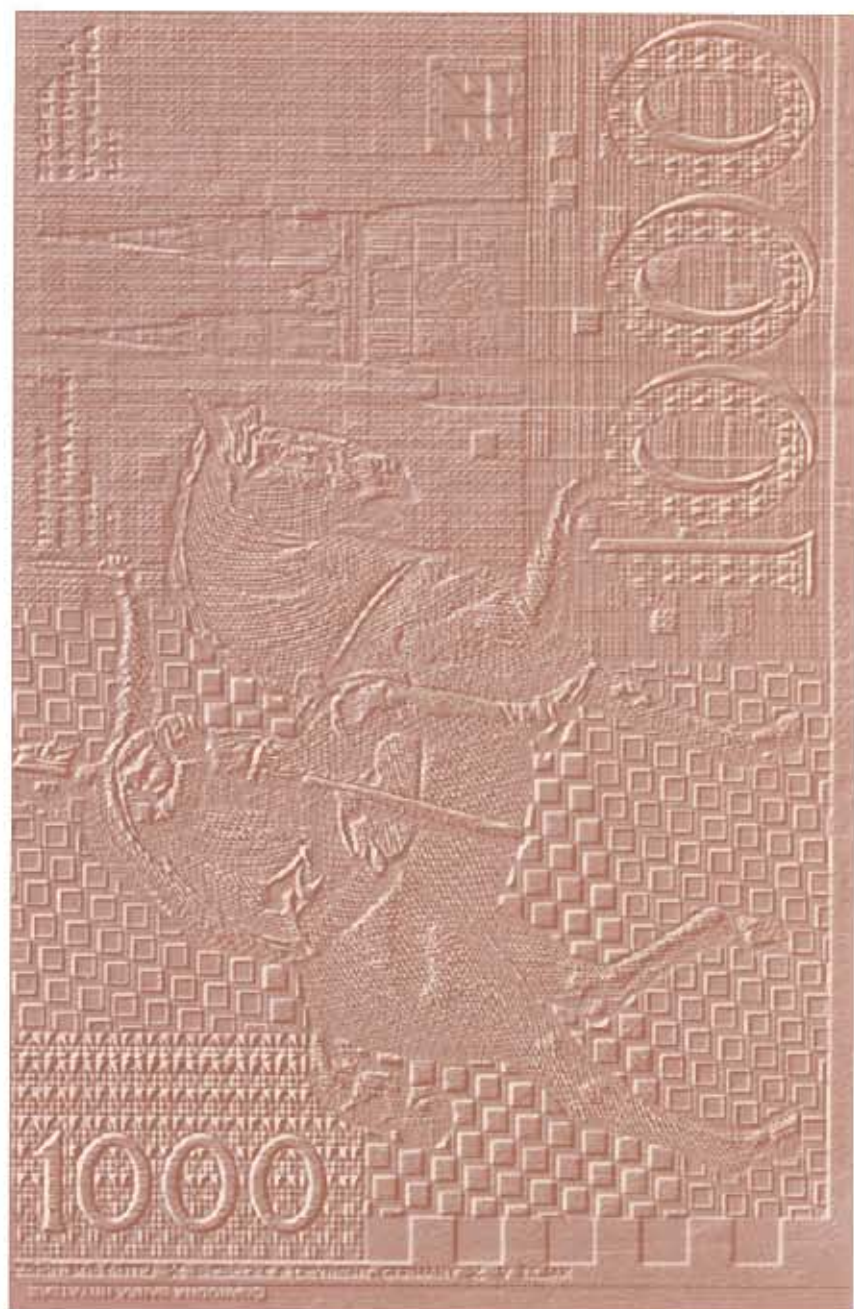


CROATIAN NATIONAL BANK



BULLETIN

YEAR III
No. 23

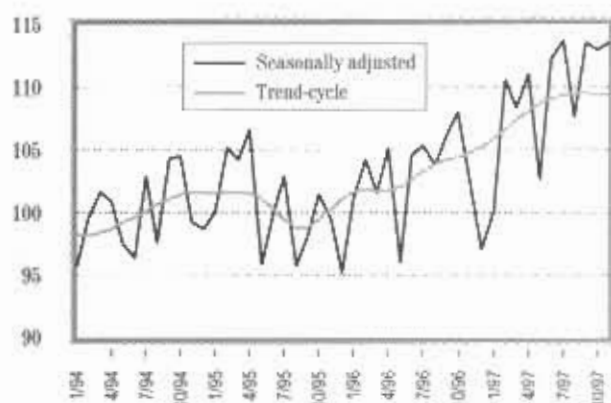
JANUARY 1998

INDUSTRY

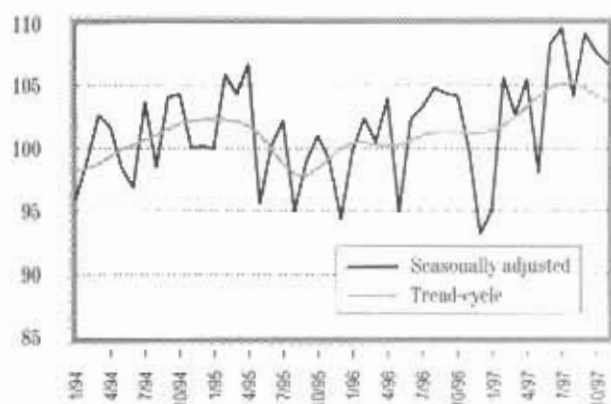
With a 5.5% year-on-year increase at the end of November, industrial production made a significant contribution to total economic growth in 1997. Since there is only one month before the end of the year, total annual growth in 1997 should not vary significantly from this figure. This would represent the highest growth rate in the post-war period. Increases in economic activity in other sectors provides a real basis for the expectation of intensified economic growth in the future. Increased production of non-durable consumer goods was the biggest contributor to the total increase in industrial production achieved since the beginning of the year, while the decrease in the production of intermediary products slowed down growth. The production of non-durable consumer goods increased by 11.8% compared to the same period last year, while the production of intermediary products decreased by 3.9%. In the first eleven months of the year, the average monthly growth rate of the deseasoned series amounted to 1.6%, while the average monthly growth rate of the trend series amounted to 0.3%, as a result of a slow-down in production in the last couple of months.

The growth of processing industry was based on increases in the production of furniture, textiles, rubber, plastic, metals, machines and equipment, motor vehicles, shipbuilding and publishing. Decreases in production were recorded in the production of food and beverages, tobacco products, clothes and fur, oil products, chemical products, as well as the production of leather and footwear. The decrease in production in the two largest branches, food processing and chemicals (which make up approximately one third of production in the processing industry), has slowed down the growth of total

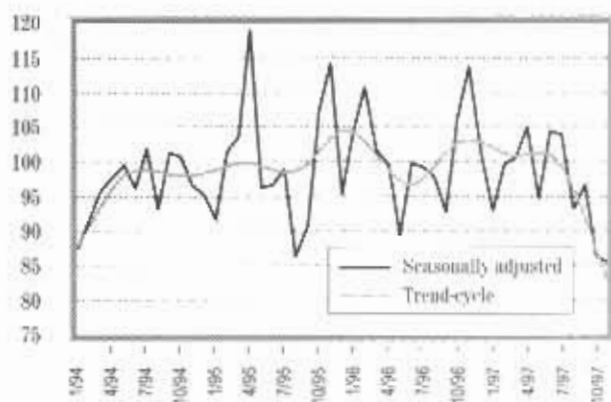
MANUFACTURING PRODUCTION INDEX
Seasonally adjusted and trend-cycle (1995 = 100)



