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BULLETIN

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General Information on Croatia

Economic Indicators

	1993	1994	1995	1996	1997	1998	1999	2000	2001
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)	10,903	14,585	18,811	19,872	20,109	21,628	19,906	18,427	19,536
GDP – annual changes ^a (in %, constant prices)	-8.0	5.9	6.8	5.9	6.8	2.5	-0.9	2.9	3.8
GDP per capita ^{a,b} (in current USD)	2,349	3,137	4,029	4,422	4,398	4,805	4,371	4,206	4,403
Retail price inflation (in %, end of year)	1,149.7	-3.0	3.7	3.4	3.8	5.4	4.4	7.4	2.6
Population ^b (million, mid-year)	4.6	4.6	4.7	4.5	4.6	4.5	4.6	4.4	4.4
Exports of goods and services (as % of GDP) ^c	56.8	49.8	37.1	40.1	39.9	39.5	40.8	47.0	49.3
Imports of goods and services (as % of GDP) ^c	52.9	47.4	48.7	49.7	56.6	48.7	49.2	52.1	55.3
Current account balance (as % of GDP) ^c	5.8	4.9	-7.5	-4.8	-12.5	-6.7	-7.0	-2.4	-3.8
Outstanding external debt ^c (million USD, end of year)	2,638	3,020	3,809	5,308	7,452	9,683*	9,978*	11,055*	11,317*
Outstanding external debt ^c (as % of GDP)	24.2	20.7	20.2	26.7	37.1	44.8*	50.1*	60.0*	57.9*
Outstanding external debt ^c (as % of exports of goods and services)	42.6	41.6	54.6	66.6	92.9	113.3*	122.9*	127.6*	117.5*
External debt service ^{c,d} (as % of exports of goods and services)	9.9	9.0	10.1	9.0	9.9	12.5	20.7	23.0	22.8*
Gross international reserves (million USD, end of year)	616	1,405	1,895	2,314	2,539	2,816	3,025	3,525	4,704
Gross international reserves ^c (in terms of months of imports of goods and services, end of year)	1.3	2.4	2.5	2.8	2.7	3.2	3.7	4.4	5.2
Exchange rate on 31 December (HRK : 1USD)	6,5619	5,6287	5,3161	5,5396	6,3031	6,2475	7,6477	8,1553	8,3560
Average exchange rate (HRK : 1USD)	3,5774	5,9953	5,2300	5,4338	6,1571	6,3623	7,1124	8,2768	8,3391

^a Preliminary data for 2001.

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

^c According to the CNB revised data on external debt.

^d 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

2002 was a year of relatively rapid economic growth and low inflation. We estimate that real GDP grew 4.8% during the year, the highest rate of growth since 1997. Strong consumption provided the largest contribution to growth, but gross capital formation, which accounts for a far smaller share of GDP, actually grew more rapidly. Rapid growth in industrial production in the second half of the year helped move the economy forward, along with strong activity in construction and retail trade.

Retail price inflation was 2.3% on a December-to-December basis, slightly down from 2.6% in 2001. The outlook for inflation in 2003 remains positive, with the important exception of possible oil price shocks resulting from the war in Iraq. However, even a fairly substantial jump in average oil prices from USD 25 per barrel in 2002 to USD 30 per barrel in 2003 would only add approximately 1 percentage point to inflation. Since other factors, such as strong wage pressures, demand pressures or foreign exchange market disequilibria are presently absent, we have no reason to expect substantial increases in inflation in 2003.

Although these major macroeconomic indicators were positive in 2002, there were some signs of developing imbalances in the economy. In particular, the growth of the current account deficit and the growth of the country's external debt raised questions. The current account deficit in the first three quarters of 2002 was USD 589m as compared to a deficit of only USD 250m in the same period of 2001. We estimate that the current account deficit could well exceed USD 1.3bn or somewhat in excess of 6% of GDP for 2002 as a whole. At the same time, the external debt grew from USD 11.3bn to 15.2bn in 2002, an increase of some 34.4%.

The increase in the current account deficit was mainly driven by rapid growth in merchandise imports and the deterioration of the trade balance, along with weaker growth in services than in previous years. Merchandise imports grew to USD 10.7bn, while exports only amounted to USD 4.9bn.

When analyzing the growth in imports in 2002, it is important to note that they were somewhat increased by the fact that many firms and individuals postponed imports in the last month or two of 2001 so as to be able to import without tariffs in 2002. In addition, since approximately 77% of Croatia's imports are denominated in euros, and the euro appreciated roughly 18% against the dollar in 2002 (end-December 2002 to end-December 2001) imports denominated in dollars grew substantially just because of changes in the euro-dollar exchange rate. For this reason, it makes sense to look at import growth at a constant exchange rate. Seasonally adjusted imports measured at a constant exchange rate between the dollar and the kuna grew only 11.5% (ships and other transport equipment, including road vehicles are excluded from this calculation).

Although this last figure is somewhat lower than the simple nominal growth rate of imports expressed in current dollars, it is nonetheless clear that import growth has been rapid and that the current account deficit has grown more than antici-

pated. At the same time, export growth has been moderate; when volatile exports of ships are removed, seasonally adjusted merchandise exports at a constant exchange rate with the dollar grew 4.7% in 2002. This is not enough to keep up with import growth.

Furthermore, the growth in external debt in 2002 was larger than anticipated. About one-third of the increase in the external debt can be attributed to changes in the euro-dollar exchange rate. The rest however, represents growth in net indebtedness. Banks' external debt grew some 72.7%, and government external debt grew 23.4%. These two sectors accounted for the majority of the increase in debt.

Increases in both the current account deficit and the external debt could to a certain extent be expected as a result of more rapid economic growth. Increased investment has resulted in increased capital goods imports. And increased income and consumer confidence have led to increases in consumer goods imports. At the same time, capital inflows via borrowing have helped finance these purchases.

However, prudent management requires careful assessment of the possible dangers inherent in worsening foreign balances. It seems clear that Croatia's current account deficit in 2002 substantially exceeded FDI flows. In other words, the current account deficit had to be financed by debt. Given that Croatia's debt to GDP ratio is already slightly above 60%, an important threshold between low-indebted and medium-indebted countries, it would be inadvisable for Croatia to plan continued financing of current account deficits by debt. FDI flows are likely to increase in 2003, with the privatization of 25% of Croatia's largest company, the oil company INA, but still there is a need to insure that the current account deficit substantially decreases so that it can be covered without significant increases in borrowing.

Credit expansion has been one of the driving forces behind the deterioration in the current account and external debt. Banks increased their lending by some 31.2% in 2002, with credits to households growing some 43% and credits to enterprises growing 22.7%. Credit expansion played an important role both in increased consumption and in increased investment, and in both cases contributed to increased imports. Furthermore, credit expansion was clearly the motivation for banks' increased foreign borrowing, particularly in the second half of the year, when the funding sources created by the "euro-effect" had been more or less exhausted.

It should also be noted that rapid credit growth has been associated, both in Croatia's recent past and in the history of many countries around the world, with deteriorations in lending quality. The incidence of banking crises is much higher after episodes of rapid credit growth, although the crisis often happens with a delay, at the beginning of the next cyclical downturn.

With all of this in mind, in January 2003, the Croatian National Bank adopted two monetary measures designed to slow down credit expansion and limit external debt. The first measure requires banks that increase their placements by more than 4% in the first quarter, 8% in the first two quarters, 12% in the first three quarters, and 16% for the whole year to invest in 91-day low-yield CNB bills. The amount to be in-

vested is equal to twice the amount that placements exceed the threshold. The bills must be held for the quarter following the quarter when the threshold was exceeded.

The second measure requires banks to hold liquid foreign exchange assets equal to 35% of their foreign exchange liabilities. This measure replaces the 53% coverage requirement. Unlike the previous requirement, this measure must be met on a daily basis, and covers all foreign exchange liabilities.

The third measure relating to credit growth was introduced with the regulations accompanying the new Banking Law. The obligation to allocate additional reserves in accordance with this measure refers to banks whose total on- and off-balance sheet risky assets (risky portfolio) grow faster than 20% at the annual level. Banks are not required to allocate additional reserves if their capital adequacy is above the said level. The relative amount of required reserves and the capital adequacy level that does not require the allocation of additional reserves are determined in a manner that the growth in the amount of reserves has to exceed the growth in the bank risky portfolio. Accordingly, banks are required to increase their capital when the annual growth rate of their risky portfolio exceeds 30%, 40% and 50% respectively. These banks are also obliged to maintain these reserves for a three-year period and are not allowed to use them for the payout of dividends. The aim of this measure is to ensure that the amount of capital of the fast-growing bank is adequate for the coverage of potential losses.

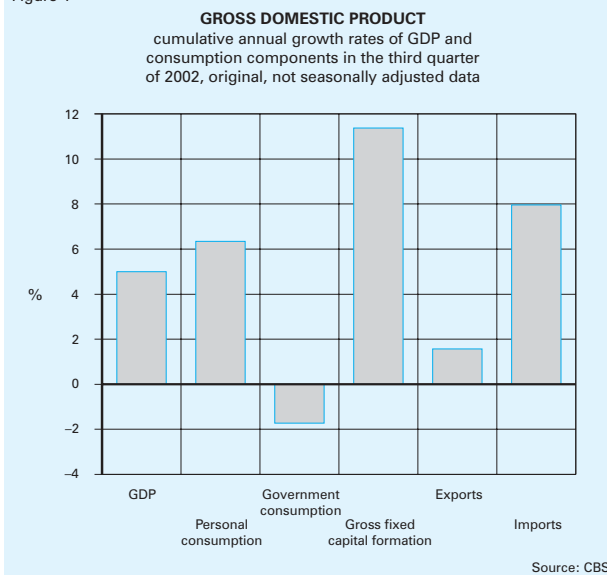
The aim of these measures is to bring credit growth back within sustainable levels. This will help in stabilizing the current account deficit and the external debt. However, it should be mentioned that these credit growth measures are not the only policy tool to manage the current account. Reductions in fiscal deficit are also required, both to stem the growth in government foreign borrowing and to control the current account deficit. The deficit of consolidated general government appears to have been about 5.5% of GDP in 2002, and will be reduced to about 5.0% in 2003. Further fiscal consolidation will certainly be needed in the ensuing years to keep foreign balances under control.

Demand

The third quarter of 2002 saw an exceptionally strong growth of economic activity. The growth in real GDP was estimated at 6.4% relative to the same period of the previous year, which is the highest growth rate since 1997, when the quarterly GDP calculation was introduced. This substantial increase in economic activity resulted from progressive trends in personal and investment consumption, which account for an even larger contribution of domestic demand to the economic growth compared with the previous quarters.

The overall analysis of the first three quarters of 2002 shows a 4.9% real GDP growth compared with the same period in 2001. The fastest growing expenditure component in GDP calculation in this period was gross fixed capital formation, with the cumulative annual growth rate of 11.9%. In addition, the strong growth of personal consumption continued

Figure 1



and was reflected in a substantial increase in imports. On the other hand, performance in exports was much poorer, with the annual growth as low as 2.1% in real terms in the first three quarters. Despite this, domestic demand was strong enough to outstrip the negative developments in net exports. The development indicators in the fourth quarter point to a continuation of favorable trends, and it is expected that the real GDP growth rate will be approximately 4.8% in 2002.

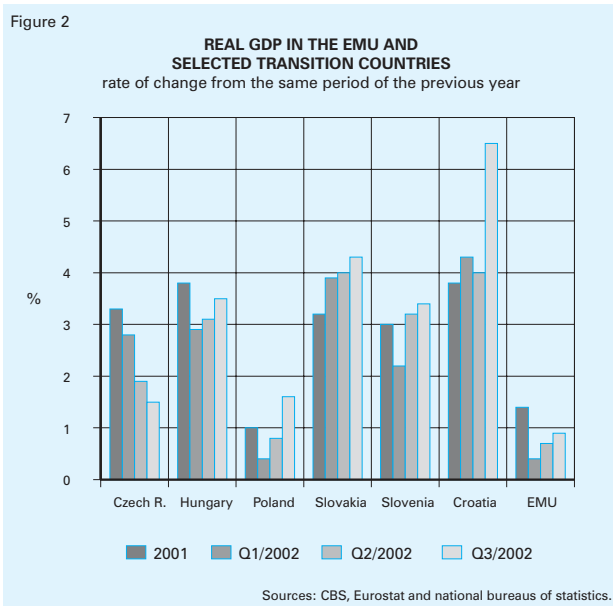
Foreign Demand

The main characteristic of foreign demand in 2002 was an accelerated growth of imports paralleled by stagnant exports. The level and structure of domestic production were inadequate to satisfy a great demand for consumer and investment goods, which resulted in a strong growth of their imports. The slowdown in the European economy in late 2001 and early 2002 had an adverse effect on the European demand for Croatian exports. This was particularly observable in goods exports, which fell at the beginning of the year, and started to recover only in the middle of the year spurred by a slight economic upturn in EU member states. In contrast to this, services exports went up in the second quarter, while in the third quarter they remained at the level from the previous years.

Economic developments in the EU member states produced similar effects on other transition countries, which are the next candidates for EU accession. So, in the first part of 2002, most of these countries based their economic growth almost entirely on domestic demand, while some more favorable developments in exports were only recorded in mid-2002. Parallel with a slight recovery in the European countries, the economic growth accelerated mildly in these countries as well. However, among all countries Croatia recorded the strongest growth.

The effects of net foreign demand on economic growth in Croatia show different directions and intensities in individual quarters. The negative contribution of net foreign demand in the first quarter resulted from growing imports due to the ex-

Figure 2



pected foreign trade liberalization in early 2002 and shifting of planned imports from the last quarter of 2001 to the beginning of 2002. The second quarter was marked by a considerable growth of tourist services exports, with a slight growth of imports compared with the same period in the previous year. This resulted from an extremely high imports in the base period (in the second quarter of 2001, the imports of cars grew strongly owing to the announced abolition of car import benefits).

Following a mild negative effect of foreign demand on the economic growth in the first half of the year (-1.0 percentage points), the third quarter saw a negative contribution of -7.9 percentage points. Such developments were unexpected in the quarter when revenues from tourism are usually large. According to the preliminary balance of payments data, income from services, in which income from tourism has the largest share, grew by only 1.0%, expressed in kuna, compared with the same quarter in the previous year. Goods exports also went down, so that total goods and services exports de-

creased by 1.7% in real terms. A growing domestic demand provided an impetus to a gradual increase in goods imports, so in the third quarter goods and services imports rose by 13.1% in real terms, compared with the same quarter in the previous year.

According to the preliminary CBS data, goods imports continued to grow in the fourth quarter while exports dropped sharply. Thus, a strong negative contribution of net foreign demand to economic growth can again be expected in the fourth quarter, when there is no significant services trade. According to the sectoral analysis of total imports in 2002, the strongest growth was recorded in imports of road vehicles, special purpose machinery and general purpose machinery suggesting that, apart from personal consumption, strong investment activity also contributed to the growth of imports.

Domestic Demand

In the third quarter of 2002, domestic demand grew at the fastest rate since 1997. Its positive contribution to the 6.4% annual rate of economic growth was 14.3 percentage points. Among demand components, the largest contribution to the growth was that of a change in stocks, which includes a statistical discrepancy in its calculation. The discrepancy arises from the adjustment between GDP calculation made by the expenditure and the production method, and is probably caused by an inadequate coverage of other calculation categories within official statistics. Since this discrepancy is not presented as a special category, but is included in the component of a change in stocks, the analysis of the actual change in stocks in production and sale is obstructed, so this economic category should be interpreted with caution. Apart from the change in stocks, a substantial increase in gross fixed capital formation was recorded in the third quarter. Due to positive developments in these two components, gross fixed capital formation provided the strongest basis for economic growth in the third quarter. An upward trend in final consumption has continued for the fourth consecutive quarter, with grow-

Figure 3

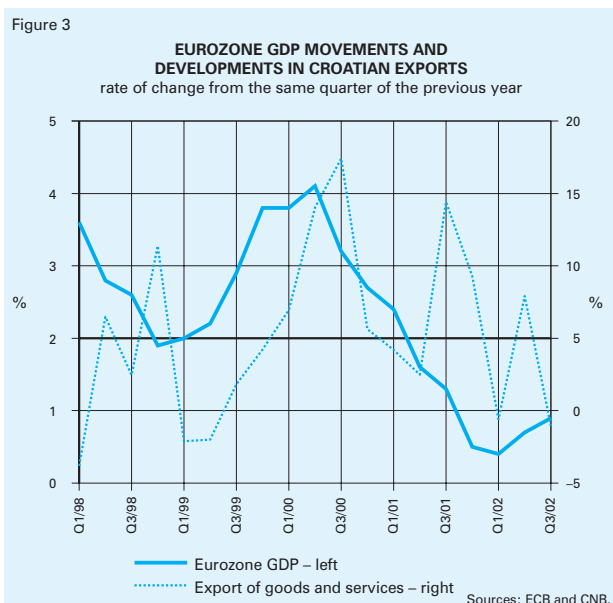
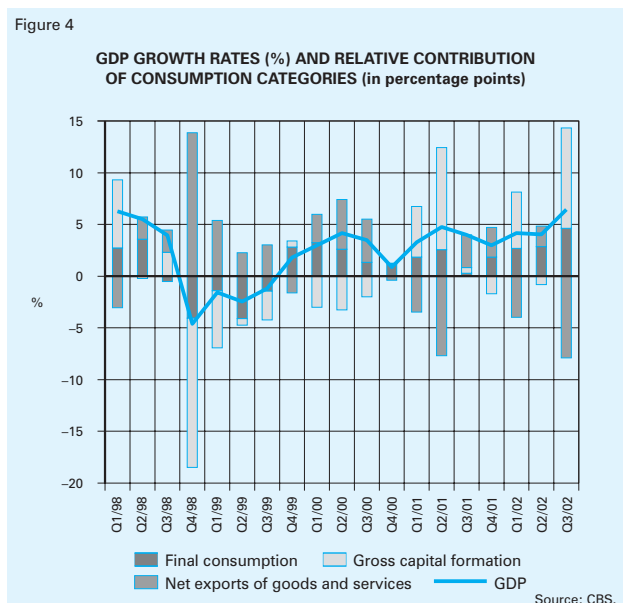


Figure 4



ing personal consumption paralleled by a slower decline in government consumption.