PROCESSING INDUSTRY
Seasonally adjusted and trend-cycle (1995 = 100)

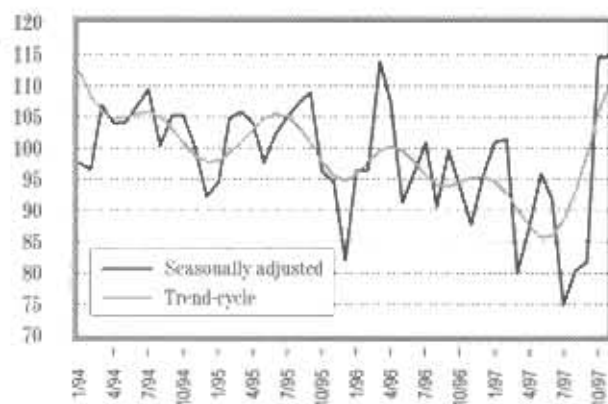


PRODUCTION OF FOOD AND BEVERAGES
Seasonally adjusted and trend-cycle (1995 = 100)



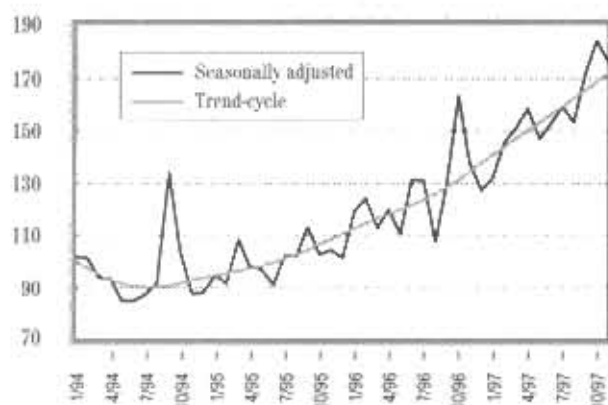
PRODUCTION OF CHEMICALS AND CHEMICAL PRODUCTS

Seasonally adjusted and trend-cycle (1995 = 100)



ELECTRICITY, GAS, STEAM AND HOT WATER SUPPLY

Seasonally adjusted and trend-cycle (1995 = 100)



INDEX OF PRODUCTION VOLUME IN INDUSTRY BY MAIN INDUSTRIAL GROUPS

Trend-cycle (1995 = 100)



production in the processing industry. Production of food and beverages recorded an annual cumulative decrease of 5.9%, while the production of chemicals and chemical products decreased by 4.0%. Productivity of labor in industry increased at an annual level by 10.8%, while the number of employed decreased by 4.9% compared to the corresponding period last year.

Despite of the growth of exports (unlike 1996, when exports stagnated) industry recorded a foreign trade deficit, due to the more rapid growth of imports. Exports of industrial products as a whole increased in the first eleven months of the year by 13.0% (in kuna amount), with exports of the processing industry increasing by 12.6%, exports from mining and mineral extraction by more than threefold, while exports in the area of supply of electrical energy, gas, steam and hot water were negligible compared to last year. Total imports grew by 30.0% in the same period, with the most significant increase recorded in energy supply (37.1%), processing industry (33.2%) and mining and mineral extraction (5.9%).

The Payments Institute's data on the semi-annual financial results of legal entities in industry indicate the following results: At the end of the first semester of 1997, there were 8,794 legal entities (i.e. 8,794 submitting reports), while at the end of 1996, there were 9,301. The processing industry is ranked third among various economic activities by number of legal entities. Manufacturing industry as a whole recorded positive results (i.e. profit in excess of loss) in the amount of 762.1 million kuna. However, losses were significant within various branches, especially in the production of food and beverages, the tobacco industry, the production of transportation equipment and the metal industry.

TRADE

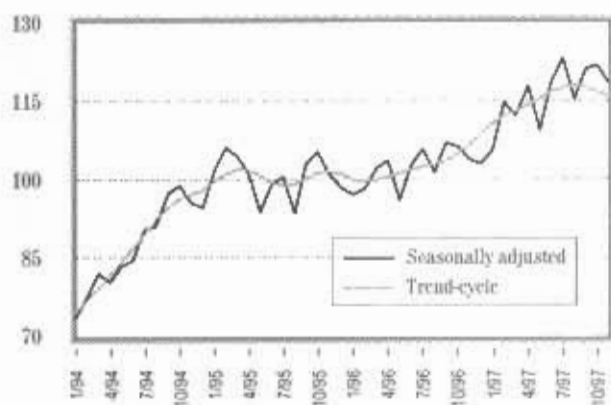
Final data for the first six months of 1997 indicates that real turnover in retail trade grew much more rapidly than had been indicated by the preliminary available data. The semi-annual report encompasses, in principle, all business subjects dealing with retail trade on the domestic market. Year-on-year quarterly growth amounted to 12.2% in the first quarter, 13.0% in the second quarter and 14.1% in the third quarter (temporary data). This resulted in an annual growth rate of 13.3% at the end of November. Nominal turnover is expected to increase by 11.5% in December compared to November, which is obviously the result of a strong seasonal influence. The real increase in turnover recorded in wholesale trade amounted to 12.2%.

At the end of the first half of 1997, 62,000 persons were employed in 17,000 retail outlets. On the same date, wholesale trade employed 24,000 persons in approximately 3,000 companies. However, the report on wholesale trade does not cover the full sample, unlike the retail trade report.

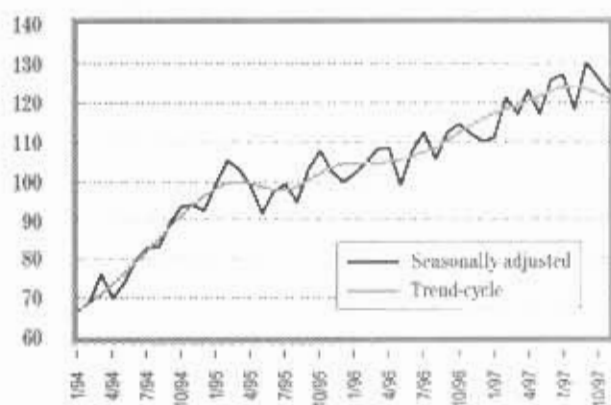
CONSTRUCTION, TRANSPORTATION AND TOURISM

The second half of 1997 continues to be characterized by lively activity in construction. At the end of October, effective working hours increased by 15.9% on the year-on-year level, the number of workers in construction increased by 17.7%, and the value of construction works performed in the country increased by 31.1%, nominally. At the end of September, the value of construction works performed abroad was 19% lower than in the same period last year, while the value of planning services increased by 15%. Of

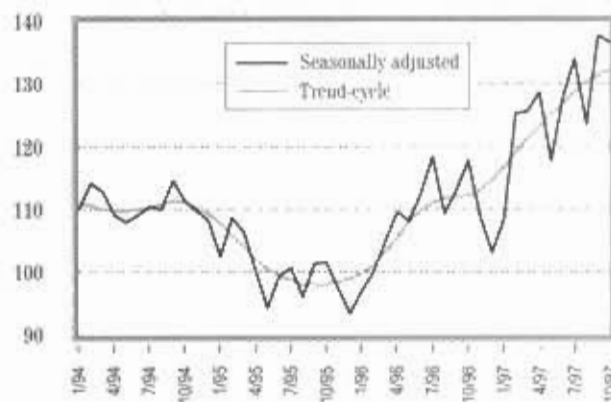
INDEX OF REAL TURNOVER IN RETAIL TRADE
Seasonally adjusted and trend-cycle (1995 = 100)



INDEX OF REAL TURNOVER IN WHOLESALE TRADE
Seasonally adjusted and trend-cycle (1995 = 100)

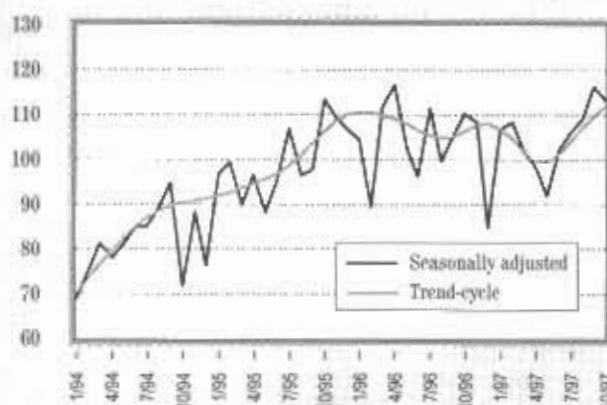


EFFECTIVE WORKING HOURS IN CONSTRUCTION INDUSTRY
Seasonally adjusted and trend-cycle (1995 = 100)



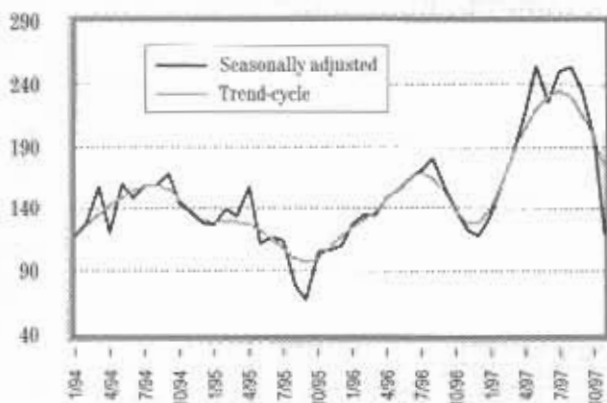
TRANSPORTATION - TRANSPORTED GOODS

Seasonally adjusted and trend-cycle (1995 = 100)

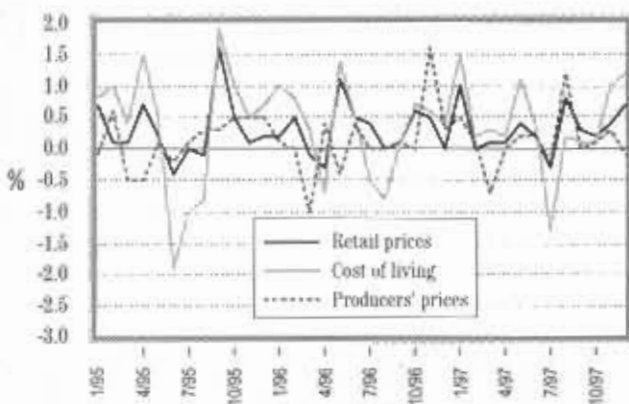


TOURISM - OVERNIGHT STAYS

Seasonally adjusted and trend-cycle (1995 = 100)



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



total construction works performed abroad in 1997, 95.6% were performed in European countries (especially Germany), 4.3% in African countries, and the rest in Asian countries.

The area of transportation of passengers and goods just barely surpassed last year's results. 1.9% more passengers and 0.7% more goods were transported in the first ten months of the year. Of the total number of passengers and goods transported, 97.0% of passengers and 20.9% of goods were transported within the country. Good results recorded in auxiliary activities in transportation contributed to the increased value added by the entire area of transportation, warehousing and communications.

Regarding tourism, 1997 was way far better than 1996. The number of tourist night-stays recorded a 42.0% year-on-year growth at the end of November, within which the increase in the number of domestic night-stays amounted to 17.4%, while the number of foreign night-stays increased by 49.1%.

The number of night-stays recorded in the country through the end of November amounted to 30 million. Of this, only one fifth were to domestic guests, while four fifths were foreign guests, mostly from Germany, Czech Republic, Slovenia, Italy and Austria.

In the first eleven months of the year, the number of tourist arrivals increased by 35% compared to the corresponding period last year.

PRICES

In 1997, the increase in retail prices amounted to 3.8%, the cost of living grew at a high rate of 4.9%, while producers' prices grew by 1.6%. Retail prices and the cost of living recorded their largest annual increases since the introduction of the Stabilization Program.

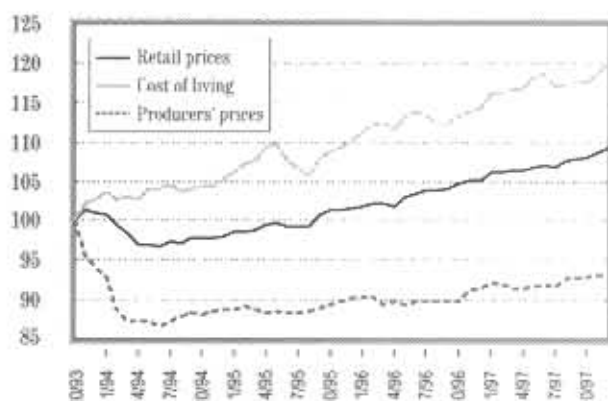
In 1994, prices decreased by 3%, while the cost of living grew by 2.5%. In 1995, prices increased by 3.7%, while the cost of living grew by 4.6%. In 1996, prices increased by 3.4%, and the cost of living grew by 3.7%. Annual averages for 1997 grew as follows: retail prices by 3.6%, the cost of living by 4.1% and producer prices grew by 2.3%.

In December of last year, retail prices grew at a significantly high rate of 0.7%. In the same period, the cost of living grew by substantial 1.2%, while producers' prices decreased by 0.1%. The main cause of increased prices in December was the increase in prices of seasonal agricultural products of 4.1% (prices of non-seasonal agricultural products grew by 3.1%), as well as the increase in the prices of services of 2.3%.

It is interesting to note that the same two items recorded the most significant increase in prices at an annual level in 1997 - the prices of seasonal agricultural products by 16.4% (non-seasonal by 23%), while services recorded an 8.2% growth at an annual level. The smallest increase in prices recorded during 1997 was a 0.1% increase in the price of tobacco. It is interesting to note that the prices of agricultural products grew at the highest rates so far, exclusively due to the ban of imports of certain agricultural products (e.g. potatoes), whose prices consequently grew by more than 100%. This is obvious from the new graph which represents relative prices of food and housing, showing a significant increase in food prices in October and November 1997.

Within the cost of living in 1997, the most significant increase was recorded in the cost of services (9.3%), the cost of education, culture and leisure (7.5%), and the cost of transportation and postal services (6.9%).