Personal Consumption

Personal consumption accounts for the largest share in GDP, so even the smallest change in this component has a considerable impact on overall economic developments. For the third consecutive year economic growth has relied on high personal consumption, while the growth of personal consumption followed the direction and intensity of the changes in overall economic developments. Thus, in the first half of 2002, personal consumption rose by 5.5% in real terms, compared with the same period in the previous year. This trend intensified in the third quarter, when the seasonally adjusted annual rate of personal consumption growth reached 7.9%. The substantial difference between the original (7.1%) and seasonally adjusted rate of growth results from the seasonally induced low personal consumption over summer months. The statistical method of personal consumption estimate based on total domestic consumption includes the residents' consumption abroad and excludes the consumption of foreign tourists in Croatia. The estimate of total domestic consumption of goods and services is based on available data on retail trade turnover, catering services and transport and telecommunications services, while the data on tourist consumption of residents abroad and non-residents in Croatia originate from the balance of payments. Given the extremely high estimated consumption of non-residents in Croatia in the third quarter, exceeding 70% of the estimated personal consumption of residents, this statistical adjustment had a strong impact on the estimated personal consumption over summer months. As the preliminary data on the estimated income from tourism in the third quarter point to its decline in real terms compared with the same period in the previous year, the applied residual method of personal consumption estimate resulted in an indirect overestimation of consumption. The upward trend in personal consumption

Figure 5

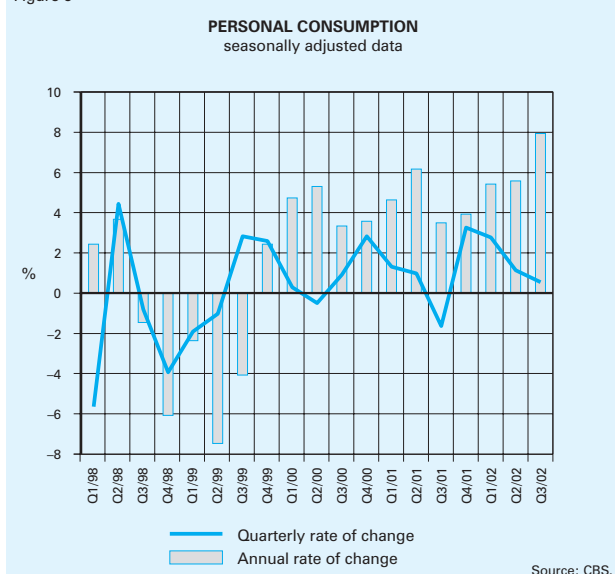
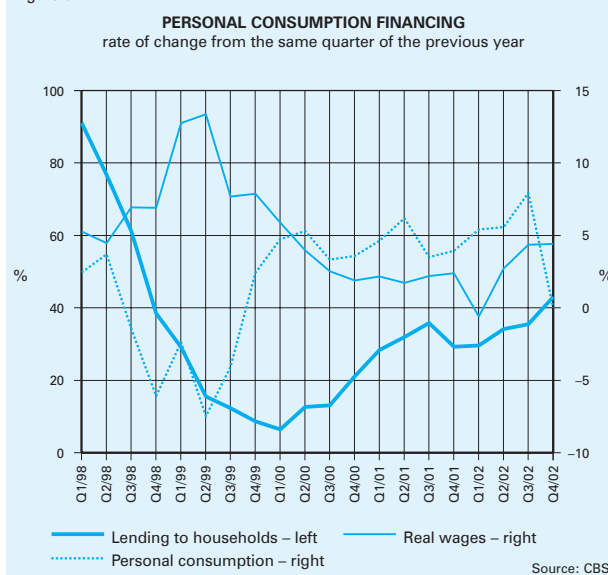


Figure 6



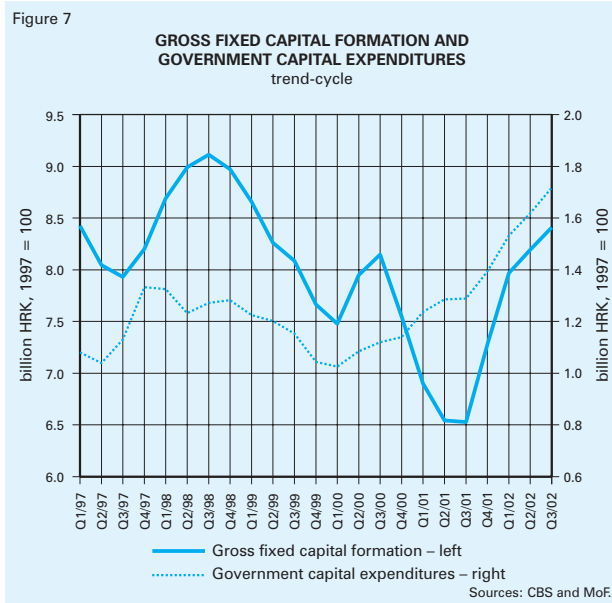
was accompanied by a significant growth of imports. As the previous year, 2002 saw a considerable increase in imports of road vehicles whose amount, expressed in kuna, rose by 12.2%. In addition, a marked growth was recorded in durable consumer goods (household appliances, furniture) as well as non-durable consumer goods (food and beverages).

The growing personal consumption has been increasingly financed by commercial bank credits. In the first three quarters of 2002, the nominal monthly growth rate of household credits was some 30% for the year. This trend accelerated in October, so that in late December 2002 total credits to households increased by 43.0% compared with end-2001. Apart from loans for buying durable and non-durable consumer goods, a part of loans to households was given for purchasing flats, which is a sign of an increased bank activity in home loan extension.

Along with an intense credit activity, the autumn months of 2002 brought about a recovery of wages as an additional stimulus to consumption. Following a stagnation in real wages in the first half of the year, a low inflation in the third quarter contributed to a 4.5% growth of average real wage, compared with the same quarter in the previous year. Moreover, the last quarter saw a higher nominal growth of average net wage paid, and, given a slightly higher inflation, the growth of real wages remained at the level from the previous quarter. Unlike regular income from employment, government transfers to households held steady. According to the revised government budget, the 2002 transfers remained at the level from the previous year, and even went down in real terms. However, favorable trends in regular income and credits to households suggest that the strong growth of personal consumption continued in the fourth quarter.

Investment Consumption

As already mentioned, gross fixed capital formation was the fastest growing expenditure category included in the GDP calculation. A recovery of gross fixed capital formation started



in 2001 and continued in 2002. Thus, in the first nine months of 2002, seasonally adjusted level of fixed capital formation grew by 10.9% in real terms, compared with the same period in the previous year. The growth of gross fixed capital formation was primarily encouraged by road construction projects financed by loans, which are guaranteed by the government. Following a sharp decrease in government capital expenditures in 2001 owing to fiscal consolidation, a strong upward trend in gross fixed capital formation was observed in the broadly defined government sector in 2002.

The sharpest upturn in total investment activity of the private and government sectors was recorded in the third quarter, when the annual growth rate of gross fixed capital formation reached a high 15.9%. In 2002, an intense investment activity, which is a characteristic of summer months, was additionally stimulated by intensive road construction works in order to meet the established deadlines. Thus, the third quarter saw a most significant rise in the index of total volume of construction projects since the period of post-war reconstruction. The intense construction activity was accompanied by growing imports of road construction machinery, which additionally increased the gross fixed capital formation.

Intense investment activity partly accounted for a rise in domestic production of capital goods. However, a marked growth was only recorded in production of machinery and equipment (the total volume of production rose by 18.1%). At the same time, demand for foreign machinery and equipment grew significantly. So in 2002, the imports of capital goods expressed in kuna, rose by 9.1%, while the largest increase was recorded in imports of special purpose machinery, general purpose machinery, office machinery and electrical machinery, apparatus and equipment. The imports of capital goods grew at the fastest pace in the third quarter.

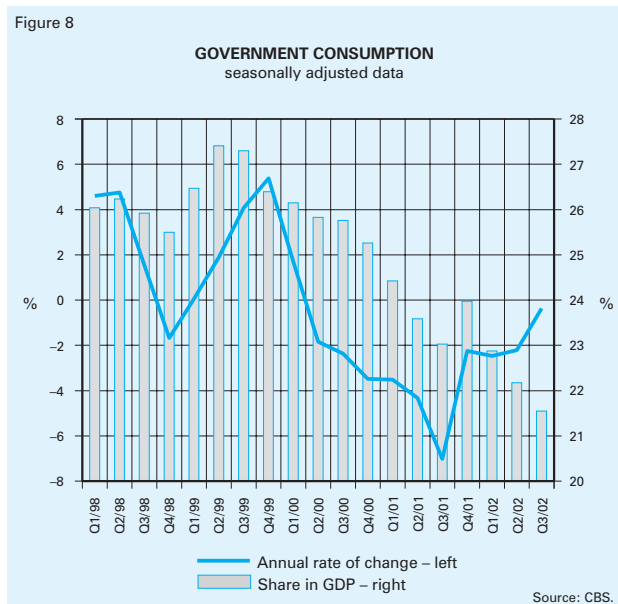
The available data on domestic production and imports of capital goods do not indicate which part of investments in machinery and equipment relates to the inputs for road construction and which part represents the private sector investments in new technologies and production process improve-

ments. According to the Financial Agency (FINA) Information on the operating results of entrepreneurs in the first nine months of 2002, based on a sample of over 54,000 legal entities, the largest growth of investments in fixed assets was recorded in the private sector, which accounts for more than a half of total investments in fixed assets. These data suggest that investment in construction of buildings including roads rose significantly, while investment in equipment accounted for the remaining 48% of total investment.

Government Consumption

According to the published quarterly GDP estimate, in the third quarter of 2002, government consumption declined by 0.4% in real terms compared with the same period in the previous year. From January to September government consumption fell by 1.7% compared with the corresponding period in the previous year. These data only approximately show the trend in government consumption, while the actual developments in government consumption over 2002 will only be known after the final annual calculation is made up. However, even the preliminary data point to relaxed fiscal restrictions and a reduced negative contribution of government consumption to the growth of gross domestic product. In this connection, a decline in government consumption does not have a negative impact on the overall economic developments, but the wage control policy rather acts as a stimulus to the private sector. On the other hand, despite a reduction in the current government expenditure, capital expenditures went up thus boosting domestic demand and economic growth.

Difficulties in the assessment of fiscal consumption developments arise from the change in coverage of government institutions within official statistics in 2002, by establishing new agencies and funds. According to the Ministry of Finance data, in the third quarter, the consolidated central government expenditures for wages and contributions and purchases of goods and services, adjusted for the expenditures of



CH and CR¹, grew by 12.2% in nominal terms compared with the same period in the previous year. If we assume that government consumption in the last quarter remained at the level from the revised budget, consumption rose by 1.2% in nominal terms over 2002. When brought down to its real level, the overall government consumption in 2002 does not diverge markedly from the levels recorded in the quarterly GDP calculations for the first three quarters of 2002.

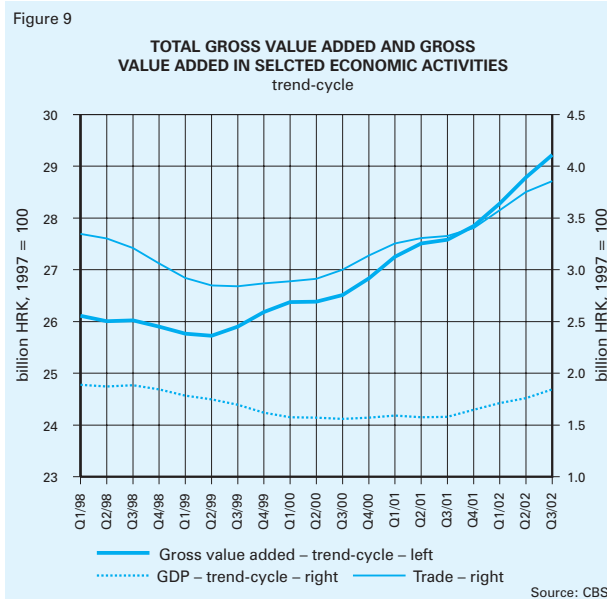
Output

In the third quarter, gross value added in residents' output rose by 6.6% in real terms compared with the same period in the previous year. Like in gross domestic product whose calculation includes the already mentioned gross value added and the total amount of tax on products reduced by subsidies, this represents the largest annual growth rate recorded in one quarter since 1997. This rate resulted from an accelerated growth in all sections of the National Classification of Economic Activities included in the calculation of gross value added. The largest contribution to the growth of gross value added was again made by wholesale and retail trade, which rose by 15.9% in real terms. A significant improvement, compared with the first half of the year, was recorded in industry, with a revival in its most significant section – manufacturing. This was accompanied by a strong growth of gross value added in overall industry, and, given its large share in the total gross value added, this was a sign of a marked economic growth.

Industry

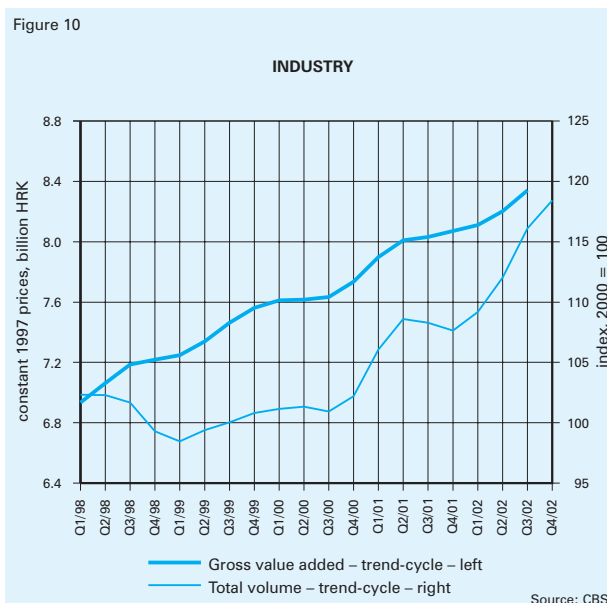
As already mentioned, the third quarter saw a reversal in total industrial production, with a 5.4% growth of gross value added in real terms compared with the same period in the previous year. Such developments are in contrast with the very low rates of growth recorded in the first and second quarters, when gross value added in industry rose at the annual rates of 2.7% and 1.8% respectively. In the first half of the year, the increase in industrial production mainly resulted from a strong growth of a less important manufacturing section, i.e. mining and quarrying, where the level of gross value added was lower. At the same time, production in manufacturing remained stagnant. In the third quarter, a marked growth was recorded in all the three industrial sections (mining and quarrying, manufacturing and electricity, gas and water supply) with an increase in the total volume of industrial production of 8.0%. The fourth quarter saw a further growth of industrial production, at the annual rate of 9.9%, and it can be expected that gross value added in industry rose significantly in the fourth quarter as well, resulting in an increase in total gross value added.

The index of the total volume of industrial production increased by 5.7% in 2002 compared with the previous year (adjusted for the seasonal impact of holidays, which ac-



counted for two business days less in 2002 than in 2001). The annual rate of industrial production growth was as low as 2.4% in the first half of the year, which was a consequence of negative trends in energy supply and a slower growth of output in manufacturing. An extremely high increase in industrial production in the second half of the year resulted from an accelerated growth in all industrial sections, particularly manufacturing. Business activity in mining and quarrying heightened throughout 2002 compared with the previous year. In 2002, energy supply was the least dynamic industrial section, with as low as 1.6% annual increase in business activity. Following a sharp decline in the first quarter, energy supply grew continuously until October, when the demand for energy resumed its downward trend (excluding the seasonal impact of higher energy consumption during the winter).

Despite its smallest share in industry, mining and quarrying made a strong contribution to the overall industrial production. Such developments arose from a heightened construc-



1 Croatian Highways and Croatian Roads.

Figure 11

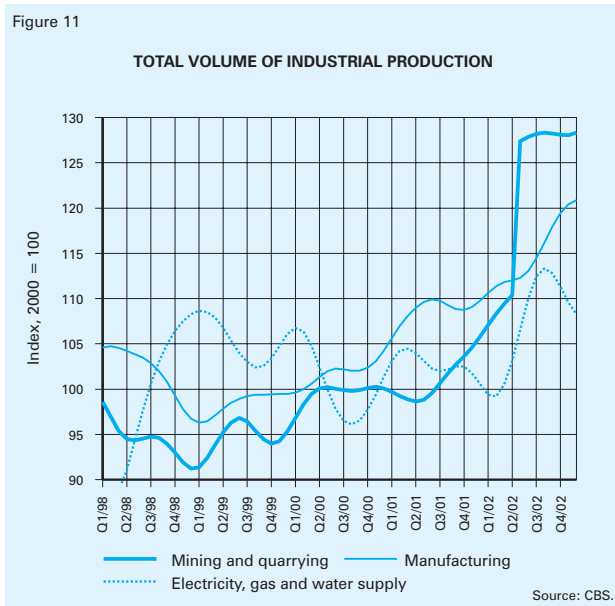
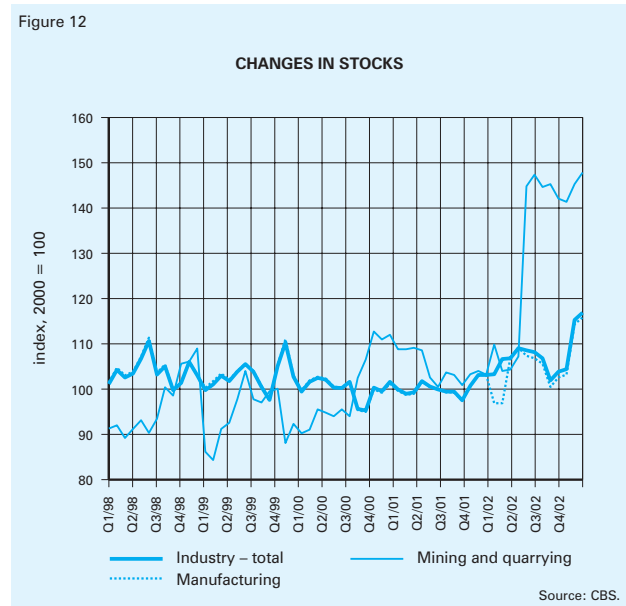


Figure 12



tion activity, which boosted quarrying of stone, whose total volume was over 50% higher in 2002 than in the previous year. As a result, production in mining and quarrying grew at an exceptionally high annual rate of 17.0% and contributed to the overall growth of industrial production of 5.7% in 2002 by as many as 0.9 percentage points.

According to the latest available data, manufacturing accounted for 83.3% of total industrial production, having the strongest influence on the trends in industry. Therefore, the upturn in manufacturing in mid-2002 contributed the most to the high growth recorded in the second half of the year. An unexpectedly high monthly increase in output in manufacturing in July marked the beginning of a strong upward trend. In the following months, production growth continued to result in stable monthly levels of production in the last quarter of 2002. In the fourth quarter production grew at an exceptionally high rate of 10.9%, which is partly attributed to the positive impact of the base period, because the slowdown in the European economy in late 2001 was paralleled by a decline in production in Croatia. Over 2002, the total volume of production in manufacturing rose by 5.7%, somewhat less than in the previous year. The largest contributor to the production growth was production of food and beverages, which accounted for more than one fifth of total industry. The 6.8% increase in production (not seasonally adjusted) was the result of a stronger foreign demand (production of food and beverages represented one of the fastest growing exporting sections in 2002) and the domestic demand which boosted the domestic sales. Among other major manufacturing divisions following positive trends, prominence should be given to publishing and printing, production of other non-metallic and mineral products, (glass, cement and other construction products), machinery and equipment (construction machinery, electrical apparatus), as well as chemicals and chemical products (drugs and glues).

The growth in production was paralleled with a rise in stocks of final industrial products. This trend is most perceptible in mining and quarrying, where the highest rates of pro-

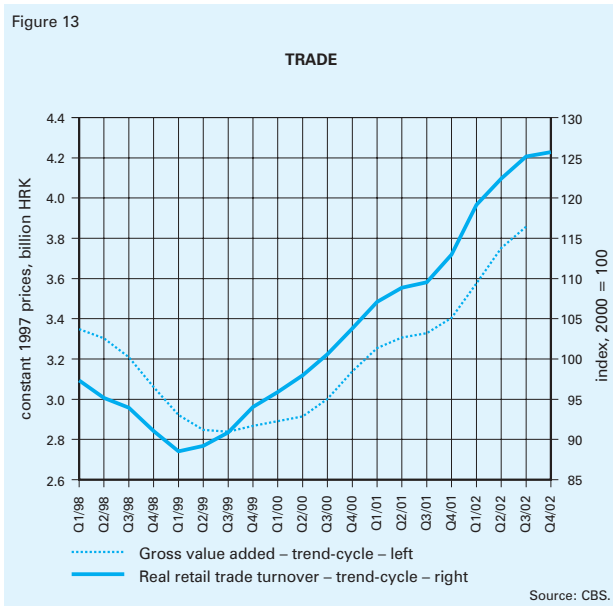
duction growth were recorded. Despite the low level of production in manufacturing in the first half of the year, insufficient foreign demand resulted in lower exports and a rise in stocks. By mid-2002 the situation stabilized, but, following a noticeable growth of production towards end-2002, stocks rose by more than 10.0% in November and December compared with the same months in the previous year.

Trade

The wholesale and retail trade trends over the last two years reflect the advantages of an easier access of foreign business entities to the domestic market and foreign trade liberalization. The opening of numerous foreign chains of stores encouraged competition in the domestic market, expanded supply and improved the quality of services. At the same time, it facilitated the lowering of margins and prices. This resulted in curbing of the gray market activities and shopping abroad, which were largely substituted by domestic consumption. Besides the direct positive effects of increased supply and lower prices on consumers, employment and government budget gained additional advantages. These trends stimulated employment in trade (according to the preliminary data, employment in wholesale and retail trade rose by 2.1% in late 2002 compared with the previous year) and boosted revenue from consumption tax.

On the other hand, a more extensive coverage of domestic consumption within official statistics results in relatively over-estimated data on the growth in the trade turnover and personal consumption compared with the previous years. Thus, over two consecutive years the wholesale and retail trade turnover and gross value added grew at the rates exceeding 10.0% in real terms. In the first three quarters of 2002, gross value added in wholesale and retail trade rose by 13.3%, with the strongest growth recorded in the third quarter. Real retail trade turnover followed these trends. After a remarkable performance in summer months, the turnover was 11.4% higher in the last quarter of 2002 compared with the same period in

Figure 13



the previous year. Assuming that in the fourth quarter gross value added in overall trade followed the changes in real retail trade turnover, one can conclude that trade was the main generator of growth in total gross value added throughout 2002.

Construction

Construction was the fastest growing activity in 2002. In the first three quarters, gross value added recorded the strongest growth compared with other sections of industrial production. At the end of the third quarter, the cumulative annual growth rate of gross value added was 14.5%, an exceptionally high growth that continued at an even pace throughout the period. The growth trend remained steady despite the coming of autumn and the end of the main building season. The index of total volume of construction projects, measuring the working hours of construction workers at building sites,

shows that this activity reached its peak in August. This was followed by a slight deceleration, so that from January to November construction projects rose by 12.9% compared with the same period in the previous year.

The main source of dynamic trends in construction was an accelerated construction of highways. Construction works completed rose in value by 34.0% in the first nine months of 2002 compared with the same period in 2001. Construction of buildings grew half so fast, while other projects, primarily roads, accounted for more than 65% of total construction works. Apart from contributing to the growth of gross value added in construction, these projects had an indirect impact on other economic branches. Thus, a rise in investments in roads stimulated the growth of industrial production through an increased mining of ores and quarrying of stone, as well as through a higher demand for manufacturing products, like construction machinery, construction frames, etc.

Tourism

The available indicators related to tourism in the third quarter of 2002 do not provide a basis for a final estimate of the results of the main tourist season.

Turnover in hotels and restaurants rose by 12.2% in nominal terms, or, adjusted for changes in prices of catering services, by 9.0%. At the same time, gross value added recorded in business entities whose basic activity is preparation and serving of food and beverages and the provision of accommodation services, rose by 7.8% in real terms. However, preliminary balance of payments data convey a somewhat different picture. In the third quarter of 2002, consumption of foreign tourists in Croatia stood at HRK 17.6bn, which is a 0.9% decrease in nominal terms compared with the revenue from tourism raised in the same quarter of 2001. In this period, foreign tourist nights accounted for over 90% of total tourist nights, and it is expected that foreign tourist consumption will follow the overall trends in tourism. The discrepancy in the estimated results of the tourist season can be accounted for in

Figure 14

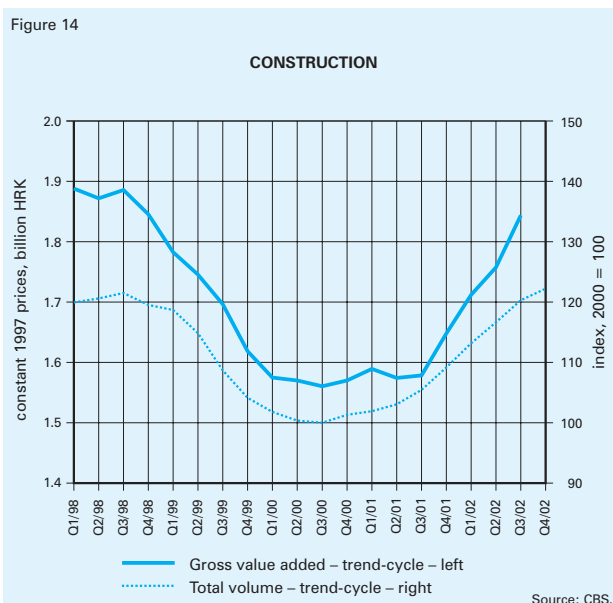


Figure 15

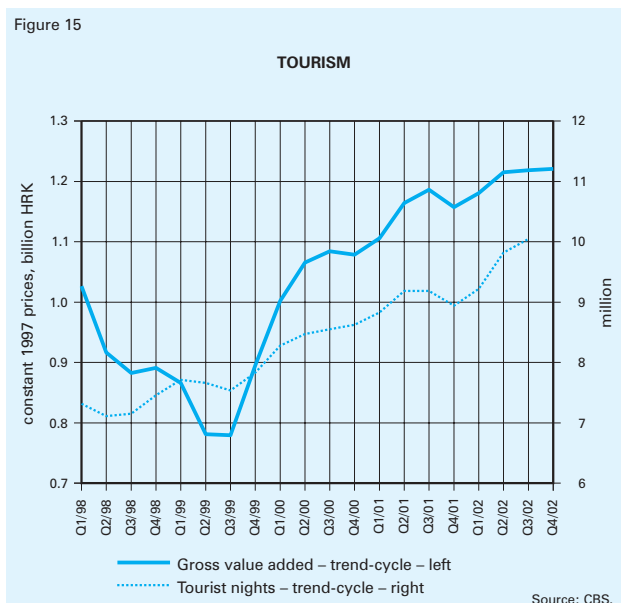
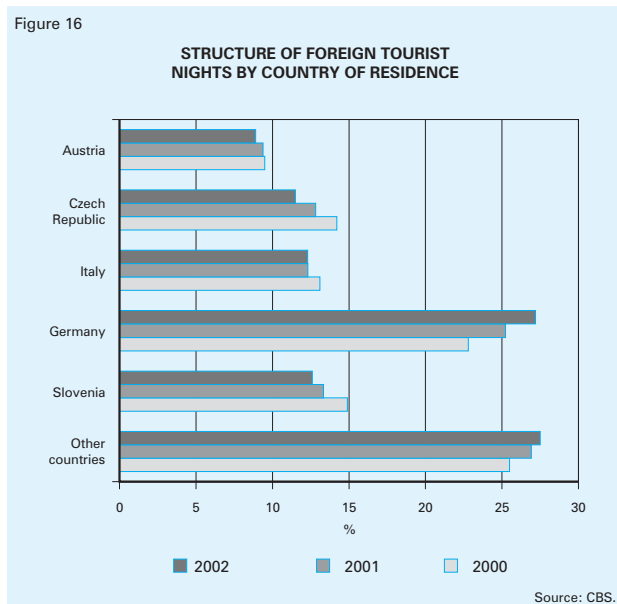


Figure 16



two ways. Firstly, due to prompt interventions of tourist inspectors and a reduced share of “black economy” in tourism, the coverage of the realized turnover in hotels and restaurants within official statistics was improved, which could result in an overestimation of the real trends. Secondly, owing to a more conservative method of collecting data on consumption of foreign tourists for the balance of payments purposes, these data are not comparable with those for the previous periods.

In 2002, tourist arrivals in commercial accommodation facilities in Croatia rose by 5.9%, while tourist nights grew at a slower pace (3.0%). Most nights were stayed in hotels, camps, apartments and guest houses, with the stays in guest houses rising considerably (9.2%), which is a sign of improved registration of guests and, consequently of their better coverage within official statistics. Despite a slower growth of tourist nights in 2002, their adjustment for different dates of Easter holidays in each individual year and for other seasonal factors indicates that tourist nights grew at the annual rate of 6.3% in 2002. The increase in overall tourist nights, given the slight decline in domestic tourist nights, can be attributed to the growth of foreign tourist nights. However, there are differences in the number of tourists from different countries. Thus, in 2002 the share of German tourist arrivals rose by 11.4% and of Italian tourists by 3.4%. A significant growth was also recorded in nights stayed by tourists from the Netherlands, Great Britain, Russia and France. The opposite trend was noticed in tourist nights stayed by Czech, Slovak and Slovene tourists decreasing at the rates of -7.3%, -8.4% and -2.5% respectively, which is accounted for by an increase in the price of services. Such developments also affected the structure of foreign tourists, by reducing the share of tourists from most represented countries (except Germany) and increasing the arrivals and nights of tourists from less represented countries.

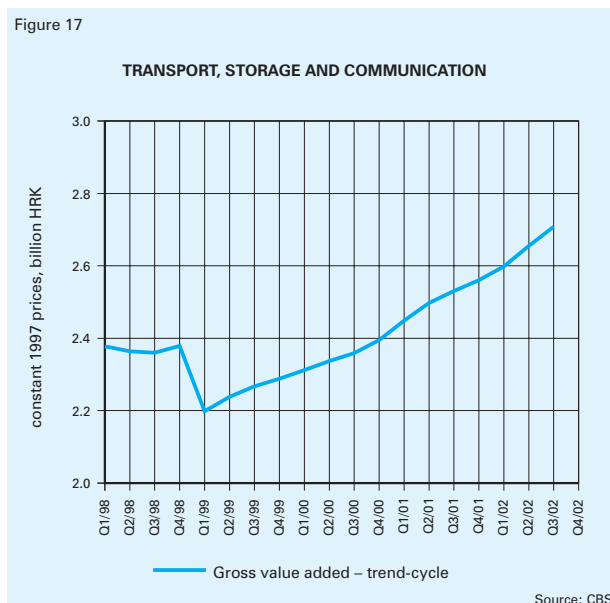
Transport and Communications

A significant growth of services rendered in transport, storage and telecommunications has continued for a longer pe-

riod of time, with telecommunications being the most dynamic sector. Competition for new users of all the three mobile networks intensified over the last few years. An improved network coverage and a wider range of services resulted in a business expansion and, consequently, in an exceptional growth of mobile network utilization. In 2002, minutes spent in mobile network rose by 38.1% compared with the previous year, which corresponds to the relative growth recorded in the year before. In addition to telecommunications services, better results were also recorded in postal services. Here, too, the increase in activity resulted from the liberalization of the letter and parcel delivery markets, and a stronger competition that led to a higher volume of operations. On the other hand, the available physical indicators of performance point to a slower upward trend in transport compared with telecommunications. In 2002, the quantity of transported goods (in thousands of tons) rose by 4.5%, mainly due to road transport. As opposed to goods transport, the number of transported passengers fell slightly compared with the previous year, with a better performance recorded in less frequent types of passenger transport, sea and air transport.

Positive results, reflected in physical indicators of performance in transport, storage and communications are also shown in a stable growth of gross value added. In the first nine months gross value added in transport, storage and communications rose by 6.8% in real terms, the same as in the previous year. The best results were achieved in the third quarter on account of expanding telecommunication and transport services at the peak of the tourist season. Besides a marked growth of postal services, the third quarter saw a relatively high increase in the turnover in fixed network telecommunications services with 12.8% rise in minutes spent compared with the same quarter in the previous year. Minutes spent in the three mobile networks continued to grow at exceptionally high rates. Despite the stagnant number of transported passengers compared with the previous year, the number of kilometers passed grew significantly. Goods transport also recorded high growth rates.

Figure 17



In the fourth quarter goods transport continued to grow at a more rapid pace, thus contributing significantly to the overall annual performance in transport, storage and communications. In contrast to this, passenger transport remained stagnant. The trends in postal and telecommunications services observed in the third quarter continued, except in mobile networks, which grew at a relatively slow rate compared with the previous part of the year.

Labor Market

The last quarter of 2002 was marked by two parallel trends: a stronger economic growth started to exert its impact on the labor market, while wage policy in the public sector went through changes. This was accompanied by some difficulties in monitoring labor market arising from institutional reforms. In the following period, the employment intermediation reform will result in an adjustment of registered unemployment to the new intermediation requirements. The adjustment will probably be reflected in an increased outflow from the CEI register of persons who will be considered as non-job seekers under the new system, as well as in a lower inflow into the CEI register. In addition, the fourth quarter saw a decrease in outflow from the CEI register to employment, which can be accounted for by lower employment in public administration compared with the same period in 2001, but also by reduced CEI intermediation, since there is no obligation to report vacancies. Following a long period of stagnation, wage growth finally accelerated. This can be accounted for by the economic upturn and the less restrictive wage policy in the public sector compared with the previous two years.

Unemployment and Employment

A marked growth of outflow from the CEI register to employment of almost 25% in 2001 was followed by a slight slowdown in 2002. In that year, total outflow from the register

to employment amounted to 166,000, which means that employment grew at the rate of 12.3%. A slower growth of employment at the annual level is the result of a decline in employment in the last quarter, following a 21% rise over the first three quarters, the same as in the previous year. The decrease in employment in the last quarter of 2002 was partly the consequence of a slowdown in new employment in the public administration compared with its relatively high level in the last quarter of 2001, and a reduced CEI intermediation. The employment intermediation reform encouraged private initiative in employment intermediation, so that a number of private intermediation agencies have been registered since 2001. Moreover, employers increasingly use additional methods, e.g. advertising vacancies in public communications media without using the CEI services.

However, despite the decline in outflow from the register to employment, negative net outflows continued into the last three months of 2002. This is the consequence of a continuing fall in inflows into the register and a rise in the number of persons cleared from the records for other reasons (except employment). Reduced inflows into and growing outflows from the register were also the result of introducing the new Law on Employment Intermediation and Rights during Unemployment in September 2002. A part of the inflows was probably transferred to the CEI subregister of job seekers, which included almost 8,000 persons (2.2% of registered unemployment) at end-2002. Their number continued to grow in January 2003, reaching 9,000 at the end of this month. These persons were entitled to employment intermediation services, but did not enjoy other rights of the unemployed nor were they given the status of unemployed. Although it is difficult to speculate about the actual status of these persons – as job seekers are primarily younger persons who would not benefit significantly from the registration with the CEI, but would have to comply with its requirements – it is likely that these persons are actually unemployed.

Outflows from the register for other reasons (except employment) rose by 4.9% in 2002. The highest growth, 26.4%,

Figure 18

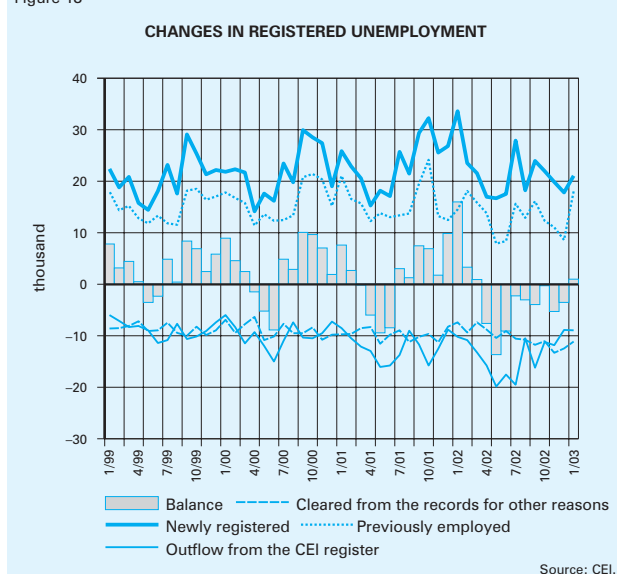
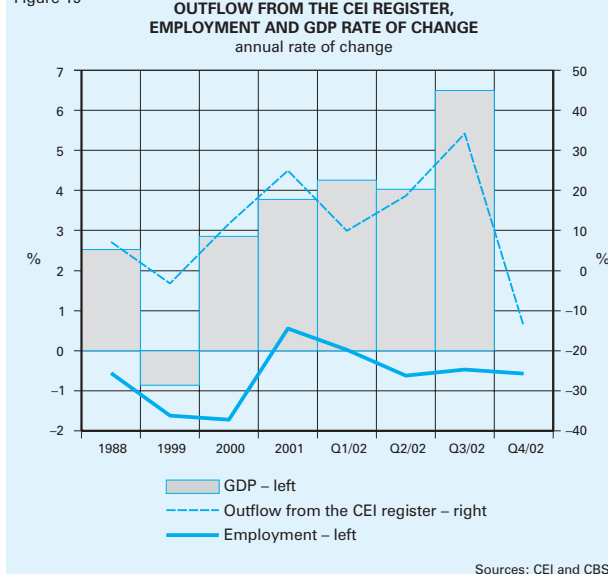


Figure 19



was recorded in the last quarter, i.e. the period when the new regulations were introduced, while the first three quarters saw somewhat lower outflows. The rise in clearing from the records for other reasons (except employment) is primarily attributed to the growth in the number of cleared persons who, pursuant to the new regulations, are either considered as non-job seekers or are not available for work.

Outflow from the CEI register to employment, which used to be a reliable indicator of the labor demand trends in the previous years, fell significantly during the last quarter of 2002. Until the end of the third quarter of 2002, there was a close correlation between the data on the newly employed and the GDP dynamics. However, in the last quarter of 2002, new employment declined, despite the indications of a continuing economic growth. As already mentioned, this fall can be partly attributed to the absence of employment in the public sector, where the employment was higher at end-2001 than at end-2002, and to a reduced employment intermediation by the CEI. This, unfortunately, means that the CEI indi-

cator of new employment will be difficult to interpret in future, and that there will be no indicator of labor demand trends.

As a result of the described dynamics, which was in the last quarter of 2002 mostly influenced by the change in regulations, registered unemployment continued to decrease over the last quarter of 2002. However, in January 2003 registered unemployment slightly rose, but as this was for seasonal reasons, its downward trend continued in this month as well.

In line with the registered unemployment dynamics, the registered unemployment rate has been dropping since mid-2002. Its strong decrease during that period even resulted in a reversal of trend in registered unemployment. However, when interpreting the registered unemployment rate it should be born in mind that its dynamics mainly reflect methodological changes in the way of recording unemployment. Consequently, it is not before the end of the period of "transition", i.e. before the level of unemployment starts to reflect the new costs and benefits of the registration with the

Figure 20

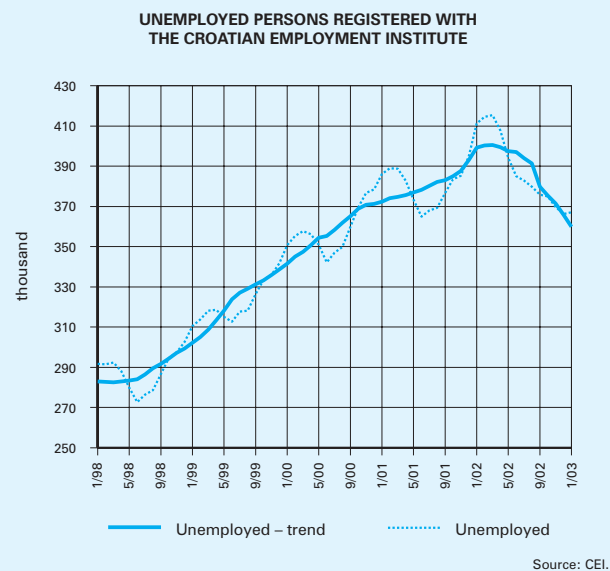


Figure 22

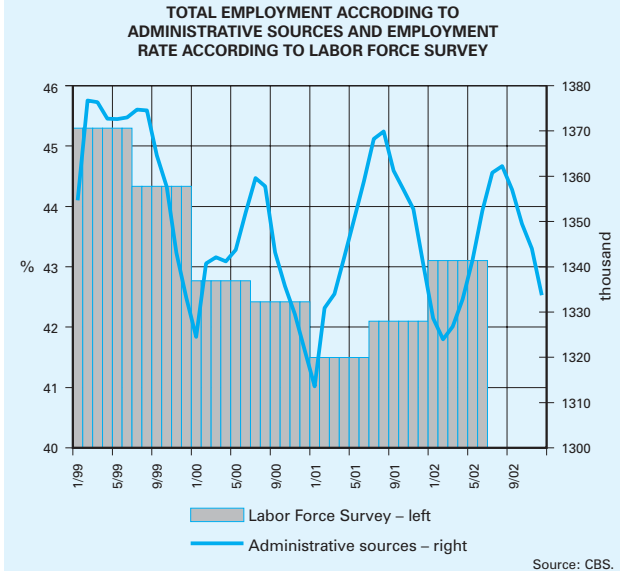


Figure 21

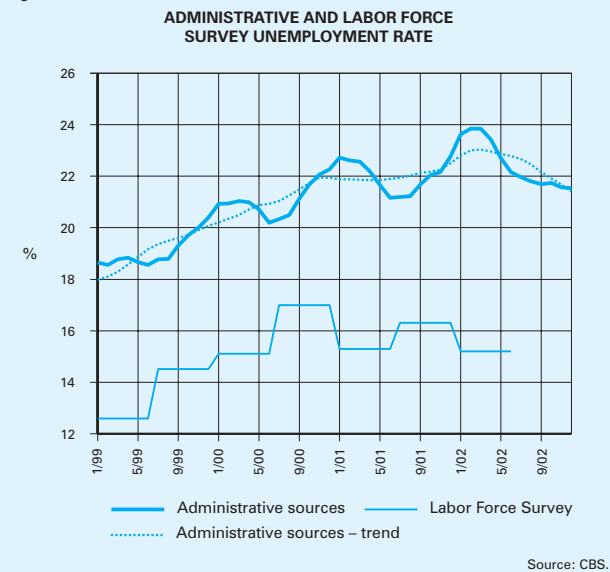
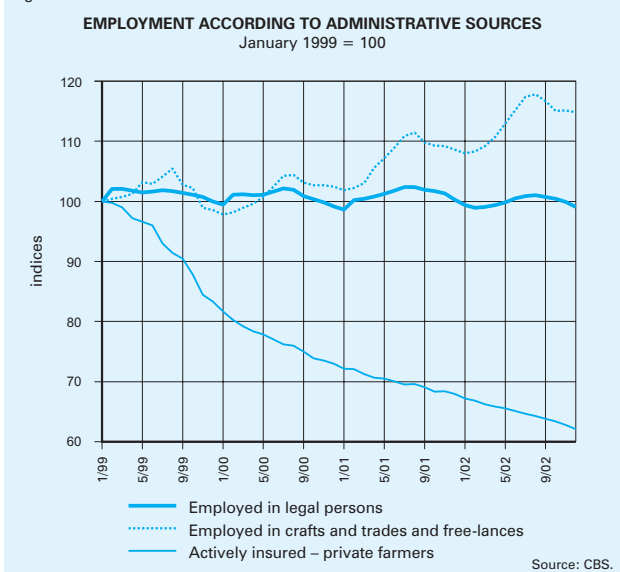


Figure 23



CEI, that it will be possible to correlate the change in registered unemployment rate with the changes in the overall economic situation.