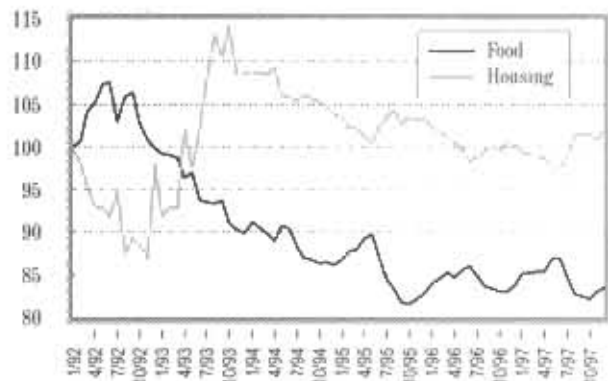
INDICES OF RETAIL PRICES, COST OF LIVING AND PRODUCERS' PRICES
1993:10 = 100



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



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



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

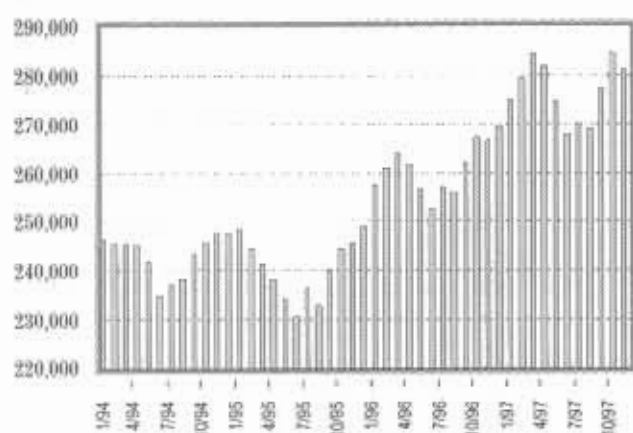
EMPLOYMENT AND WAGES

In November, registered unemployment decreased by 3,515, i.e. by 1.2%, reaching a level of 281,047 persons. Compared to the end of November 1996, registered unemployment increased by 14,403 persons, or 5.4%.

Employment also decreased in November, following a decrease in employment of 6,224 i.e. 0.5%, the level of employment decreased to 1,344,276, which is 90,181 employed person or 6.3% less than a year ago. Data on employment and unemployment indicate a decrease in the total active population of 9,739 persons. Compared to November of last year, the total active population decreased by 75,778 persons, so that the total active population, which is identified with the supply of labor, now amounts to 1,625,323 persons. As a result of the larger decrease in registered unemployment relative to the total active population, there was a decrease in the rate of unemployment in November 1997, from 17.4% to 17.3%. This is still more than last year's 15.7%. It is important to note that the decrease in the unemployment rate in November was not caused by the growth of employment, but was due to the outflow from the labor supply, in which the outflow of unemployed surpassed the outflow of employed persons.

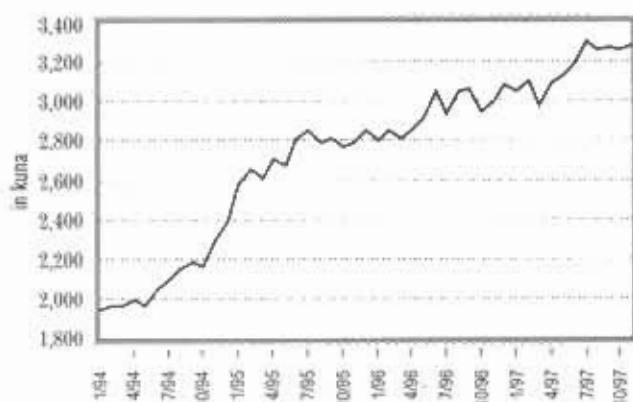
Average net wages grew in November by 43 kuna or 1.8% nominally, reaching 2,437 kuna. The increase in real net wages in November amounted to 0.8%. At an annual level, wages grew by 366 kuna or 17.7% nominally, i.e. 12.8% in real terms. Gross wages grew at an annual level by 9.4% in real terms, indicating a decrease in the share of various deductions in the gross wage.

NUMBER OF THE UNEMPLOYED



REAL AVERAGE GROSS WAGE

Constant prices, January 1994



REAL AVERAGE NET WAGE

Constant prices, January 1994



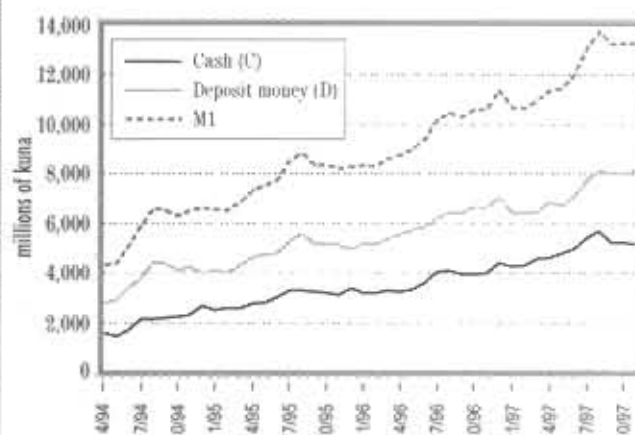
MONETARY DEVELOPMENTS

The significant slow-down of the growth of total liquid assets that began in October turned into total stagnation in November. M4 grew by 83 million kuna (i.e. 0.2%), which is far less than the growth achieved during the first three quarters of the year; on average 1.4 billion per month. Banks' credits, however, did not slow down. The November increase of 1.6 billion kuna, hardly differs from this year's expansive trend. Net foreign exchange assets continued their October decrease by another 1.4 billion kuna.

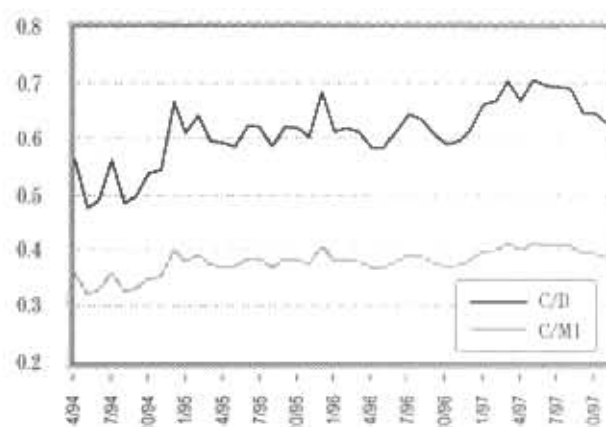
The money supply stagnated for the second consecutive month, accompanied by a mild decrease in cash and a mild increase in deposit money. While the first half of 1997 was characterized by a more rapid growth of cash compared to deposit money and by a shift in the cash-deposit coefficient toward cash, the trend changed in September. The September decrease in cash of 0.4 billion kuna began a three-month decrease of cash and the return of the cash-deposit coefficient to its end-of-1996 levels. It should be noted that the seasonal characteristic of money supply developments in these three months is either stagnation or a very mild decrease, which means that this year's dynamics of development in the money supply do not differ significantly from last year's trends.

What makes the end of 1997 significantly different from the same period in preceding years is the total stagnation of quasi-money, both its kuna and (even more) its foreign exchange component. Foreign currency deposits grew in November by a minimal 74 million kuna. Enterprises continued to decrease their foreign currency savings and time deposits with deposit money banks throughout November. The household sector also decreased its

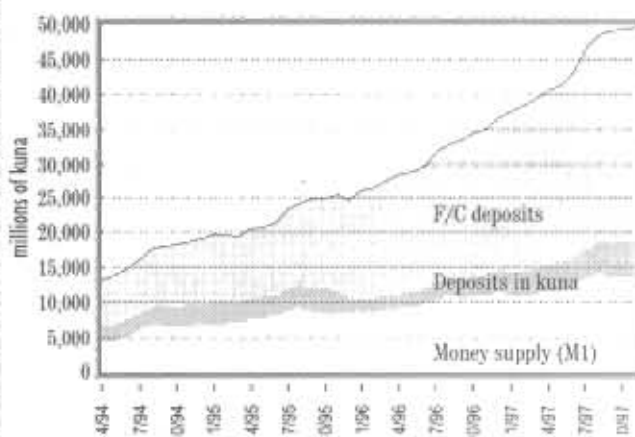
MONEY SUPPLY



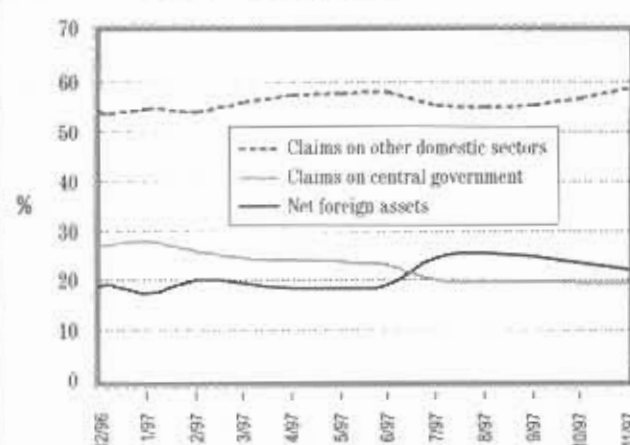
CASH TO DEPOSIT RATIO (C/D) AND SHARE OF CASH IN MONEY SUPPLY (C/M1)