At end-2002, the registered unemployment rate stood at 21.5%, a 1.3 percentage points decrease compared with the previous year, but this is still a significantly higher rate than the latest Labor Force Survey unemployment rate of 15.2% in the first half of 2002. Should the registered unemployment rate reach the level of the Labor Force Survey rate, the CEI intermediation services would focus on the actual job seekers. However, this process will probably last long.

According to the preliminary CBS data, total employment fell by 0.5% in late 2002 compared with the previous year. That means that the preliminary CBS data do not confirm the continuation of employment growth in 2002, announced by the Labor Force Survey indicators for the first half of that year. However, as the preliminary employment data are based on a sample of large enterprises, which have recorded a decline in employment for some time now, it is likely that the employment data are underestimated. This assumption proved to be reliable in the previous years, so it is possible that employment growth will continue in 2002. This is also indicated by the total number of employees insured with the CPII, which rose by an average of 1.2% in 2002, compared with the previous year. Excluding individual farmers insured with the CPII, who have been declining sharply for a number of years now, this increase was 1.7%.

Crafts and trades and free-lances remained the main source of new employment in 2002. Employment in this category increased by 5.8% at end-2002 compared with the year before. In contrast to this to this, individual farmers insured with the CPII have been decreasing for years and continued to decline in 2002, when their number dropped by 8.7%. In the same period, the number of employed in legal entities, to whom the preliminary CBS data actually relate, decreased by 1.2%. In 2002, the changes in employment structure continued, and it is obvious that small businesses and self-employment remain the main generators of new employment, while employment in large enterprises, considered as a whole, continues its downward trend.

The difficulties in monitoring employment and unemployment based on administrative sources and preliminary data are reflected in the labor force data. Thus, in the last quarter of 2002, labor force declined by 1.5%, which is difficult to reconcile with the concurrent continuation of output growth.

Wages and Labor Costs

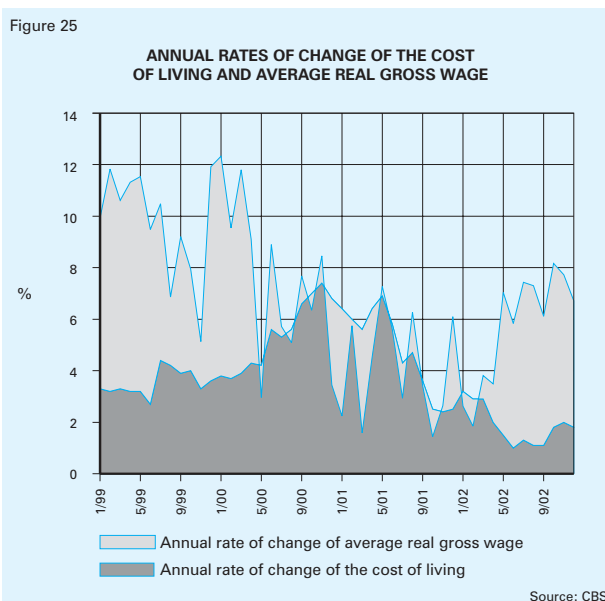
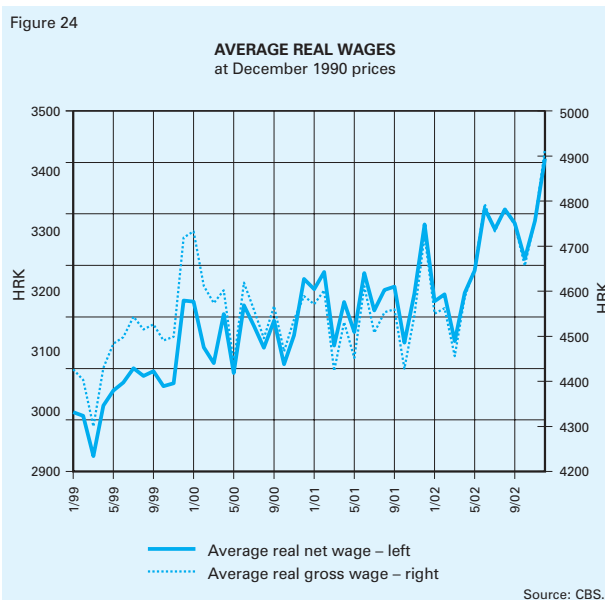
After an almost two-year stagnation, primarily due to a restrictive wage policy in the public sector, the average real wage grew at an accelerated pace in the last quarter of 2002. The average net wage rose by 4.4% in real terms, while the average real gross wage increased by 5.6%. In the last quarter of 2002, the growth substantially outstripped the growth of real wages for the year, standing at 2.8% and 3.8% for net wage and gross wage respectively.

A somewhat higher growth rate of real wages in the last quarter of 2002 compared with the previous two years partly

resulted from price stability, i.e. the slowdown in the cost of living growth, although it is mainly attributed to the growth of nominal wages. In the last quarter of 2002, the average net wage rose by 6.4% in nominal terms, while the average nominal gross wage grew at the rate of 7.6%.

The accelerated average wage growth was generated by the increase in wages in industry, trade, financial intermediation, construction and some other sectors, but was also the result of a less restrictive wage policy in the public sector. Given the productivity dynamics in industry, the recorded fast growth of wages is not likely to produce any inflationary effects. Wages in the public sector continued to grow at slower rates than the wages in other sectors. However, due to the change from negative to positive rates, this growth contributed significantly to the increase in total average wage.

In 2002, gross wages, i.e. total labor cost, grew at a somewhat faster pace than the average net wages. Given the progressivity of the tax system, this wage dynamics is customary for the years when there are no changes in tax rates, tax



deductions or contribution rates, which is not very frequent. Thus, in early 2003, a new calculation of tax and contributions was introduced. According to the simulations based on average gross wage, the new calculation method is expected to reduce the share of taxes and contributions in total labor cost by almost 4 percentage points. However, despite the expected reduction in total allocation for taxes and contributions, the distribution of benefits resulting from this reduction between employers and employees cannot be anticipated. Should work contracts specifying gross wages of employees prevail in the economy, the average net wage could increase by almost 7%, while there would be a slight increase in total labor cost for employers owing to the reform. On the other hand, should the majority of work contracts be based on net wages of employees, the total labor cost for employers could be reduced by approximately 7.5%. It is the content of work agreements that will determine whether the impact of net wages will be stronger than that of the reduced total labor cost. However, even if the new calculation of tax and contri-

butions results in an increase in net wage, this could relieve the pressures of employees on the wage growth in the following period and thus moderate the total labor cost.

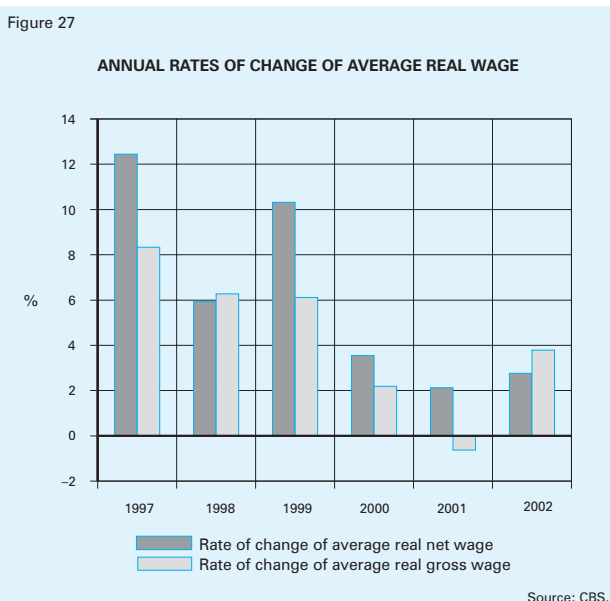
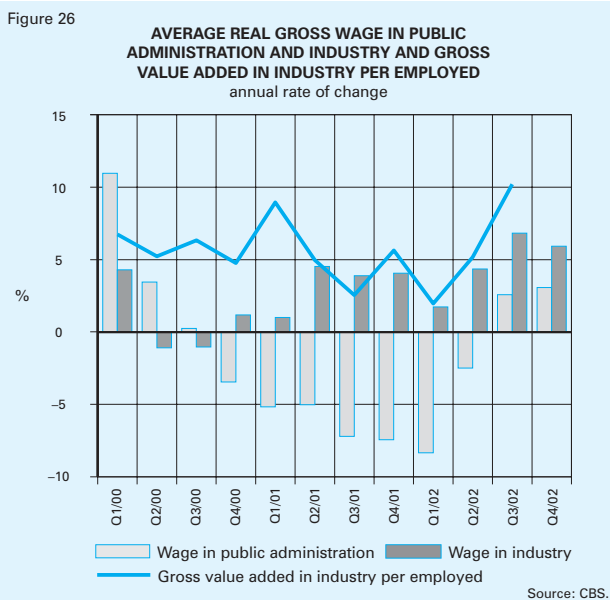
Prices

The year-on-year inflation rate measured by the retail price index (RPI) has remained below 3.0% for the second successive year. It stood at a low of 2.3% in December 2002; a decrease of 0.3 percentage points compared with the same month in 2001.

Inflation trends in the main RPI components in 2002 differed greatly compared with the previous year. The year-on-year growth rate of goods prices, standing at 7.8% in December 2000, thus came down to 0.6% in the same month in 2001², while the year-on-year growth rate of services prices concurrently went up from 5.7% in December 2000 to 10.3% in the same month in 2001³. In contrast, the year-on-year growth rate of goods prices covered by the RPI went up by 1.3 percentage points over 2002, standing at 1.9% in December, while the year-on-year growth rate of services prices decreased by 6.8 percentage points over the same period, standing at 3.5% in the same month.

As evident from the components of the goods prices index comprised in the RPI, the year-on-year rates of change of non-food industrial products and beverages prices rose by 2.2 and 6.4 percentage points respectively in 2002 compared with 2001⁴. This was partly offset by the year-on-year growth of food prices decreasing by 2.1 percentage points in December 2002 compared with the same month last year. Services prices grew at a considerably lower rate mainly due to a noticeably restrained growth in the prices of transport, postal and telecommunications services. Transport and telecommunications services prices thus rose by 8.8% and 54.4% respectively over 2001 to grow only by a slight 2.0% in 2002 in comparison with late 2001.

Having gone up to 3.2% late in the first quarter of 2002, inflation measured by the RPI came down to 2.2% and 1.5% late in the second and third quarters respectively and rose to 2.3% late in the fourth quarter. Also in the fourth quarter, the year-on-year rate of change of goods prices continued its upward trend, while the rate of change of services prices trended downwards, both on account of monthly changes in prices in the observed period and trends in the base period (the fourth quarter of 2001). The monthly inflation rate was



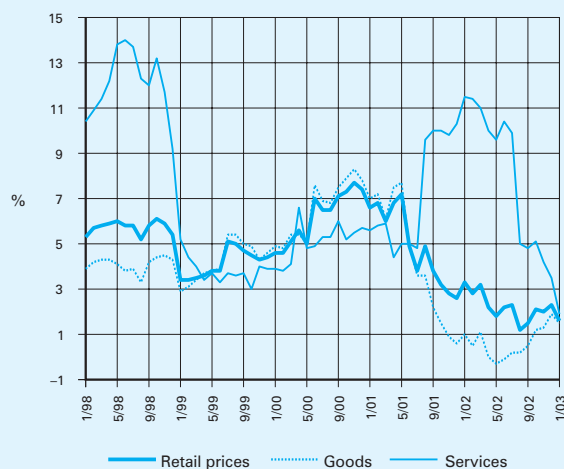
2 These movements were primarily influenced by a lower direct contribution of refined petroleum products' retail prices to the overall annual rate of change of goods prices covered by the RPI, brought about by the fall in crude oil prices in the world market and the negative impact of the base period.

3 Other than by a considerable increase in telecommunications prices, this was also brought about by a rise in prices of some utility services, obligatory automobile insurance and city transport. However, there was a significant rise in prices that are not administratively set. Services prices covered by the core RPI thus rose at a rate of 5.6% year-on-year in December 2001, 2.1 percentage points over the same rate from late 2000.

4 The increase in the year-on-year rate of change of non-food industrial products in 2002 primarily resulted from the rise in prices of liquid fuels and lubricants, light and fuel, textile products and medicines.

Figure 28

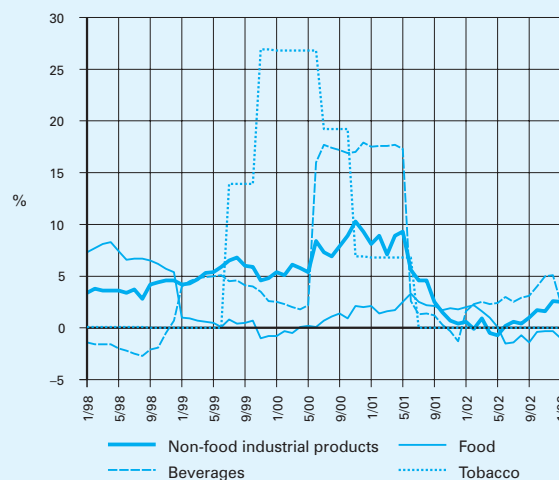
RETAIL PRICES, TOTAL AND BY MAIN COMPONENTS
 year-on-year rate of change = rate of change from the same month of the previous year



Source: CBS.

Figure 29

GOODS PRICES
 (from the RPI) by components
 year-on-year rate of change



Source: CBS.

highly volatile over the fourth quarter. Retail prices rose by a substantial 0.5% for the month in October as the result of a 4.2% seasonal increase in wearing apparel prices, an average 0.9% increase in prices of liquid fuels and lubricants and a 0.3% rise in services prices. The prices of liquid fuels and lubricants dropped by an average 3.5% in November, while the prices of air transport of passengers fell by 23.2%. This strongly contributed to the 0.3% November decrease in the aggregate level of retail prices against the previous month and the resultant inflation rate drop to 2.0% in the same month. Agricultural products rose by a considerable 5.6% in December contributing to a slight 0.1% monthly increase in retail prices. However, due to the impact of the base period⁵, the year-on-year rate of change of the RPI increased by 0.3 percentage points, from 2.0% in November to 2.3% in December.

The core inflation rate continuously trended downwards in the first eight months of 2002, from 1.9% in January to a mere 0.3% in August, to rise to 0.6% and 1.2% late in the third and fourth quarters respectively. Goods prices covered by the core RPI rose from 0.3% year-on-year in September to 1.4% year-on-year in December. The year-on-year rate of growth of services prices covered by the core RPI decreased from 2.7% in September to 0.2% in December, the lowest year-on-year rate of change of market set service prices since early 1994.

Prices included in the calculation of the core RPI decreased by 0.3% in January 2003 against the previous month on account of the seasonal fall in prices of wearing apparel and footwear. This, and the impact of the base period, lowered the year-on-year core inflation rate from 1.2% in December 2002 (goods 1.4%, services 0.2%) to 0.6% in January 2003 (goods 0.7%, services -0.8%). Such low core inflation is an indication of subdued inflationary pressures from the demand side.

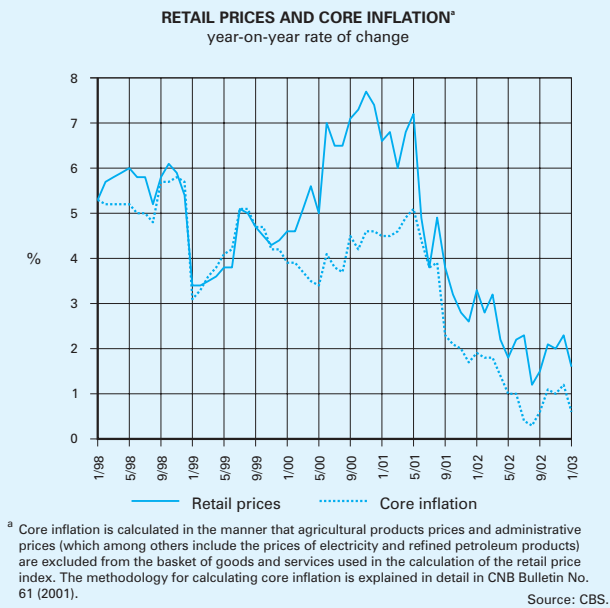
⁵ The overall RPI fell by 0.2% over December 2001 compared with the previous month.

The 2002 fall in the inflation rate compared with 2001 resulted from the core inflation rate decreasing from 1.7% in December 2001 to 1.2% in December 2002 and from the rate of change of agricultural products falling from 4.9% in December 2001 to -7.9% in December 2002. These trends outstripped the increased contribution of administrative prices (including the price of energy) resulting from the increase in their year-on-year growth rate, from 5.9% in December 2001 to 7.5% in December 2002.

Croatia has maintained a relatively stable price level for the tenth consecutive year, which further enhanced the credibility of its central bank. The stability of the kuna exchange rate against the euro has remained the lynchpin of the kuna nominal value. Refined petroleum products prices were rising in the world market for the most part of 2002, increasing pressures on the growth of domestic prices, although the impact of numerous factors contributing to the stability of retail prices in 2001 was still felt (e.g. moderate wage growth, reduction in tariff rates brought about by trade liberalization, fiercer competition in retail trade and a slight rise in producer prices of industrial products in Croatia and its most important trading partners). In addition, the kuna appreciated strongly against the American dollar over 2002, creating room for a decrease in the prices of import inputs and imported final products. Electricity and gas prices rose only moderately following the introduction of the new tariff system in September 2002 and thus did not make a considerable indirect impact on the further inflation rate growth, which might have resulted from their influence on the growth of other goods and services prices.

The rise in crude oil prices primarily resulted from the expectations of a possible U.S. military intervention in Iraq, accounting for a premium added to the price of crude oil as a safeguard against the impending crisis and serious market disturbances. Moreover, the Venezuelan strike caused a shortage in oil supplies, in parallel with a growing demand typical of winter months and a growth-inducing build-up of strategic oil reserves. The price of crude oil in the world market aver-

Figure 30



aged USD 24.94 per barrel over 2002, an increase of 2.4% compared with 2001. The average price of a crude oil barrel in kuna dropped by 3.9% in 2002 compared with the previous year. The average retail prices of liquid fuels and lubricants in Croatia declined by 0.2% in 2002 in comparison with 2001. However, the increase in oil prices becomes more evident when prices at year-end are compared. The price of crude oil thus averaged USD 27.9 a barrel in December 2002 rising by 50.6% compared with the same period last year. Retail prices of liquid fuels and lubricants were 6.4% higher in December 2002 than in the same period the year before.

The prices of crude oil in the world market continued their strong upward trend in the first two months of 2003, reaching an average USD 30.77 per barrel in January, or 10.3% for the month, and averaging USD 32.73 in February, or 6.37% for

the month⁶. The appreciation of the kuna against the American dollar mitigated the effects of high monthly growth rates of the average price of crude oil in the world market. Retail prices of liquid fuels and lubricants rose at rate of 6.2% in January compared with the previous month and at a considerably lower rate of approximately 1.0% in February.

Although the overall RPI rose at a monthly rate of 0.4% in January 2003, the impact of the base period brought down the year-on-year inflation rate to a low 1.6%, a fall of 0.7 percentage points compared with December 2002. The January rise in prices compared with the previous month mainly resulted from a strong monthly increase in the prices of liquid fuels and lubricants of an average 6.2% and a 5.2% rise in the prices of fuel. As these two components account for a large 8.13% share in the overall RPI, their joint contribution to the monthly rise in retail prices in January was 0.5 percentage points. Producer prices of refined petroleum products rose at a monthly rate of 15.6% in January 2003, bringing about a significant rise in industrial products' producer prices of 0.5% for the month, while the year-on-year rate of change of producer prices rose by 0.6 percentage points, from 2.3% in December 2002 to 2.9% in January 2003.

In short, inflation movements in Croatia have already been adversely affected by the rise in oil prices in the world market, as seen from the direct impact of the increase in refined petroleum products prices on the rise in retail prices and producer prices of industrial products. A further rise in prices can also be expected on account of increasing production costs, which might strongly affect travel services and other goods and services whose production depends on this input. Under such circumstances, tightened monetary policy measures are normally applied only on forecasts of the so-called inflation growth in the second cycle. This growth is a result of growing inflationary expectations included in demands for wage increases aimed at preserving their real value.

Price pressures related to movements in producer prices in

Figure 31

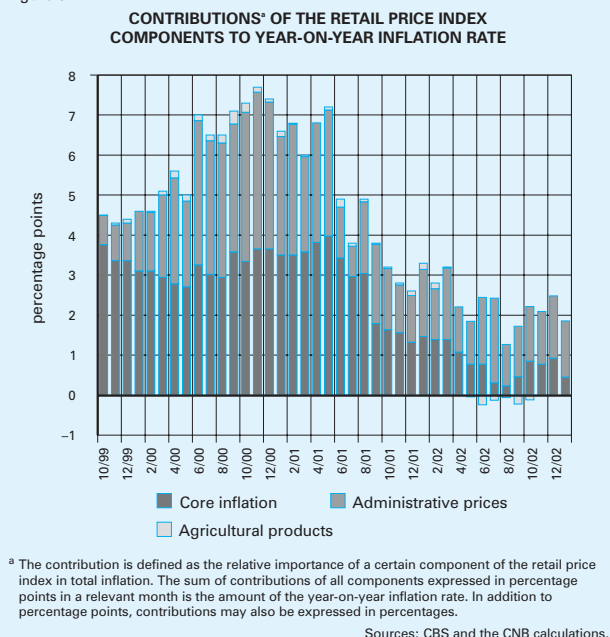
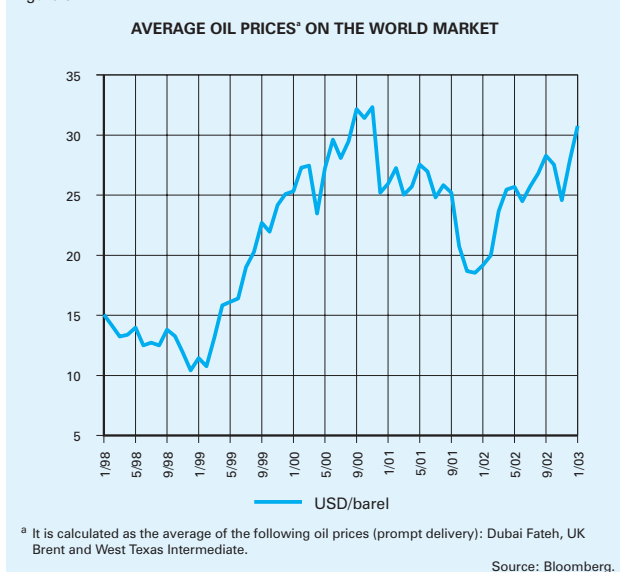


Figure 32



6 According to data on trends in oil prices of 26 February 2003.

Box 1: Modeling and Forecasting Inflation in the Republic of Croatia

Maintaining a low and stable price level is a legally prescribed aim of many central banks. In the same vein, the Law on the Croatian National Bank establishes that achieving and maintaining price stability is the main goal of the CNB. To attain this goal, the CNB relies on various monetary policy instruments, some of which, however, often produce effects only after a time gap. For that reason, the monetary authorities aim at developing economic (econometric) models that will provide them with accurate and reliable inflation forecasts and facilitate their prompt offsetting of potential inflationary or deflationary pressures.

With the purpose of devising a reliable and stable econometric inflation model with several independent variables, CNB analysts pursued Mohatny and Klau's⁷ approach presented in their recent paper on factors affecting inflation trends in transition countries and emerging market economies. The authors draw up a general specification of the econometric model using two initial equations: the wage inflation equation and the profit margin equation, in line with a standardized approach applying the augmented Phillips curve. They state that, in addition to conventional inflation determinants such as the "output gap"⁸, excess money supply and wages, inflation in these countries is also strongly determined by shocks⁹ to food prices, the exchange rate and oil prices and to other imported inflation elements. Moreover, owing to inaccurate estimates of the "output gap" in transition countries and emerging market economies, it is uncertain whether they can fully account for demand-pull inflation trends. That is why these trends would be much better illustrated by means of a (real) money supply growth indicator, used in addition to the "output gap". The introduction of monetary variables into the model for forecasting inflation in transition countries is further justified by the fact that, owing to these countries' underdeveloped financial markets and a weak link between interest rates and inflation, money supply growth can figure as an important indicator of further demand growth and, consequently, of inflationary expectations.

In accordance with the general structure of the model developed by Mohatny and Klau, CNB analysts employ monthly data covering the period from April 1994 to June 2002 (a total of 99 monthly observations) to assess RPI trends in Croatia. The available historical data referring to the period before April 1994 were excluded primarily owing to the hyperinflation in the period before October 1993 and the noise marking the mentioned data series following the introduction and successful implementation of the anti-inflationary program.

The initial equation for the RPI forecasts was assessed by means of

a constant and the following variables: the value of a dependent variable incorporating backward time shifts, the deviation of industrial production, the deviation of the real monetary aggregate¹⁰, the exchange rate of the kuna against the euro, wages, shocks to food prices¹¹ and liquid fuels and lubricants¹², as well as binary¹³ variables for January 1998 and September 1995 and 2000. The variables that proved insignificant (the deviation of industrial production, the deviation of the real monetary aggregate and wages) were excluded and binary variables extended to June and July 1994 and August 1997. This resulted in the final RPI equation, showing that the dependent variable is primarily influenced by the dependent variable incorporating a one-month backward time shift followed by shocks to food prices, the exchange rate and shocks to liquid fuels and lubricants.

According to six and nine month RPI forecasts, made within the available sample, the assessed models deviate in a positive direction, that is they exceed the realized values of the dependent variable. Forecasts made for longer periods are less accurate.

The short-time dynamic RPI forecast made outside the sample, on the assumption of the exchange rate stability and the absence of shocks to the prices of food and prices of liquid fuels and lubricants, also exceeds the values recorded from that point on, which is an indication that the model requires further upgrading.

Figure 33

COMPARISON OF RPI AND NINE MONTH RPI FORECASTS (RPI_F9) MADE WITHIN THE SAMPLE FOR THE OCTOBER 2001-JUNE 2002 PERIOD



Source: CNB.

industry have been moderate, both in Croatia and abroad. The rate of change of producer prices in the eurozone stood at 0.1% year-on-year in September 2002, its first positive value since October 2001. Its leap to 1.5% late in the fourth quarter in 2002 can primarily be attributed to the rise in energy prices, brought about by the increase in producer prices of refined petroleum products, and to the rise in prices of non-durable consumer goods.

The year-on-year rate of change of producer prices of industrial products in Croatia was negative from November

2001 to July 2002 and positive from July 2002 onwards. It stood at 0.4% late in the third quarter in 2002 and rose by 1.9 percentage points over the fourth quarter to reach 2.3% in December. Concerning industrial groupings, the year-on-year rate of change of producer prices of energy increased the most over the fourth quarter, from -4.3% in September to 1.0% in December, followed by that of producer

7 Mohatny, M.S. and M. Klau: What determines inflation in emerging market economies? BIS Papers, No. 8, November 2001.

8 The approximation of the "output gap", that is the GDP's deviation from its trend value, is given by the deviation of the industrial production from its trend value, as monthly GDP frequencies are unavailable.

9 Significant unanticipated changes of a variable.

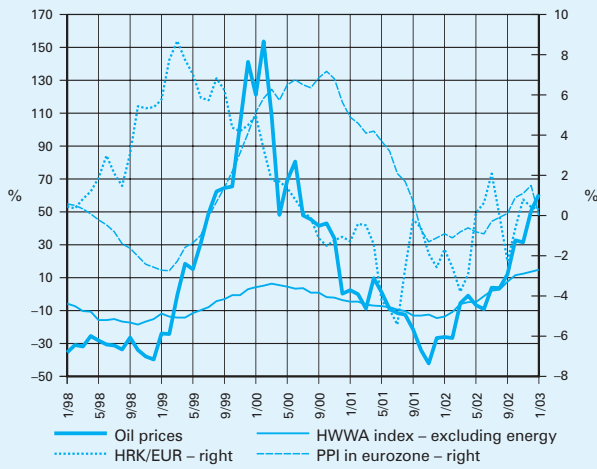
10 Deviation of the real monetary aggregate M1 (M4) from the trend value.

11 A shock to food prices in the t period is formulated as a differentiated monthly rate of change of food prices in the t period (expressed in a logarithm form) reduced by the differentiated monthly rate of change of the natural logarithm of the RPI in the $t - 1$ period.

12 In addition to explanatory or independent variables in the current month, their values comprising several backward time shifts were also used.

13 The value of binary or "dummy" variables equals one in months when excessive deviations, which are not a result of economic fundamentals, can be observed in the RPI value, and equals zero in all other periods.

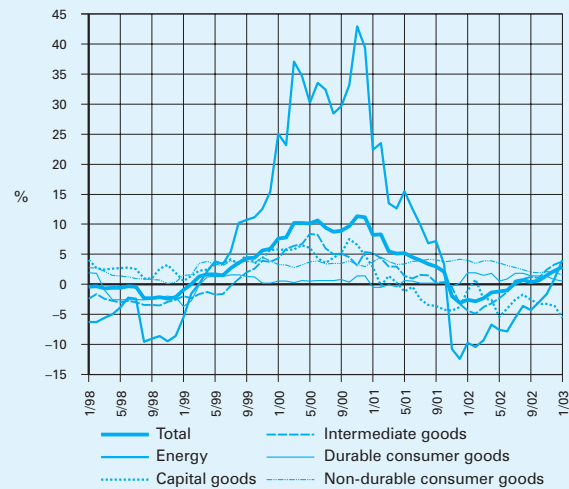
Figure 34
IMPORTED INFLATION: OIL PRICES, THE HWWA RAW MATERIALS PRICES INDEX, THE AVERAGE KUNA/EURO EXCHANGE RATE AND PRODUCER PRICES IN THE EUROZONE
 year-on-year rate of change



^a The Hamburg Institute of International Economics (Hamburgisches Welt-Wirtschafts Archiv, HWWA) constructed the aggregate index of raw materials prices in the world market, the so-called HWWA. 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 changes in prices in industrial countries. The index is calculated on the basis of raw materials prices expressed in US dollars.

Sources: Bloomberg; HWWA, Wirtschaftsdienst; Eurostat and CNB.

Figure 35
PRODUCER PRICES OF INDUSTRIAL PRODUCTS BY MAIN INDUSTRIAL GROUPINGS
 year-on-year rate of change



Source: CBS.

prices of intermediate goods, rising from 1.2% in September to 3.3% in December.

Exchange Rate

Exposed to appreciation pressures for the most part of 2002, the exchange rate of the kuna against the euro averaged HRK 7.41/EUR, a rise of 0.83% compared with last year. It fluctuated within a relatively narrow band, between HRK 7.31/EUR¹⁴ and HRK 7.58/EUR¹⁵. The exchange rate of the

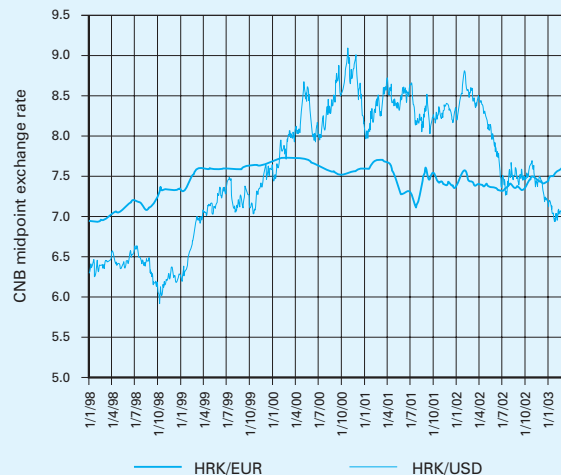
¹⁴ An increase of 1.4% compared with the average HRK/EUR exchange rate in 2002.

¹⁵ A decrease of 2.3% compared with the average HRK/EUR exchange rate in 2002.

kuna against the euro held steadier over the third quarter, making large central bank interventions unnecessary, and weakened by a slight 0.28% late in that quarter compared with the end of the previous quarter. Increased demand for foreign exchange caused depreciation pressures in the domestic foreign exchange market in October and the second half of December, while the kuna depreciated against the euro by a total of 1.38% in nominal terms over the fourth quarter (31 December compared with 30 September). The CNB intervened twice in the second half of October, selling a total of EUR 79.8m to banks at foreign exchange auctions held on 22 and 25 October. The central bank purchased a significant EUR 197.5m from the government over the fourth quarter. Of this amount, EUR 60.0m, deriving from a foreign loan of the public enterprise Croatian Highways, was purchased in October, while the remaining EUR 137.5m, generated by the sale of 25% of shares of Privredna banka, was purchased in December, i.e. EUR 40.5m on 4 December and EUR 97.0m on 9 December.

The kuna weakened against the euro in late 2002 and early in the first quarter of 2003, owing to the anticipated seasonal increase in demand for foreign exchange required for servicing external debt and settling short-term foreign liabilities. Demand for foreign exchange grew even more than usual in the second half of January and in February this year as some banks needed foreign exchange to comply with the latest CNB decision requiring banks to maintain a minimum of 35% of their foreign exchange liabilities by foreign exchange claims. The kuna weakened nominally against the euro by a total of 2.39% over January and February, while the euro strengthened from HRK 7.44/EUR recorded on 31 December 2002 to HRK 7.62/EUR on 28 February 2003. While the HRK/EUR exchange rate level in late January 2003 almost equaled that from late January 2002, it depreciated nominally by 2.46% in late February 2003 compared with the same period in 2002 due to appreciation pressures generating as early last year as in February, when the kuna strengthened against the euro by a total of 1.73%. In order to smooth exchange rate

Figure 36
DAILY NOMINAL EXCHANGE RATE - HRK VS. EUR^a AND USD



^a ECU until January 1999.

Source: CNB.

Box 2: Croatian National Bank Foreign Exchange Interventions

Foreign exchange interventions are the most important instrument of the CNB monetary policy. By managing the exchange rate, the CNB realizes its most important goal – the stability of prices. Additionally, the central bank intervenes to convert large capital inflows into Croatia, typical of the transition process, and thus avoid a strong appreciation of the exchange rate. These inflows are expected to continue in parallel with further convergence to the EU. As opposed to developed economies, e.g. the U.S. and the EU, that sterilize the effects of foreign exchange interventions directly to the domestic monetary base, the effects of CNB interventions are not directly sterilized.

The CNB intervenes in the foreign exchange market at its own discretion, relying on the available information on economic trends, most importantly the banking system liquidity and exchange rate developments. Once the decision to intervene is made, the CNB announces a foreign exchange auction and invites commercial banks to submit their bids. Following the specification of bids by commercial banks, the CNB determines the upper limit and the exchange rate of the intervention. The transaction is settled two working days after the auction.

The most commonly held type of auction is the Dutch auction with commercial banks setting the amount and price (the exchange rate). In recent years, the CNB has intervened one-sidedly, announcing whether it sells or buys foreign exchange. However, mid-nineties also saw two-sided auctions, while the so-called repo auctions were held until 2000, involving CNB interventions and the banks commitment to conduct a reverse transaction within a preset time limit. In 2001, auctions were also held based on the fixed exchange rate set by the CNB before the auction, so that only the amounts, and not the price, were determined at auctions.

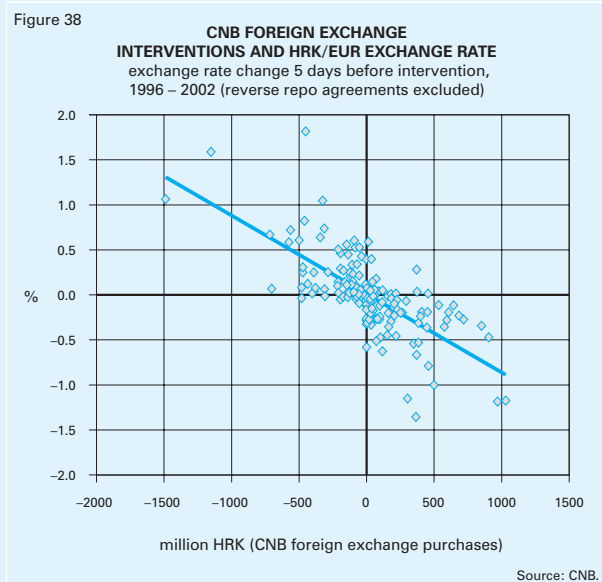
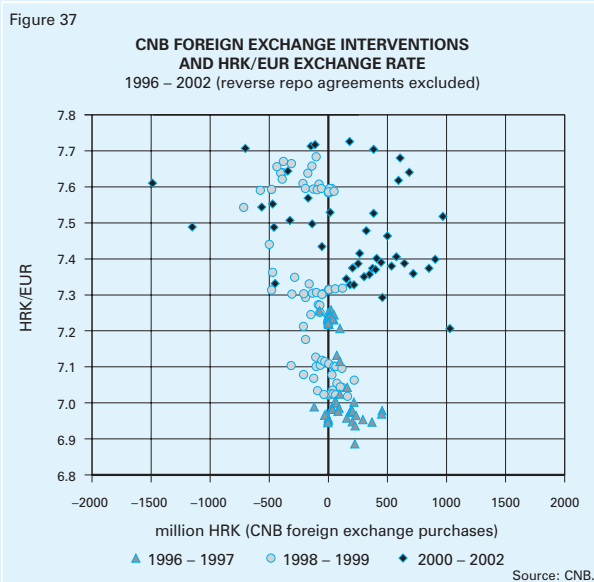
The CNB undertakes foreign exchange interventions to resist short-term exchange rate fluctuations, buying foreign exchange at the time of the appreciation of the kuna and selling it during its depreciation. Resisting foreign exchange market trends (“leaning against the wind”) is one of the main reasons for central banks inter-

ventions. An additional supply of foreign exchange is thus created in the period of its shortage and, conversely, demand for it in times of abundant supply. CNB interventions are not aimed at defending a predetermined exchange rate level, as shown in Figure 38. Furthermore, from 2000 on there has been no statistical correlation between the exchange rate level and interventions, evident in the nineties. Rather than that, most CNB foreign exchange interventions are undertaken as a response to short-term exchange rate fluctuations occurring several days before the intervention. On the one hand, CNB foreign exchange interventions have increased in amount along with the strengthening of the foreign exchange market. On the other hand, the development of the foreign exchange market contributes to reducing seasonal exchange rate fluctuations accounted for by changes in the foreign exchange supply.