MONETARY AGGREGATE M4

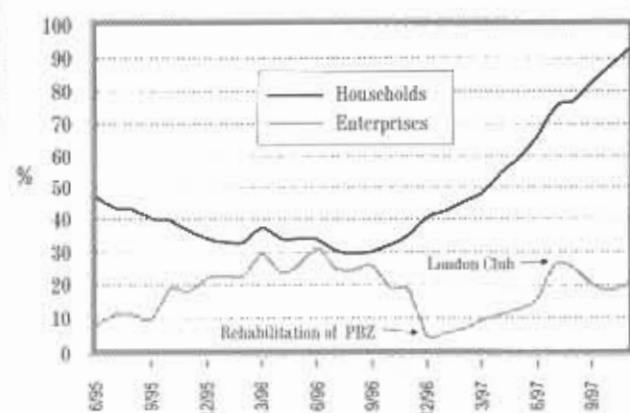


STRUCTURE OF ASSETS OF MONETARY SURVEY

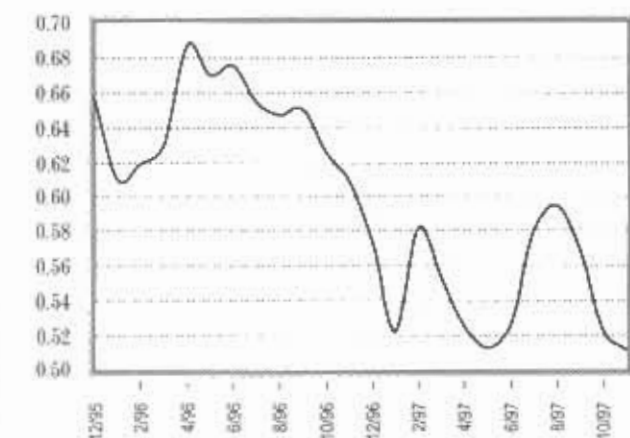


GROWTH RATES OF LOANS TO HOUSEHOLDS AND ENTERPRISES

Monthly year-on-year indices



RATIO OF COMMERCIAL BANKS' FOREIGN ASSETS TO F/C DEPOSITIS



foreign currency savings deposits, while foreign currency time deposits, used as collateral in obtaining bank loans, increased.

Economic subjects liquidated foreign assets and invested in inventories, in anticipation of price increases in 1998. However, we need to wait for the December data for a more complete appraisal of developments at the end of 1997.

Banks' net claims on the central government decreased in November by a further 0.2 billion kuna. Claims based on bonds for "old" savings decreased, foreign exchange deposits of the state based on foreign borrowing increased, while other claims increased. This resulted in a decrease in banks' net claims on the central government to 9.2 billion kuna, compared to 15.9 billion in December 1996.

Banks' credits to all domestic sectors except the central government increased in November by 1.6 million kuna (i.e. 3.6%). Total growth in the first eleven months of 1997 amounted to 12.5 billion kuna (i.e. 37.4%). The balance of credits at the end of November 1997 amounted to 46 billion kuna.

By sectors, approximately half the credits granted in November (0.8 billion kuna) were granted to the enterprise sector, and the other half to the household sector.

Deposit money banks' net foreign assets decreased in November by 1.4 billion kuna. Of this, 1 billion kuna was due to increased foreign indebtedness, while 0.4 billion kuna was due to decreased foreign assets.

As early as October of this year, banks started decreasing their foreign assets and placing kuna credits with domestic sectors. Because of the October decrease in foreign assets, banks almost reached the limits imposed by the decision on redeposit of a part of foreign currency savings abroad. Even with last month's decrease in the redeposit requirement from 60% to

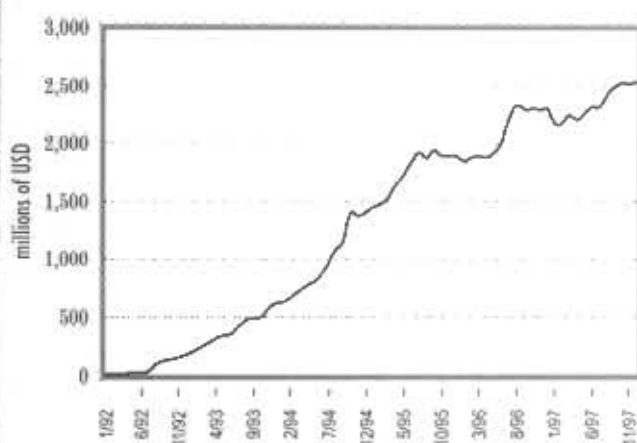
55%, there was no room for any further significant decrease in foreign assets. Therefore, banks increased their foreign indebtedness by a further 1 billion kuna. From September to November, in the months of stagnation in total liquid assets accompanied by continuous increases in credits, the banking system decreased its net foreign assets by a total of 3.2 billion at the end of November.

The central bank maintained lively activity throughout December, engaging in both kuna and foreign exchange transactions with deposit money banks. The creation of reserve money by granting Lombard credits lasted practically the entire month. During 22 days, banks used on average 36 million kuna of Lombard credit, while in the 25 days of November the period of use of Lombard credit was shorter (15 days) with the average amount of credit used amounting to 110 million kuna.

Nevertheless, although the base for calculation of reserve requirements throughout November and December stagnated, and deposit money banks were not obliged to set aside any additional amounts of liquid assets to satisfy the reserve requirement, banks were, due to their increased credit activity, in addition to the use of Lombard credit, increasingly using secondary sources of liquidity on the inter-bank market and on the Zagreb Money market. In order to alleviate banks' liquidity problems and pressures on the exchange rate, which has been appreciating against the German mark since the beginning of the month, the central bank activated the instrument of re-purchase of its 19-day treasury bills in the value of 100.6 million kuna and the purchase of foreign exchange with repurchase in the kuna equivalent of 223.8 million in the period 18 December 1997 to 8 January 1998.

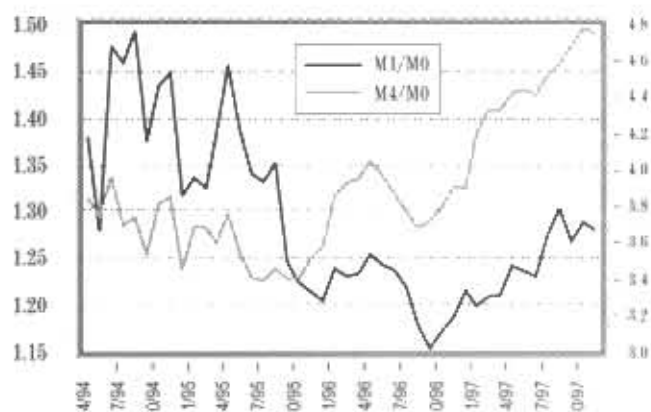
With the activity of the Croatian National Bank in December,

CNB'S FOREIGN EXCHANGE RESERVES

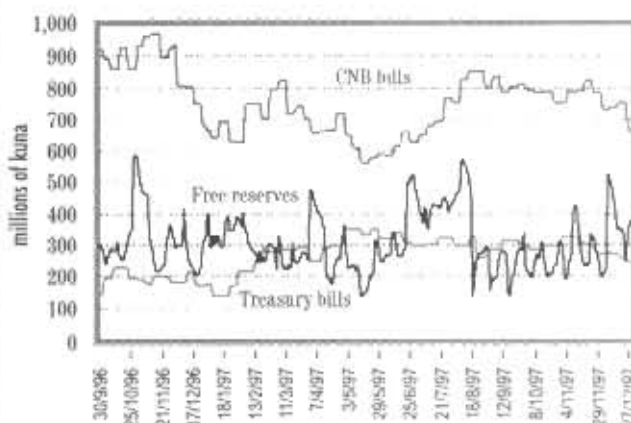


MONEY MULTIPLIERS

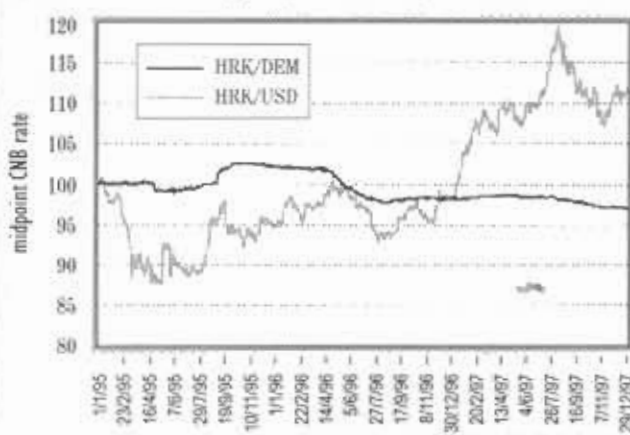
$$m1 = M1/M0 \text{ and } m4 = M4/M0$$



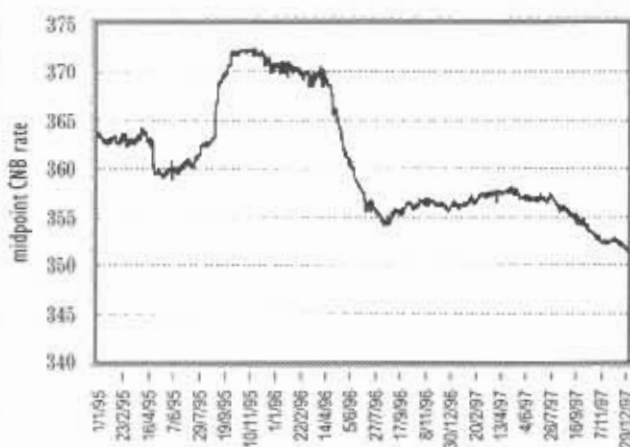
CNB BILLS, TREASURY BILLS OF THE MINISTRY OF FINANCE AND DMB'S FREE RESERVES AT THE CNB



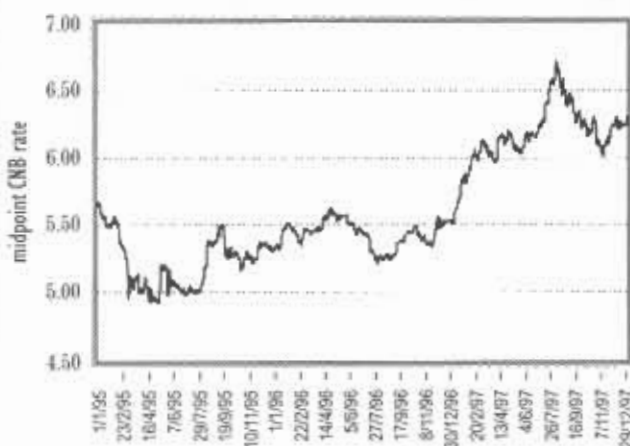
INDICES OF DAILY NOMINAL EXCHANGE RATES OF
KUNA VS. DEM AND USD, (January 1, 1995=100)



DAILY NOMINAL EXCHANGE RATE - KUNA VS. 100 DEM



DAILY NOMINAL EXCHANGE RATE - KUNA VS. USD



reserve money increased from 9.6 billion kuna at the end of November to (according to preliminary data) 10.3 billion kuna in December, as estimated in the Expectations for Monetary Policy for 1998. The average balance on banks' giro accounts in December 1997 amounted to 567 million kuna, while in December 1996 it was at the high level of 752 million kuna. The average daily balance on giro accounts of deposit money banks increased from 341 million kuna in 1996 to 454 million kuna in 1997. The average balance of giro accounts and vault cash was 75% higher than the average banks are required to keep in these accounts.

EXCHANGE RATE

In December, the value of the German mark relative to the kuna fell to the lowest level since the introduction of the Stabilization program. The value of the German mark decreased to the level of 3.5122 kuna on 30 December of last year. Compared to the highest level of the German mark (3.5802 kuna) during 1997, the kuna appreciated nominally by 1.94%, i.e. by 1.6% on the average.

Christmas and New Year's holidays increased the demand for goods and services, which, at the same time, caused an increased demand for cash and deposit money. Such a situation increased outflow of funds from banks' accounts, which resulted in illiquidity of the banking system, which is best seen in developments on the money market.

Taking into consideration the entire year's average, the kuna depreciated nominally by 13.34% relative to the US dollar. Relative to the Italian lira, the kuna also depreciated during 1997 by 2.10% nominally. Relative to the British pound, the kuna depreciated on average by a substantial 18.78%. In

relation to other major currencies, the kuna appreciated nominally; against the Austrian schilling by 1.63%, against the French franc by 0.59%, against the Swiss franc by 3.56% and against the Slovenian tolar by 3.97%.

The real exchange rate of the kuna depreciated in 1997, according to estimates for November and December, by 2.67% (PPI) and 1.43% (CPI). These are provisional data. However, final data are expected to show a depreciation of the real effective exchange rate of the kuna at annual level. The main reasons for depreciation of the real effective exchange rate of the kuna are low inflation in Croatia and the depreciation of the kuna relative to the US dollar and the British pound.

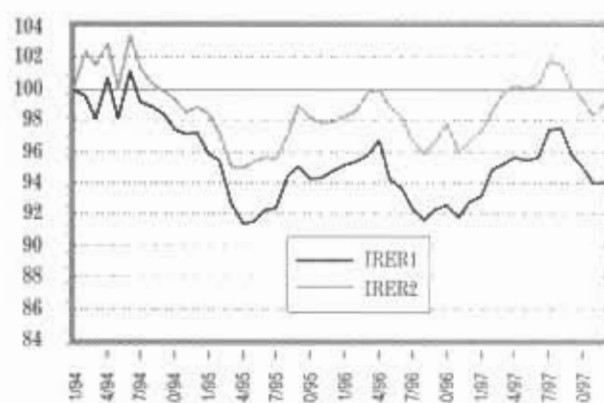
BALANCE OF PAYMENTS

In the first eleven months of the year, Croatian exports amounted to USD 4,018.3 million, or 0.2% more than in the same period of 1996. Imports amounted to USD 8,022.8 million, which is an increase of 14.3%. The negative balance of merchandise trade amounted to USD 4,004.5 million, which is an increase of USD 1 billion or 33.2% compared to the preceding year.