As proof of the effectiveness of CNB interventions, the CNB midpoint exchange rate has remained within the HRK 6.8/EUR - HRK 7.8/EUR band since 1993 (HRK 3.5/DEM - HRK 4.0/DEM). A statistical analysis has demonstrated that CNB interventions have a positive influence on developments in the midpoint exchange rate of the kuna against the euro. It should be pointed out that the market is not large enough to effect changes in the midpoint exchange rate based on expectations, so that the impact of an intervention on the exchange rate is felt only after a transaction has been settled, a few days after the auction. An intervention’s overall effect on the foreign exchange market sometimes even lasts for two weeks.

CNB foreign exchange interventions have a positive effect on exchange rate developments, as opposed to other foreign exchange transactions, especially those with the government, which do not directly influence the exchange rate. The exchange rate was also unaffected by repo auctions held until 2000.

Interventions based on the fixed exchange rate, introduced in summer 2001, appear to have produced a stronger effect on the exchange rate compared with standard foreign exchange interventions, partly due to their above-average amounts. In other words, it seems that smaller interventions have a limited effect on exchange rate developments.

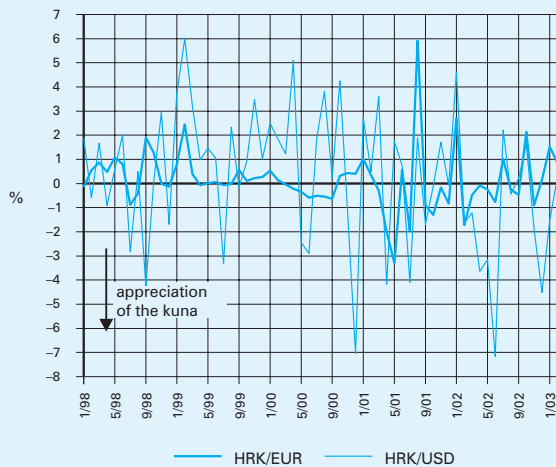


fluctuations, the CNB intervened three times in January and February 2003, selling a total of EUR 165.1m to banks. The central bank intervened more abundantly in January, selling a total of EUR 115.7m to banks at two auctions held on 7 and

31 January, while EUR 49.4m were sold at the auction held on 21 February. Additionally, the central bank sold foreign exchange totaling USD 96.5m (USD 75.0m and EUR 20.0m) to the government on 27 January, buying it back on 25 Febru-

Figure 39

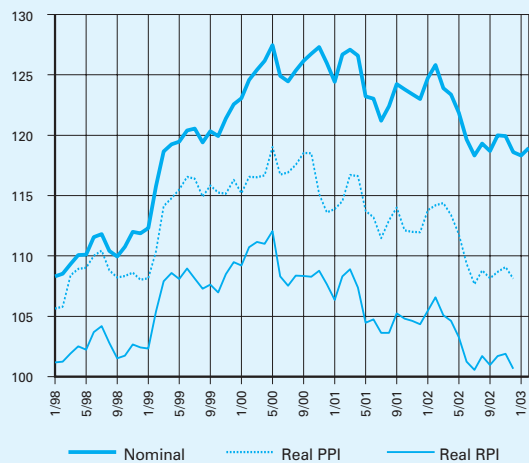
RATE OF CHANGE OF THE NOMINAL EXCHANGE RATE – HRK. VS. EUR AND USD
month-on-month, the CNB midpoint exchange rate



Source: CNB.

Figure 40

INDICES OF NOMINAL AND REAL EFFECTIVE KUNA EXCHANGE RATES WITH RETAIL AND PRODUCER PRICES
1995 = 100



Source: CNB.

ary after the government’s foreign exchange account with the CNB had been credited with EUR 497.45m (USD 538.8m) deriving from the sale of eurobonds.

Due to a very strong appreciation of the kuna against the American dollar over 2002, the exchange rate averaged HRK 7.86/USD, an increase of 5.70% compared with its last year’s average. The HRK/USD exchange rate recorded at year-end grew from HRK 8.36/USD in 2001 to HRK 7.14/USD in 2002, accounting for a nominal appreciation of the kuna totaling 14.50%. The kuna appreciated strongly against the American dollar over the fourth quarter 2002, as a result of cross-currency developments between the euro and the American dollar in international foreign exchange markets. The appreciation of the kuna against the American dollar was especially marked in December. The kuna exchange rate strengthened by a total of 4.80% against the American dollar, while the dollar depreciated from HRK 7.51/USD on 30 September to HRK 7.14/USD on 31 December 2002. The kuna continued its strong appreciation against the American dollar early in 2003, strengthening nominally by a total of 1.28% over January and February, with the exchange rate reaching HRK 7.05/USD in late February. The weakening of the American dollar against the euro can be attributed to increasing geopolitical instability and rising insecurity, as well as the fact that the U.S. economy performance fell short of market participants’ expectations, above all thwarted by the widening of the U.S. current account and fiscal deficits.

As a result of its slight depreciation against the euro and strong appreciation against the American dollar, the kuna strengthened by 0.59% in nominal terms during the fourth quarter of 2002 (31 December compared with 30 September) against the basket of currencies in which the euro and the dollar account for the largest shares, 66% and 31.0% respectively¹⁶. By contrast, the index of the nominal effective

kuna exchange rate depreciated by a total of 1.18% over the first two months in 2003 (28 February compared with 31 December).

The index of the real effective kuna exchange rate appreciated by a total of 3.53% (deflated by retail prices) and 3.42% (deflated by producer prices of industrial products) over 2002 (December 2002 compared with December 2001), corresponding with the appreciation of the index of the nominal effective kuna exchange rate in the said period, as the 2002 annual inflation rate was close to that in the countries whose currencies are included in the calculation of the real effective kuna exchange rate. The kuna exchange rate appreciated the most in real terms over the second quarter and only by 0.01% measured by producer prices and 0.31% measured by retail prices over the fourth quarter in 2002 (December compared with September).

Monetary Policy and Instruments

Monetary Environment

Viewed from the perspective of price stability, which is the main objective of the Croatian National Bank, the monetary environment was very stable in 2002. The 2002 retail price growth of 2.2% was equal to the 2002 inflation rate recorded in the EMU. Price stability, which is expected to continue in 2003, should not be threatened by a potential oil price hike due to Iraq war. This is supported by the year-on-year growth rate in retail prices of 1.6% in January 2003.

Achieved domestic stability was also felt in the foreign exchange market, which is illustrated by the absence of foreign exchange speculations that marked the previous years. The exchange rate of the kuna against the euro followed the seasonal dynamics of foreign exchange supply with slight oscillations, which reduced the need for CNB foreign exchange interventions. The exchange rate depreciation at the end of 2002 and beginning of 2003 may thus be attributed to sea-

¹⁶ The remaining 3.0% is accounted for by the pound sterling, the Swiss franc and the Slovene tolar. The kuna strengthened by 1.93% against the pound sterling over the fourth quarter in 2002, and weakened against the Swiss franc and the Slovene tolar by 2.33% and 0.53% respectively.

sonal factors that should have subsided soon. Still, depreciation pressures continued partly owing to new monetary policy measures. Exchange rate stability at the beginning of the year is also illustrated by the fact that the kuna/euro exchange rate was almost equal at end-January 2002 and end-January 2003.

It seems that commercial banks have become convinced of domestic stability so they intensified their credit activities in 2002. The growth in domestic placements in early 2002 was largely financed from the inflow of household foreign exchange deposits at end-2001. Still, towards the year-end, when domestic sources were exhausted, banks started relying more on foreign financing. Total foreign liabilities of commercial banks rose by 60.2%, whereas their foreign debt grew by USD 1.6bn or 72.7%, of which more than USD 1bn in the last quarter. The rapid growth in domestic placements, especially household loans (42.8% in 2002), spurred personal consumption, which was 6.3% higher in the first three quarters of 2002 than that recorded in the same period of 2001. The increase in domestic demand in the conditions of a small open economy, such as the Croatian economy, is largely met by foreign sources, which is reflected in growing imports and a general worsening of the current account. Goods imports rose by 17.1% in dollar terms and 9.7% in kuna terms in 2002. In the same period, exports did not record a similar increase, which led to the widening of the trade deficit, and thus the overall current account deficit. According to the available data for 2002, the latter may surpass 6% of GDP. In the medium run, the rise in the current account deficit and external debt may threaten currency stability, and consequently attained domestic stability.

Monetary Policy

The task of monetary policy is to recognize emerging imbalances and react in time to prevent their spillover into domestic stability. One should bear in mind that effects of monetary policy instruments often require a long time. To mitigate any problems that may arise from excessive domestic credit growth, the Croatian National Bank adopted several measures in January 2003 aimed at decelerating the growth in banks' domestic placements and foreign borrowing.

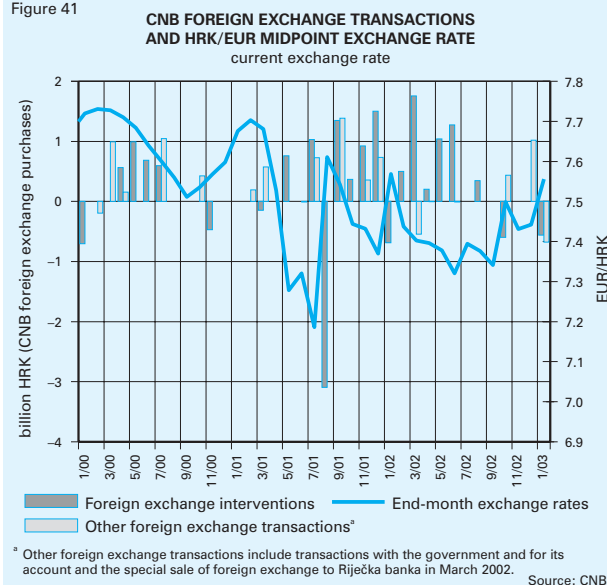
Pursuant to the Decision on the Compulsory Purchase of CNB Bills, the banks with annual placement growth exceeding 16%, implying a quarterly growth dynamics of 4%, shall be obliged to purchase three-month kuna CNB bills in an amount which exceeds by a factor of two the value of placements above the prescribed limit. In addition to asset items, placements include certain off-balance sheet contingent liabilities (guarantees, letters of credit, bills of exchange and lines of credit), while placements to the Republic of Croatia are excluded. The compulsory purchased CNB bills bear a 0.50% interest and are to be purchased quarterly, i.e. in April, July, October and January. As this decision refers to 2003, placement growth is expected to slow down to a sustainable level over the year.

The Decision on the Minimum Required Amount of Foreign Exchange Claims sets the minimum level of foreign ex-

change claims that has to be maintained on a daily basis at 35% of foreign exchange sources. This decision repealed the former obligation of banks to cover a minimum of 53% of their short-term foreign exchange liabilities with their short-term foreign exchange claims. As the former decision did not precisely set the period to which the obligation of the 53% coverage referred, many banks maintained the required coverage only on the last day of the month when they submitted reports to the CNB, by raising lacking foreign exchange funds through short-term foreign borrowing. In addition to clarifying the former obligation of the 53% coverage, the new Decision on the Minimum Required Amount of Foreign Exchange Claims adjusts the base of foreign exchange sources to the foreign exchange reserve requirement calculation base. Hence, it may be stated that it represents a further step towards the process of reserve requirement adjustment. The two decisions are expected to impede intense credit activities and thus result in slower domestic placement growth, as described in Box 3.

Exchange rate stability in the second half of 2002 reduced the need for CNB interventions in the foreign exchange market. Hence, there was only one intervention in the third quarter of 2002, at which EUR 47.2m was purchased, generating a monetary effect of HRK 347m, while a total of EUR 79.8m was sold at the auctions held at end-October, with a monetary effect of HRK 598m. The absence of foreign exchange interventions in the second half of 2002 may also be attributed to heightened intervention activities in the first half of the year. The strongest interventions were recorded in the second quarter of 2002 when a total of EUR 342.21m was purchased, with a monetary effect of HRK 2,519bn, of which over a half in June. The shift of appreciation pressures and foreign exchange interventions from the third to the second quarter, which has been perceived for several years, reflects the development of the foreign exchange market that reacts earlier in anticipation of future seasonal movements. With its foreign exchange interventions, the CNB actively participates in the process of the Croatian foreign exchange market develop-

Figure 41



ment (Box 2). Thus, the CNB seasonally sold foreign exchange in early 2003; it sold a total of EUR 165.1m to banks at the three auctions held in the first two months of the year, thereby withdrawing HRK 1,248m.

In addition to interventions, which account for almost 2/3 of all CNB foreign exchange transactions, the CNB performs other forms of foreign exchange transactions, among which the most prominent are transactions with the government (see Figure 41). Following the first nine relatively peaceful months, during which the sale of foreign exchange to Riječka banka during the March crisis stands out, the CNB performed several foreign exchange transactions for the government in the fourth quarter of 2002. In October and December, USD 195m net was purchased from the government, resulting in the release of HRK 1,457m. Additional USD 75m and EUR 20m, which were sold to the government in January 2003, were repurchased in February after the eurobond placement.

High liquidity of the banking system, which has been present since 2000, makes *CNB bills* an attractive investment. Thus, kuna CNB bills recorded a strong growth in 2002, which lasted till the beginning of the fourth quarter and afterward moderately slowed down. Increased CNB bill subscriptions, which marked the beginning of the third quarter, were boosted by the decision to replace monthly auctions by weekly auctions and to issue only 35-day CNB bills. In the third quarter of 2002, subscriptions for kuna CNB bills grew by HRK 1bn, which is almost equal to their total growth in the first half of the year. This strong growth also contributed to a decline in reserve money in this period. Subscriptions for CNB bills reached their maximum at end-October and fell by a considerable HRK 0.6bn in the last two months of 2002. This decline was also influenced by the growth in subscriptions for T-bills that began in September with the introduction of 364-day T-bills. As banks expected liquidity needs to increase, the stock of kuna CNB bills subscribed by commercial banks fell by as much as HRK 0.9bn at the first auction in December 2001, but recovered by the end of the month. The downward trend in CNB bill subscriptions continued in the

first two months of 2003 when their stock fell additionally by HRK 0.8bn. Despite the described oscillations in the stock of CNB bills, the interest rate remained very stable (around 2%), with a hardly discernible growth (the interest rate attained at the most recent CNB bill auction in February was 2.11%). At end-February 2003, the stock of CNB bills subscribed stood at HRK 4.347m, which is an increase of 34.1% compared with that in the same period of 2002.

By contrast, subscriptions for foreign exchange CNB bills steadily declined throughout 2002. They fell the most in the first quarter, by HRK 0.9bn, and continued to decrease gradually in the second and third quarters when they fell by a total of HRK 0.3bn. Redemption of these bills was again intense in the fourth quarter of 2002 (it totaled HRK 0.5bn), mostly owing to large value redemption in early November. In the first two months of 2003, the stock of foreign exchange CNB bills subscribed fluctuated around its level at the beginning of the year. It stood at around HRK 1.3bn at end-February or as much as 60% less than in the same period of 2002.

In light of the good liquidity of the banking system, kuna instruments used to create liquidity were used very little. Banks used the Lombard loan facility only once in the third quarter of 2002 (in-mid July), while they used it only twice in the fourth quarter of 2002 before the November calculation of reserve requirements. As high liquidity continued in the first two months of 2003, there was no use of the Lombard facility.

Since no changes occurred in the reserve requirement instrument in 2002, the allocated reserve requirements grew solely on account of the growing allocation base. The 2002 growth in reserve requirements also reflects a strong upsurge in household foreign exchange deposits at end-2001, for which reserve requirements were calculated in January 2002. If one ignores the December 2001 growth in the base, which led to the increase in reserve requirements in January 2002, reserve requirement growth was significantly slower in 2002, especially in the first half of the year when foreign exchange deposits declined. Reserve requirements started growing at a somewhat faster pace with a recovery in household foreign exchange deposits, which began in July. It should be stressed that the kuna reserve requirement base, which rose by 40% in 2002, grew much faster than the foreign exchange reserve requirement base, which rose by some 18%, of which 1/4 is allocated in kuna. Thus, following the increase in allocation of HRK 1,030m in the first quarter of 2002, kuna reserve requirements grew by HRK 559m in the second quarter, and HRK 614m and HRK 601m in the third and fourth quarters, respectively. Following a common seasonal pattern, reserve requirements grew additionally by HRK 643m in the first two months of 2003. They stood at HRK 8.5bn in February and were 23.0% higher than in February last year. The rate of remuneration on the kuna component of reserve requirements was reduced in January from 1.75% to 1.50% and was thus brought in line with interest rate movements on the market.

Reserve requirements on foreign exchange sources of funds grew at a slower pace than reserve requirements on kuna sources of funds because of a slower increase in foreign exchange deposits with commercial banks in the third quarter

Figure 42

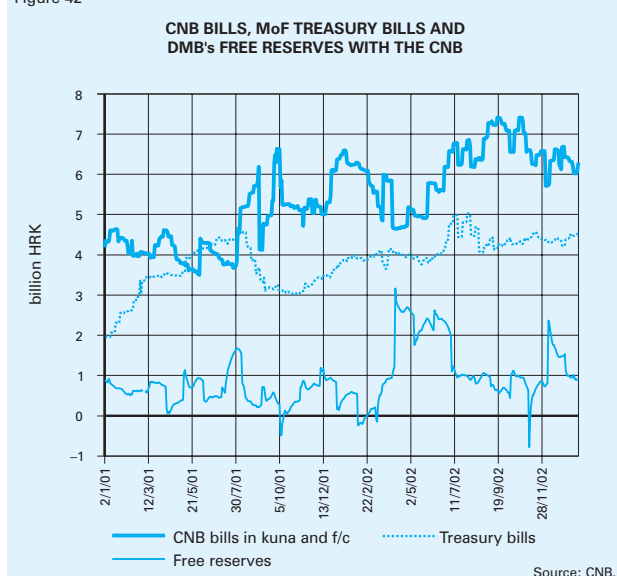


Figure 43

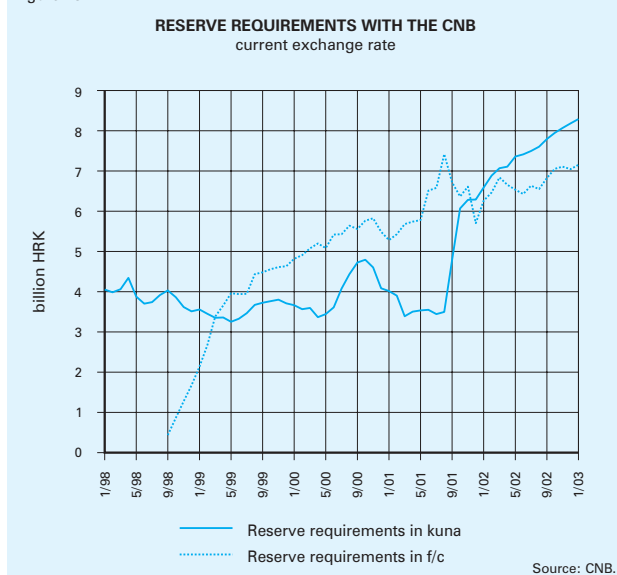


Figure 44



of 2002. However, it accelerated in the fourth quarter, partly owing to a slight exchange rate depreciation. The foreign exchange reserve requirements base increased by HRK 3.5bn or 3.8% in the third quarter of 2002 and by another HRK 6.0bn (6.2%) in the fourth quarter. In the first two months of 2003, it grew additionally by HRK 4.3bn or 4.2%, amounting to HRK 106.8bn in February, whereas the calculated foreign exchange reserve requirements amounted to HRK 15.2bn, of which HRK 7.8bn was set aside with the CNB. Such developments also led to the recovery in the allocated foreign exchange reserves, which declined in the second quarter of 2002. In addition to foreign exchange deposits, the growth in the base was also triggered by a substantial increase in banks' foreign sources of funds.

Reserve Money and International Reserves

Following a decline in the third quarter of 2002, which halted a continued upward trend that started in early 2000, reserve money M0 recovered in the fourth quarter. It was on the decline in the July-October period of 2002, and then recovered in November. Such developments, which show that reserve money *de facto* stagnated in the second half of 2002, may be attributed to the adjustment in the reserve money level after its substantial upturn at end-2001 and the first half of 2002. Positive developments in the seasonally adjusted value of reserve money continued in early 2003 despite the seasonal nominal decline in M0 at the beginning of the year. M0 stood at HRK 21.7bn at end-January 2003 and was 22.9% above that in January 2002.

Whereas the 2002 reserve money growth (36.3%) may primarily be attributed to the increase in the allocated kuna reserve requirements, its 2002 oscillations were mostly influenced by the balances in banks' settlement accounts. These balances substantially grew in the second quarter of 2002 owing to the payment system reform and declined at the beginning of the third quarter. The government also contributed to reserve money fluctuations in the second half of 2002 by

holding substantial amounts of funds in accounts with the CNB at the end of several months (September, October and November). In these periods, the balances in settlement accounts, and consequently reserve money, were lower by these amounts. Growing at the highest rate, cash in bank vaults doubled in 2002. The contribution of currency outside banks to the overall M0 growth was relatively small, 22.5%, because the level of cash had to adjust after a strong growth in 2001 and early 2002 and the absence of a seasonal growth at the year-end.

Of all the categories of M0, the level of funds in *bank vaults* grew the most. It more than doubled (125.5%) in 2002, but because of its relatively small share in the total, it accounted for only 12.9% of the overall reserve money growth. The changed role of banks in the payment system led to two large increases in the level of funds in bank vaults. The first occurred at the end of the first quarter, with the IPT transformation, when the average amount of funds in bank vaults grew from around HRK 500m to around HRK 1bn, remaining at this level throughout 2002. In the last days of December 2002, bank vault levels further increased by some HRK 300m because banks wanted to have enough cash to supply their sub-branches. In early 2003, the number of cash centers of the FINA within the system of supplying banks with cash was reduced to its 22 sub-branches. The average balance in bank vaults stood at around HRK 1,250m at the beginning of the first quarter of 2003, whereas it was HRK 896m in the last quarter of 2002. At end-January 2003, the average balance in bank vaults stood at HRK 1,249m, which is an increase of 164.8% compared with end-January last year.

Settlement accounts, which account for the major share in reserve money, were the most responsible for reserve money oscillations in 2002. Let us remember that due to the payment system reform in April 2002, commercial banks significantly increased their funds in the settlement accounts to ensure smooth payment system operations. Thus, the average balance in the settlement accounts increased from HRK 2.6bn in the first quarter of 2002 to HRK 4.1bn in the second

Box 3: Impact of the Decision on the Compulsory Purchase of CNB Bills and the Decision on the Minimum Required Amount of Foreign Exchange Claims on the Growth in Bank Placements

At-end December 2002, bank credits to households were 43% higher and credits to the corporate sector were 22.7% higher than at end-December 2001, which represents a total annual increase of 31.2% (HRK 21.6bn) in 2002. In the same period, demand deposits, savings and foreign exchange deposits with banks grew by a total of 9.2% (HRK 9bn). As the placement growth could not have been financed by the growth in deposits, it was mostly financed by a 60.2% increase in foreign liabilities of banks (HRK 13.2bn), accompanied by a parallel 20.8% decline in their foreign assets (HRK 6.8bn).

At its meeting on 15 January 2003, the CNB Council estimated that the continuation of the 2002 credit expansion by banks may have a negative impact on Croatian macroeconomic stability in 2003. This estimate was based on developments in 2002 when credit expansion was accompanied by a rise in the current account deficit and external debt, which often exerted appreciation pressures on the domestic currency. In addition, past experience, as well as experience of other countries, indicate that excessive credit expansion has undesirable, procyclical characteristics. Hence, when economic activity slows down in the next period, banks incur larger than expected losses, which leads to a too strong credit contraction that also has procyclical characteristics.

On the other hand, on the basis of expected economic growth and projected growth in banks' total liquid assets in 2003, the central bank management estimated that an annual growth in placements to the non-banking sector of 16% in 2003 would be sufficient to support further economic growth. Also, this growth rate would neither lead to a further deterioration in Croatia's external position nor threaten attained macroeconomic stability. In line with these conclusions of the CNB Council and the obligation to achieve the main CNB objectives, the Governor of the CNB issued two decisions on 15 January 2003 (official gazette *Narodne novine*, No. 10/2003) introducing new monetary and foreign exchange policy measures aimed at limiting credit expansion by banks.

The first of the two decisions, the Decision on the Compulsory Purchase of CNB Bills, obliges banks with excessive quarterly growth in placements to the non-banking sector to purchase 91-day CNB bills following the expiry of the quarter in question. Excessive growth in placements is defined as the growth rate higher than: 4% by end-March, 8% by end-June, 12% by end-September and 16% by end-December, compared to the balance of placements at end-2002. Banks are obliged to purchase CNB bills in twice the amount by which their placement growth exceeds the prescribed growth rates. The second decision, the Decision on the Minimum Required Amount of Foreign Exchange Claims obliges banks to maintain on a daily basis a minimum of 35% of their foreign exchange sources included in the reserve requirement calculation base by liquid foreign exchange claims.

The enacted CNB measures will affect banks through the profit mechanism. Net return on newly-extended placements to the non-banking sector will decrease as the excess over the stipulated quarterly growth rates increases, i.e. as the share of foreign exchange sources in total bank sources grows. According to the current level of interest rates and interest rate developments on the market, the income banks earn on placements in obligatory CNB bills and liquid foreign claims will be much lower than the costs of their financing sources. In addition, the CNB measures will have a heterogeneous effect; they will have the strongest impact on banks whose business policy is in the greatest discordance with the CNB objective of attaining moderate placement growth in 2003 while continuously maintaining external liquidity.

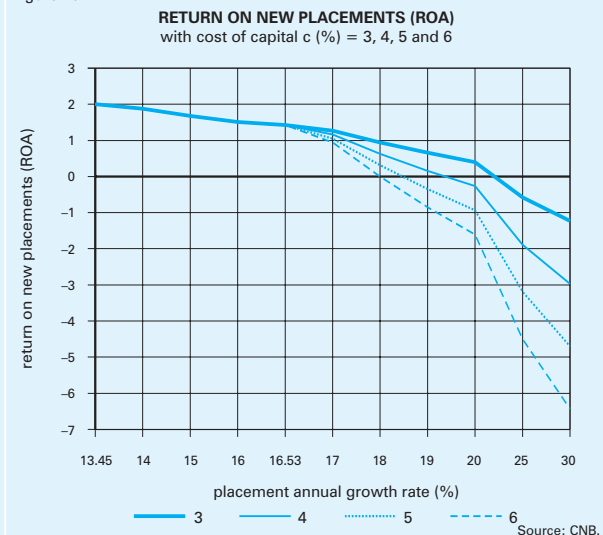
On the basis of data on the banks' financial results in 2002 and the assumption that similar results would be achieved in 2003 (if the CNB has not enacted the described measures), it is possible to construct a model of the expected impact of the CNB measures on bank profitability in 2003. The first estimate of an internal CNB model shows that a standard measure of bank profitability - aggregate return on the average amount of newly-extended bank placements to the non-banking sector (hereinafter: ROA) - would fall to zero if these placements were to grow at the annual rate of 18%-22% in 2003. A precise estimate of the aggregate growth rate that would lead to a zero ROA depends on the weighted average cost of additional borrowing banks would need to adjust to the CNB measures (Figure 45) and the actual movements in market interest rates used in the model.

The analyzed model of the impact of the CNB measures on bank profitability also shows that bank profitability in 2003 will be lower than in 2002 even if the aggregate annual growth in placements covered by the CNB measures stays below 16%. At the end of the third quarter of 2002, only 30.5% of foreign exchange liabilities was placed in liquid foreign claims at the system level, which is considerably less than the 35% coverage required by the Decision on the Minimum Required Amount of Foreign Exchange Claims. Therefore, the adjustment of banks to this decision will by itself lead to a decline in ROA. In line with the model assumptions, ROA will start falling as soon as the aggregate annual placement growth reaches around 13.5% in 2003.

Finally, the analyzed model shows that sensitivity of ROA to the growth rate of placements covered by the said decisions (slope of the curves in Figure 45) will be much higher if the annual growth rate exceeds around 16.5%. This result indicates that the optimum aggregate placement growth should be within the 13.5%-16.5% range a year. If the annual growth in bank placements to the non-banking sector exceeds 16.5% it will be a clear signal that, at the banking system level, the long-term goal to increase or maintain the market share prevailed over the short-term goal to earn profits in 2003.

The first data on bank placements to the non-banking sector in 2003 show that rapid credit growth continued in several banks. These banks' placement growth exceeded the prescribed quarterly growth rate already in January, partly due to the fact that the CNB measures were announced in mid-January and partly because banks need a certain period of time to adjust their lending terms to the lower targeted rate of placement growth. Considering that a continued excessive growth in placements would entail substantial costs for banks, all banks are expected to rapidly adjust to the CNB measures and keep their aggregate annual placement growth within the limits envisaged by the described growth model by end-2003.

Figure 45



quarter. Following the adjustment of banks to their new role and increase in subscriptions for CNB bills, the beginning of the third quarter saw a decrease in the average balance in the settlement accounts to HRK 2.9bn. The average balance in the banks' settlement accounts rose slightly in the fourth quarter of 2002, especially in December when banks wanted to ensure additional liquidity. The average balance stood at HRK 3.2bn in the last quarter of 2002 or some HRK 250m more than in the third quarter, whereas it seasonally decreased in early 2003. The balance in the settlement accounts stood at HRK 2.6bn at end-January 2003, which is 13.8% above that in January last year.

Developments in settlement accounts are also reflected in bank liquidity. The average level of free reserves of banks thus increased from HRK 0.4bn in the first quarter of 2002 to HRK 2.3bn in the second quarter due to the introduction of the new payment system. It declined to HRK 1.0bn in the third quarter and held steady in the last quarter. However, surplus liquidity strongly fluctuated during the fourth quarter. In November, near the end of the reserve requirement allocation period, free liquid funds recorded negative values and two Lombard loans were used. All this reduced the average amount of free reserves to HRK 0.6bn in November. Owing to the expected seasonal demand, banks increased the level of free reserves in December to the average of HRK 1.5bn and then lowered it to HRK 1.1bn in January 2003.

Developments in *government deposits* with the CNB directly influence developments in reserve money because funds are moved from bank accounts, which are included in reserve money, to government accounts with the CNB, which are not included in M0. Government deposits, which averaged HRK 1.5bn in the first quarter of 2002, declined sharply at the end of that quarter due to a transfer of one part of these deposits to Hrvatska poštanska banka. During the second and third quarters of 2002, government deposits held steady at around HRK 0.7bn, following their usual intra-month seasonal dynamics, and rose to the average of HRK 1.0bn in the fourth quarter. It should be stressed that funds in the govern-

ment accounts strongly increased in the last days of September, October and November, which led to a decline in M0 at the end of these months (see Figure 44). Government deposits usually fluctuate within a month and reach their maximum at the month-end when tax payments become due. Such an increase in government deposits did not occur in December, which may be explained by large repayments of arrears at the year-end. Government deposits with the CNB returned to the level of around HRK 0.7bn at the beginning of the first quarter of 2003.

Fewer transactions related to foreign exchange purchases and redemption of foreign exchange CNB bills led to a slower growth in *the international reserves of the Croatian National Bank* in the second half of 2002. Thus, total international reserves rose by USD 103m in the third quarter of 2002 and by an additional USD 181m in the fourth quarter. The slower increase in total reserves in December, which was recorded despite a large repurchase of foreign exchange from the government, was the result of the settlement of a USD 93.7m loan and other liabilities to the IMF prior to maturity. Hence, net usable international reserves of the CNB recorded a substantial increase in this month. They grew by USD 38m and USD 385m in the third and fourth quarters, respectively. The January 2003 sale of foreign exchange led to a USD 36m decline in net usable reserves. At end-January 2003, total international reserves of the CNB amounted to USD 6.0bn, which is a 25.9% increase compared with the same month last year, whereas net usable reserves stood at USD 4.7bn, growing annually by 38.5%.

Monetary Developments

Rapid growth in credit activities of banks marked monetary developments in 2002. In contrast to the first two quarters when the growth in domestic placements was financed by domestic and foreign sources, the fourth-quarter placement growth was largely financed by commercial bank foreign borrowing. 70% of the total increase in commercial banks' foreign liabilities occurred in the last quarter. Placement growth continued in January 2003, and the slowdown that should result from the new CNB measures is yet to come.

Bank placements to the non-banking sector, which stagnated in 1998 and 1999, started growing in 2000 and have been increasing at an accelerated pace since then. They grew by 9.0% in 2000, 23.1% in 2001 and by a high 30.0% in 2002. In 2000 and 2001, placement growth was connected with the recovery following the 1999 recession, small placements to GDP ratio, and strengthening of the banking sector. By contrast, steep placement growth in 2002 was mostly the result of a strong inflow of bank capital from abroad in the conditions of low yields in the EU countries, and banks' fight for a larger share in the Croatian banking market. This strong growth may also have negative consequences. Credit expansion has led to an upsurge in personal consumption and boosted imports, which resulted in a general increase in the balance of payments deficit and external debt. Intense placement growth may increase the liquidity risk at the level of individual banks. This growth was persistent throughout 2002

Figure 46

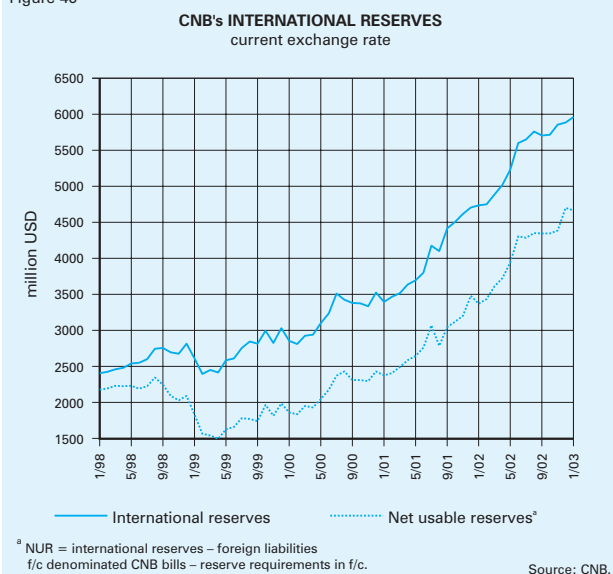
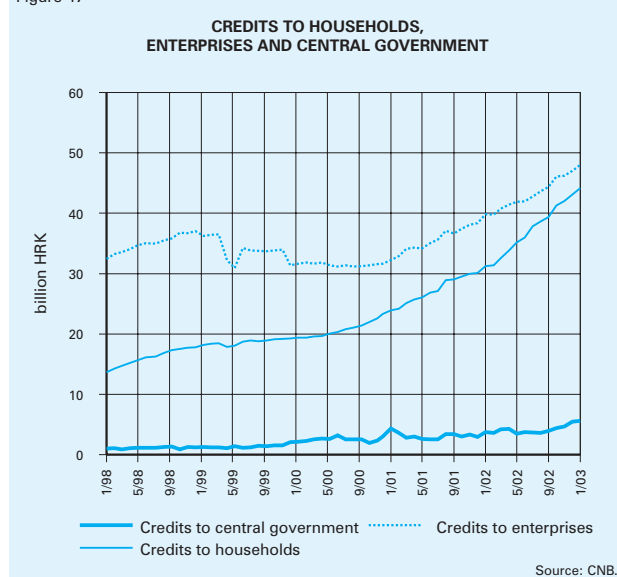


Figure 47



and continued at the beginning of 2003 when placements grew by 2.8% in nominal terms. The exchange rate effects excluded, placements grew by 1.7% in January. The CNB measures aimed at decelerating the growth in bank placements were introduced in mid-January 2003, and their impact is expected in the forthcoming months. Bank placements to the non-banking sector stood at HRK 100.2bn at end-January, which is an increase of 29.6% compared with that in January 2002.

The dynamics of bank placements to the non-banking sector is determined by credit developments. Credits, which account for 95% of total placements, rose by 31.2% in 2002. This growth was primarily boosted by household lending, which grew at a rate of 42.8%, i.e. twice faster than corporate lending (22.7%). The nominal growth in household loans of HRK 13.0bn was twice higher than the growth in corporate loans. Companies are thus losing their primacy within the structure of total loans as household loans are approaching the level of corporate loans (see Figure 47). At end-January, corporate loans stood at HRK 48.1bn and accounted for 47.9% of total loans granted (53.6% in 2001). At the end of 2002, household loans stood at HRK 44.6bn and accounted for 44.4% of total loans.

As the household sector is still ready to use new borrowing opportunities, the level of newly-granted loans is still more determined by supply. In addition to the existing demand, the reason why household loans grow faster than corporate loans is the rational behavior of banks. As shown in Figure 48, interest rates on household loans are much higher than those on corporate loans. In 2002, interest rates on long-term credits with a currency clause to households were up to 3 percentage points above comparable interest rates on corporate loans. With regard to short-term credits without a currency clause, interest rates on household loans were on average 8.5 percentage points higher than those on corporate loans. Although the difference between these rates, which averaged 13.5 percentage points in 2001, has significantly diminished, it indicates that loans to the household sector are still the most

profitable form of bank earnings. One should stress that credit lines, which include current account overdraft facilities granted to households, bore a weighted interest rate of 17% in 2002. The share of these loans in total newly-extended loans averaged 26.18% in 2002. Notwithstanding the downward trend in interest rates, banks still earn extremely high profits on positive interest rate differentials by granting loans to households. In addition to higher profitability, household lending is less risky than corporate lending because claims on households are well secured by collateral and property.

Strong credit activities boosted further growth in *demand deposits*, which have been steadily growing since 2000. The growth in demand deposits accelerated additionally in 2002, so that the annual growth rate of 37.4% in 2002 was much higher than the 26.7% rate recorded in 2001. The growth dynamics over 2002 indicates that demand deposit growth, which picked up pace in the second quarter and temporarily slowed down in the third quarter, again accelerated in the last quarter. The 50.1% growth rate of the seasonally adjusted value in the first half of 2002 fell to 19.1% in the third quarter, and rose again to 35.5% in the fourth quarter. The growth in the seasonally adjusted value continued to accelerate despite the seasonal nominal decline in the value of demand deposits. At end-January 2003, these deposits stood at HRK 19.9bn, an increase of 41.0% compared with that in January 2002.

Developments in demand deposits mostly depend on corporate demand deposits, which account for more than a half of the total demand deposit aggregate. The described slowdown in demand deposit growth in the third quarter and its subsequent acceleration in the fourth quarter directly reflect developments in corporate demand deposits. At end-January, corporate demand deposits stood at HRK 11.2bn, growing annually by 39.2%.

High growth rates in demand deposits, which marked the entire 2002, were boosted by the growth in demand deposits of the local government and other financial institutions sectors. The upsurge in demand deposits of local governments resulted from the adjustment to a new method of local government units' financing and their demand deposits' spending dynamics, which results in substantial amounts of demand deposits in local government accounts. Demand deposits of this sector stood at HRK 1.9bn at end-2002, which is a 110.6% increase compared with that at end-2001, and accounted for 9.5% of total demand deposits. The growth in demand deposits of other financial institutions was mostly influenced by the implementation of the pension reform and the establishment of compulsory pension funds in the second pillar of pension insurance. Demand deposits of other financial institutions stood at HRK 0.6bn at end-December, which is a decline of 11.6% compared with that in the third quarter of 2002, whereas they recorded the annual growth rate of 39.5%. Over the summer months, these institutions attained high annual growth rates (151.5% in July and 154.2% in August), as a result of the funds management strategy, especially that of pension funds which did not invest in securities, thereby increasing the balance in their giro accounts. At end-December 2002, demand deposits of other financial institutions accounted for 2.3% of total demand deposits.