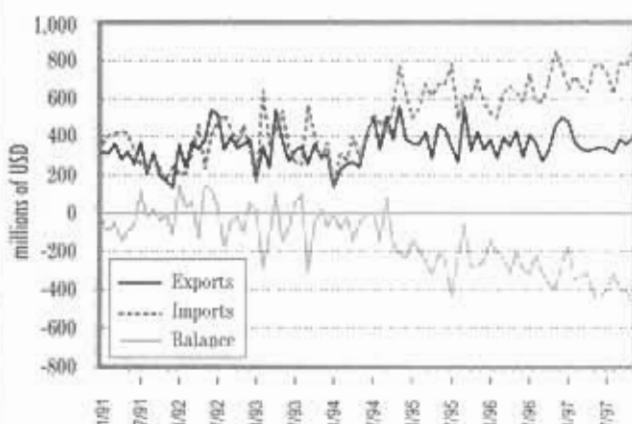
Imports also increased in November in comparison to previous months, in anticipation of the introduction of the VAT. November recorded the largest imports in 1997, amounting to USD 855.9 million, which is still less than the imports recorded in November 1996, which included imports of large quantities of oil. Imports are expected to grow even more in December, while the beginning of 1998 is expected to bring a significant decrease in imports.

The largest portion of imports was accounted for by imports of intermediate goods, which amount-

INDEX OF REAL EFFECTIVE EXCHANGE RATE OF CROATIAN KUNA
(IRER1 - with retail prices, IRER2 - with producers' prices), 1994:1 = 100



MERCHANDISE EXPORTS, IMPORTS AND TRADE BALANCE



BALANCE OF PAYMENTS in millions of USD (preliminary data)

	Jan.-Jun. 97	Jan.-Jun. 96	indices Jan.-Jun. 97/Jan.-Jun. 96
Current account	-1,554.7	-662.3	234.8
Capital and financial accounts	895.5	172.4	519.5
CNB international reserves	-12.5	-123.9	10.1
Net errors and omissions	671.7	613.8	109.4

Source: CNB

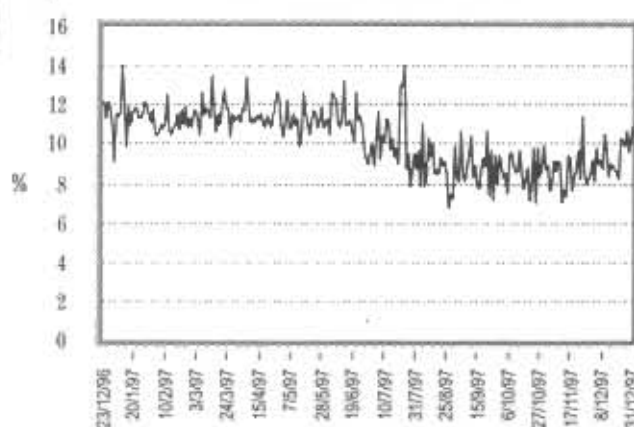
MERCHANDISE EXPORTS AND IMPORTS (in millions of USD)

	Jan.-Nov. 1997	Jan.-Nov. 1996	Nov. 1997	Nov. 1996
Exports	4,018.3	4,010.7	365.5	459.8
Imports	8,022.8	7,017.3	855.9	856.9
Balance	4,004.5	-3,006.6	-490.4	-397.1

Source: Bureau of Statistics

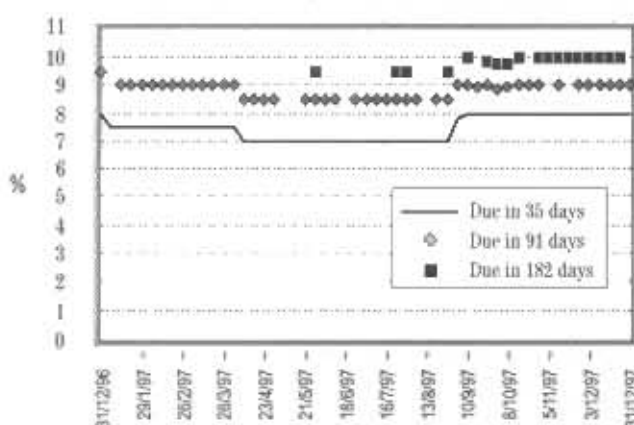
ANNUAL INTEREST RATE ON THE ZAGREB MONEY MARKET

Daily data



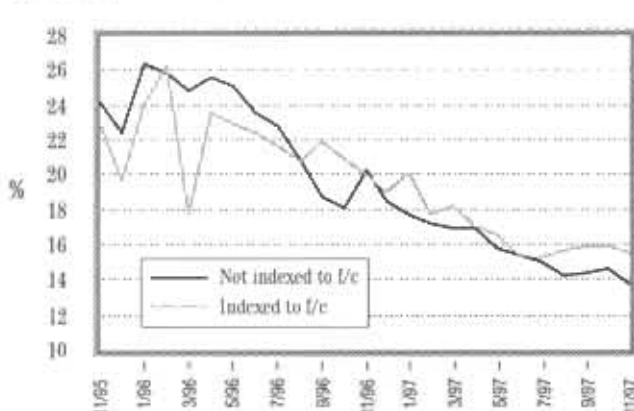
INTEREST RATES ON CNB BILLS IN 1996 AND 1997

Annual level, on auction days



DMBS' INTEREST RATES ON CREDITS IN KUNA

Annual level



ted to USD 3,976.7 million with an annual growth rate of 5.6%. Imports of investment goods amounted to USD 1,667.7 million with an annual growth rate of 27.5%, while imports of consumer goods amounted to USD 2,378.3 million with an annual growth rate of 22.4%.

MONEY MARKET AND INTEREST RATES

The increase in average daily interest rates is the best expression of the liquidity situation seen in December. Average daily interest rates ranged between 8.1 and 11%, and the average of the daily averages for the month as a whole was closer to the lower figure. It is significant that the average of the daily averages was one percentage point higher than in November. Also, it is significant that call loans rose to 10%. Interest rates on this kind of loan had been at 6% for a long time. At the end of November, they rose by one percentage point, and in December they rose continuously, reaching and surpassing the level of 10%. Lombard credits were used from the beginning of the month on, which, in combination with the information on interest rates, confirms the existence of continued liquidity problems.

The (il)liquidity of the banking system briefly improved around the tenth of the month, but this improvement lasted only two or three days. Even repo auctions of CNB bills did not significantly improve liquidity, so the imbalance between supply and demand in the second half of the month was continuously on the side of demand. Such a significant increase in interest rates on call loans, as well as the rather large imbalance between supply and demand on the Zagreb Money Market can to some extent be attributed to the credit activity of banks. The fear of the introduction of the Value-Added Tax has not left

banks untouched. Increased demand for credits has pushed banks into a more active credit policy, and, due to a lack of funds banks have borrowed on the Zagreb money market, increasing money demand and raising interest rates.

Short-term securities continue to have stable interest rates. Interest rates for CNB bills were 8.0% for 35-day bills, 9.0% for 91-day bills and 10.0% for 182-day bills. They remain useful investments for commercial banks, since they serve as valuable cover for liquidity problems. In December, interest rates for Ministry of Finance Treasury bills were 8.80% for 42-day bills and 9.90% for 91-day bills.

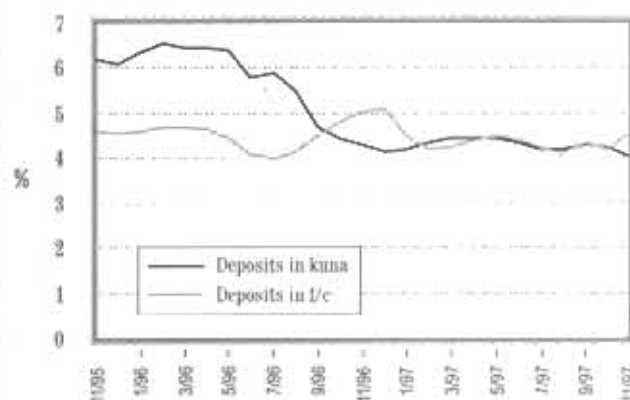
Lending interest rates of commercial banks fell in November, in keeping with the downward trend of the beginning of the year. Average interest rates on kuna credits without indexation to foreign exchange fell by a whole percentage point and are now at the level of 13.73% (short-term credits 13.91%, long-term 12.04%). The average interest rate on kuna credits with indexation to foreign exchange also fell, and amounted to 15.54% (short-term credits 17.68%, long-run 12.62%). Average interest rates on foreign exchange credits fell by somewhat more than one percentage point relative to October and are now at a level of 17.48%.

Average interest rates on kuna and foreign exchange deposits have been stable for a long time. In November, deposit rates showed varied movements. Average interest rates on kuna deposits showed a slight fall, while average rates on foreign exchange showed a mild increase.

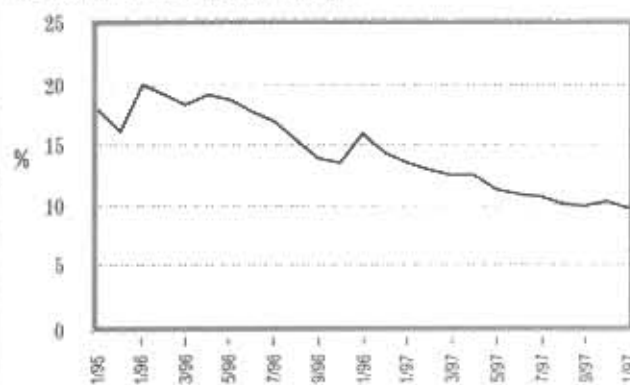
The consequence of these changes in lending and deposit rates was a fall in the interest "spread", which was 0.7 percentage points less than in November. Thus in November, the "spread" was 9.66 percentage points, the lowest point recorded.

DMBs' INTEREST RATES ON DEPOSITS

Annual level

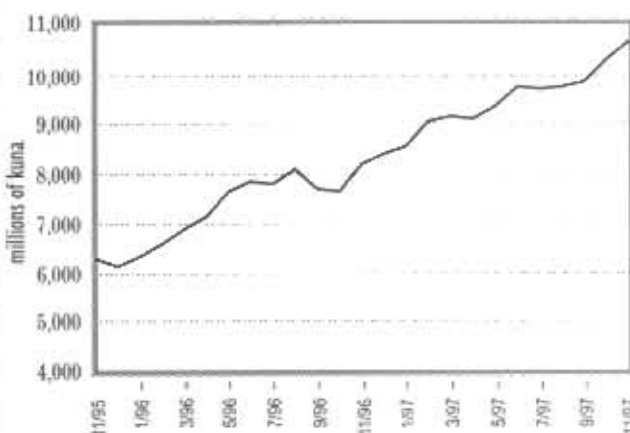


DIFFERENCE BETWEEN INTEREST RATES ON CREDITS IN KUNA AND INTEREST RATES ON DEPOSITS IN KUNA

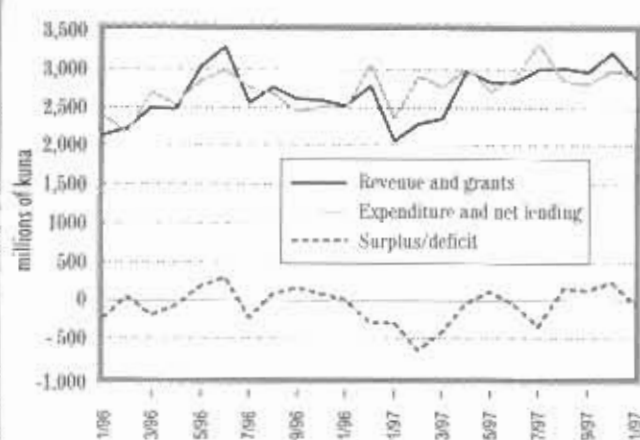


Note: spread is calculated as a difference between interest rates on non-indexed credits in kuna and interest rates on non-indexed deposits in kuna.

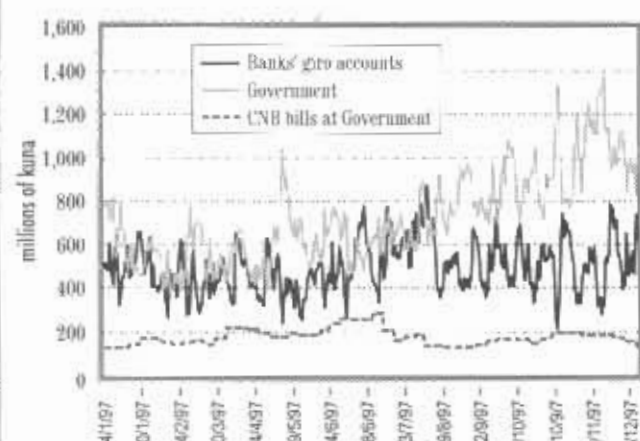
ARREARS REPORTED TO PAYMENTS INSTITUTE



OUTTURN OF CENTRAL GOVERNMENT BUDGET



CNB DEPOSITS IN 1997



FINANCING OF CENTRAL BUDGET DEFICIT

(in millions of kuna)

	Jan.-Nov. 1997	1997 Budget
TOTAL FINANCING	1,142	2,837
DOMESTIC FINANCING	-1,516	-2,276
From monetary authorities	-341	-209
From deposit money banks	-1,218	-1,863
Other domestic financing	42	-204
FOREIGN FINANCING	2,658	5,113
From international develop. institut.	200	1,107
From foreign governments	-404	-596
Other foreign financing	2,863	4,601

GOVERNMENT BUDGET

The size of the deficit in the first eleven months of the year reached 1.14 billion kuna, i.e. 40.3% of the planned deficit for 1997. In relation to planned gross domestic product, its size is relatively small. The deficit is covered by foreign sources of financing in its entirety, although the government's indebtedness reached only 52% of the plan set out at the beginning of 1997. Debt to domestic sectors decreased, but only by 66.6% of the planned amount of debt repayment to these sectors in 1997. Repayment of debt to the monetary authorities was larger than planned, while deposit money banks have so far received 65.4% of the funds planned in the government budget.

Revenues went according to the plan, while on the side of expenditures there was a hint of stinginess; expenditures reached only 87.9% of total expenditures planned by the state budget. Out of total revenue collected in the first eleven months of the year, 93.1% were tax revenues, 5.7% were non-tax revenues, and 1.3% were capital revenues. Capital revenues achieved were far lower than estimated in the budget.

On the expenditure side of the budget, 87.3% of total expenditures were current expenditures, while a significant 12.7% were capital expenditures. Within current expenditures, the major items were expenditures on goods and services (59.6%), followed by expenditures on subsidies and current transfers (22.6%), while the smallest item was interest (5.1%).

The budget enacted for 1998 amounts to 39.1 billion kuna. The estimated deficit is 2 billion kuna or 1.6% of gross domestic product. The budget is consistent with macro-economic stability (inflation rate between 3 and 3.5%, real increase of gross domestic product between 7.0 and 7.5% and stable exchange rate).