Figure 48

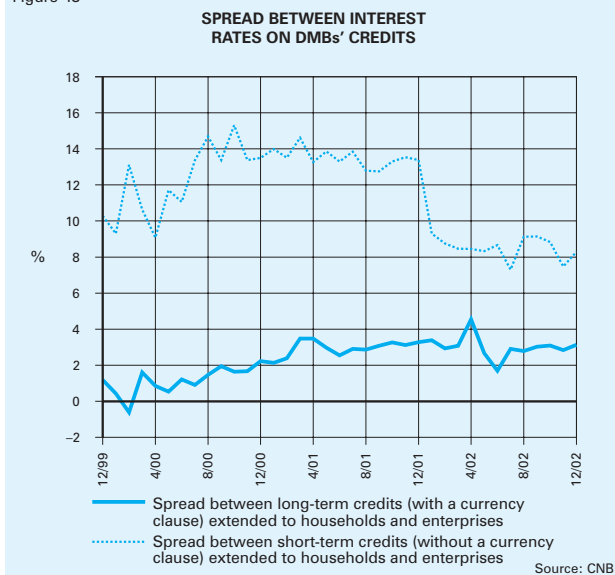
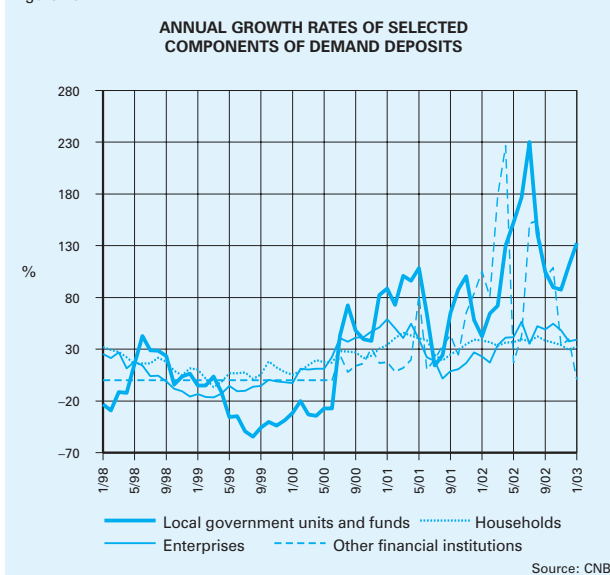


Figure 49



In contrast to demand deposits, the growth in *currency in circulation* considerably slowed down in 2002. The deceleration in the seasonally adjusted value of currency occurred in May, following a 28.2% growth in 2001 and a 52.2% annual growth rate recorded in the first four months of 2002. Such a high growth in that period resulted from the conversion of EMU member countries' currencies into the euro and significant deposit withdrawals during the crisis in Riječka banka. Excluding seasonal effects during the peak tourist season, the annual growth rate of currency reached a high 49.9% in the first quarter of 2002, and later slowed down to 13.0% and 14.6% in the second and third quarters, respectively. In the fourth quarter of 2002, the annual rate of change in currency shows a 9.5% decline. The decrease in the seasonally adjusted value of currency in the last quarter resulted from its below-average nominal growth in December of only HRK 332.8m in nominal terms, which is only half of its average December growth recorded in the previous five years.

Uncommon movements in currency continued into January 2003 when the seasonal decline in currency failed to occur. Instead, currency held steady at its end-December level. These developments in currency were caused by technical changes in the system of cash payment operations. Currency in circulation stood at HRK 9.5bn at end-January, which is a 15.0% increase compared with that in January 2002.

Compared with developments in currency, developments in demand deposits have a stronger impact on developments in *money (M1)*. Hence, M1 has been growing steadily for the past three years, with slight changes in growth intensity. M1 rose by 30.1% in 2000, 31.5% in 2001 and additional 30.2% in 2002. M1 dynamics over 2002 followed the developments in demand deposits. Thus, after a rapid growth in the first half of 2002, and its short deceleration in the third quarter, M1 growth accelerated in the fourth quarter. Despite the nominal decline in the value of M1, which is seasonally common at the beginning of the year, the rise in the seasonally adjusted value of M1 continued into January 2003. M1 stood at HRK 29.4bn at end-January 2003 and was 31.4% higher than in the corre-

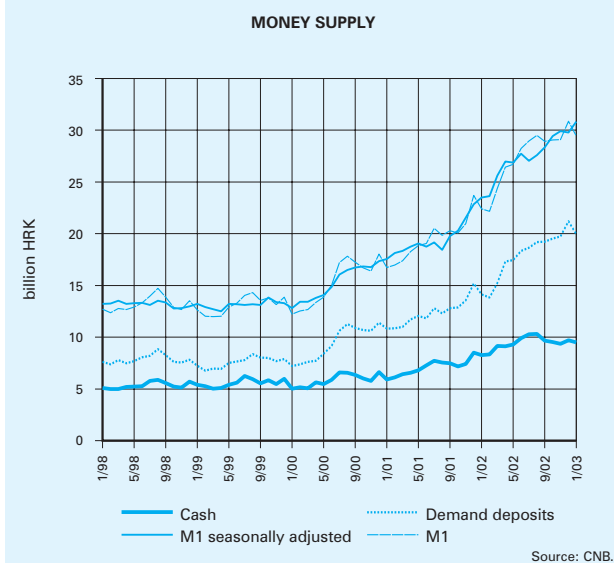
sponding period last year.

Developments in *kuna deposits* followed the dynamics of demand deposits. They declined temporarily in March 2002, but recovered by mid-year and continued to grow in the second half of the year at the annual growth rate of 27.4%. They continued to grow in January 2003, reaching HRK 14.0bn at end-January, which represents an annual growth of 28.1%. Household kuna deposits, which dominate the structure of total kuna deposits, amounted to HRK 5.8bn (45% of total kuna deposits) at end-2002, growing at the annual rate of 35.7%. Corporate kuna deposits stood at HRK 4.8bn at end-2002, recording the annual growth rate of 30.8%.

In contrast to a rapid growth in the kuna component of total liquid assets, *foreign exchange deposits*, which account for around 2/3 of M4, held steady in 2002. The reason for this stagnation is the strong growth in household foreign exchange deposits at the end of 2001. A part of these deposits was withdrawn in the first quarter of 2002 with the introduction of euro banknotes, which triggered the inflow of foreign exchange cash into the banking system (see Box 4: Cash Changeover and Currency Substitution in Croatia). The decline in foreign exchange deposits, which was also caused by the crisis in Riječka banka, was halted at end-June. In the second half of 2002, these deposits returned to their level at the beginning of the year, and continued to grow in early 2003. At end-January 2003, foreign exchange deposits were HRK 73.0bn or 2.5% less than in January 2002. The exchange rate effects excluded, foreign exchange deposits rose by 1.6% over the last year.

Household foreign exchange deposits largely influence developments in total foreign exchange deposits due to their large share in the total. After the described slowdown in the first half of 2002, household foreign exchange deposits resumed their upward trend in mid-year, the exchange rate effects excluded. Their growth seasonally accelerated in December 2002 and January 2003, and they stood at HRK 62.8bn at end-January, 4.3% less than in January last year. The exchange rate effects excluded, household foreign ex-

Figure 50



change deposits fell by 0.6% at the annual level.

Following the June 2001 foreign exchange liberalization, the influence of corporate foreign exchange deposits on total foreign exchange deposits has been steadily increasing. These deposits also contributed positively to the 2002 growth in total foreign exchange aggregates. Corporate deposits are strongly influenced by seasonal dynamics because companies tend to purchase foreign exchange in periods of surplus of foreign exchange supply (especially in summer) to finance their foreign exchange outlays (imports) throughout a year. Such corporate behavior smoothes seasonal exchange rate fluctuations. These deposits grew the most in the third quarter, by HRK 2.6bn, and subsequently decreased by HRK 1.0bn or 9.3% in the fourth quarter. At end-January 2003, corporate foreign exchange deposits stood at HRK 9.2bn, an annual growth rate of 14.6% (19.5% when the exchange rate effects are excluded).

The described developments led to a slower growth in to-

tal liquid assets (M4) of 9.0% in 2002. This slowdown resulted from the stagnation in M4 in the first quarter (the nominal stagnation in M4 marked the entire first half of 2002), which was followed by a recovery but at lower rates than in the previous two years. M4 recorded a nominal growth rate of 2.1% in the fourth quarter, which is less than that recorded in the third quarter (6.4%). In contrast to the third quarter of 2002 when the growth in M4 was boosted by the increase in foreign exchange deposits, the growth in the fourth quarter resulted from the rise in the kuna component of non-monetary deposits and demand deposits, which was spurred by heightened credit activities of banks. The growth in total liquid assets continued in early 2003. At end-January, M4 stood at HRK 116.9bn, which is an increase of 7.0% compared with January last year.

The changes in monetary aggregates show that the growth in domestic sources was insufficient to finance rapid credit activities in 2002. Hence, banks had to turn to *foreign financing* towards the end of last year. The structure of commercial banks' assets changed in the first four months of 2002. In this period, foreign assets, which sharply rose due to the inflow of foreign exchange deposits at end-2001, considerably dropped owing to financing of enhanced credit activities, but also partly due to withdrawals of foreign exchange deposits. The subsequent recovery in foreign assets was brought about by the upturn in foreign exchange deposits and foreign liabilities, which led to the growth in foreign exchange requirements and the required maintenance of the minimum foreign exchange liquidity. The use of foreign financing increased since April 2002, growing at an accelerated pace towards the year-end. The fourth-quarter growth in commercial banks' foreign liabilities of HRK 9.1bn accounted for 70.0% of their overall growth in 2002. The rise in foreign liabilities continued into January 2003.

Credits dominate the structure of commercial banks' foreign liabilities, accounting for 59.7% at end-2002. In comparison with end-2001, their share fell by about 16 percentage points. This decline resulted from a strong upturn in time de-

Figure 51

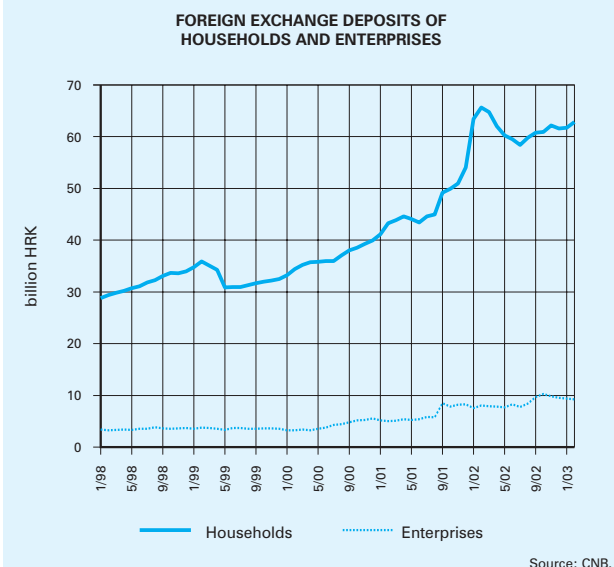


Figure 52

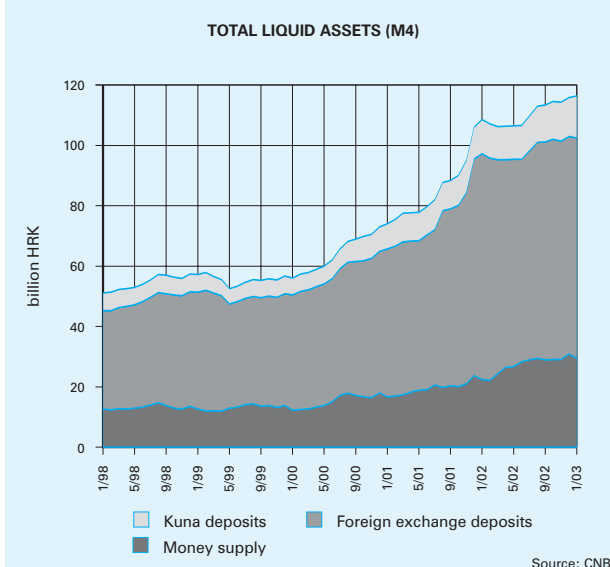
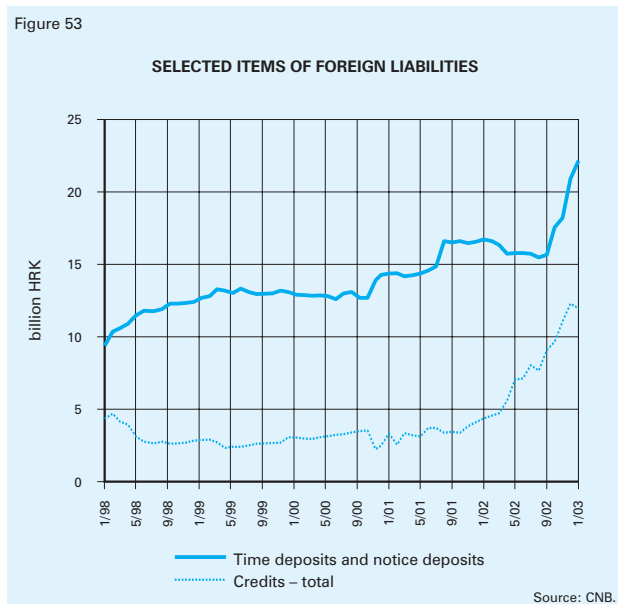


Figure 53



posits of foreign banks and foreign persons, which stood at HRK 12.3bn at the end of 2002. A substantial portion of these deposits are deposits of parent foreign banks held in domestic banks (their daughter companies), which grew to support the entry of foreign banks into the Croatian market. Figure 53 shows that foreign credits, which grew by HRK 5.3bn, were the main source of bank funding in the fourth quarter of 2002, whereas deposits remained on their upward trend that started in the previous period (growing by HRK 3.2bn). At the annual level, foreign banks' and foreign persons' time deposits grew by HRK 8.2bn or 199% compared with end-2001.

Relations between commercial banks and the central government in 2002 were crucially determined by the government's decision to use primarily foreign financing. *Banks' net claims on the central government* thus grew much slower than bank placements to other sectors. Furthermore, after the initial increase in January, net claims on the government gradually declined over the most part of the year, and rose by HRK 2.7bn in December. Still, this increase was largely the result of the decline in government deposits with banks at the year-end which was induced by the payment of government arrears in that period. Banks' net claims on the central government rose by 18.8% in 2002, whereas the real growth in placements to the government was much lower, 9.3%. In January 2003, net claims on the central government recorded a seasonal increase of HRK 1.1bn. This increase resulted from an investment into a portion of EUR 200m worth of "pension bonds issued in January, which led to a HRK 0.4bn growth in banks' claims arising from government bonds. In this month, credits and money market instruments grew by HRK 0.2bn each, whereas government deposits fell by HRK 0.3bn. At end-January, banks' net claims on the government were HRK 16.2bn, which is an increase of 6.3% compared with January 2002.

Money Market

Money Market Interest Rates

There were no significant developments in the Zagreb Money Market (ZMM) in the last quarter of 2002. The strong turnover growth in July and August resulted from a decrease in the banks' primary liquidity. Following its recovery, demand deposit trading in the ZMM decreased in volume in the fourth quarter.

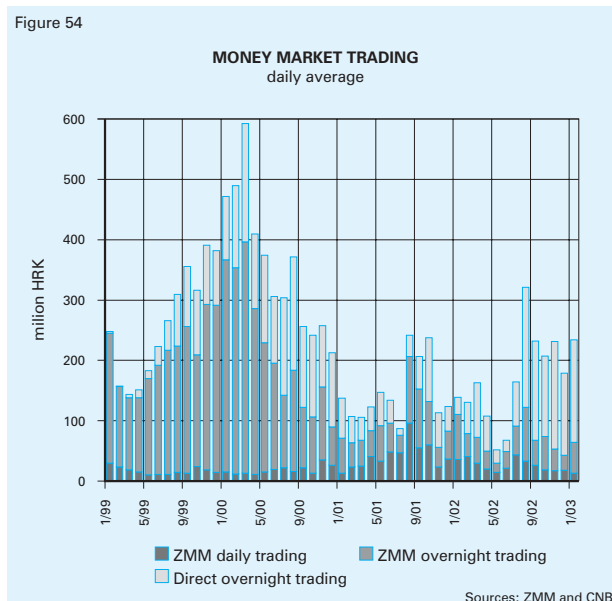
Demand for daily loans continuously trended downwards, declining from HRK 173m in September to almost half of that amount, an average HRK 99m, in the fourth quarter. The average daily supply of excess liquidity rose slightly, from HRK 127m in September to HRK 138m in the fourth quarter.

Overnight loans accounted for the largest share in trading, an average 67%, exceeding their approximate 60% share from the previous three quarters in 2002. The overnight loans daily turnover was an average HRK 38.5m in the fourth quarter, a decrease of HRK 20.7m compared with the previous quarter. Trading in other loans had an average turnover of HRK 17.9m, a decline of HRK 16.5m compared with the third quarter.

The ZMM average monthly interest rate continued its upward trend started in September into the fourth quarter, following three consecutive months of the average daily turnover growth (from June to August). The average daily interest rate on overnight loans stood at 1.54% in the fourth quarter, an increase of 49 base points compared with the third quarter. However, trading in loans with higher interest rates decelerated causing a decrease in the average monthly interest rate in December and again in January. Other loans were traded in at 1.94% on average, a considerable increase compared with 1.07% from the previous quarter.

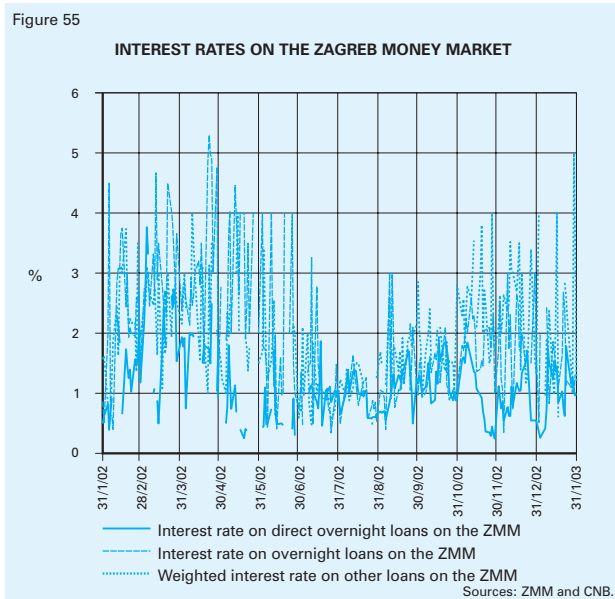
Direct interbank trading doubled in August compared with July 2002 after the CNB had established an official record of these activities. The average daily volume of direct interbank

Figure 54



Sources: ZMM and CNB.

Figure 55



lending stood at about HRK 150m in the fourth quarter of 2002, accounting for an average 80% of total overnight lending and remaining at the same level in January. The average daily interest rate of direct trading was 1.16% in the fourth quarter.

Interest Rates in the Short-Term Securities Market

Having grown through the first three quarters of 2002, the stock of purchased CNB bills decreased by an approximate HRK 500m at the end of the fourth quarter, to HRK 5.2bn. The stock of purchased T-bills held steady during 2002 and rose slightly at end-December compared with end-September, reaching HRK 4.9bn. The foreign currency CNB bills market saw a continuing downward trend both in the balance of purchased EUR denominated CNB bills, amounting to USD 145.8m in late December, and USD denominated CNB bills, amounting to USD 30.5m.

Figure 56

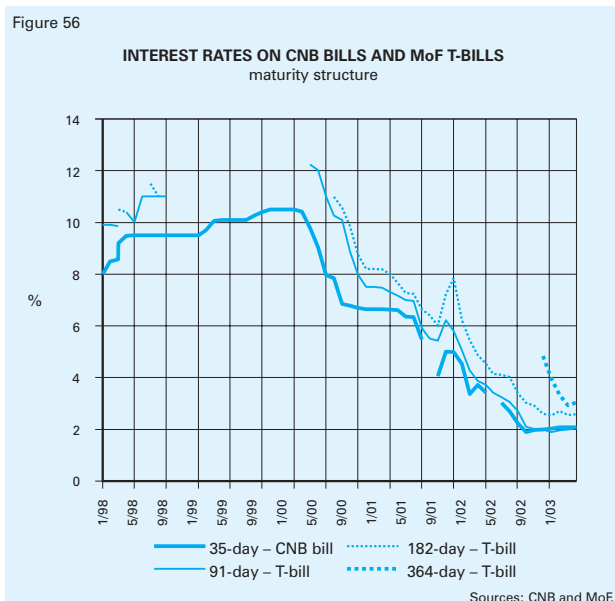
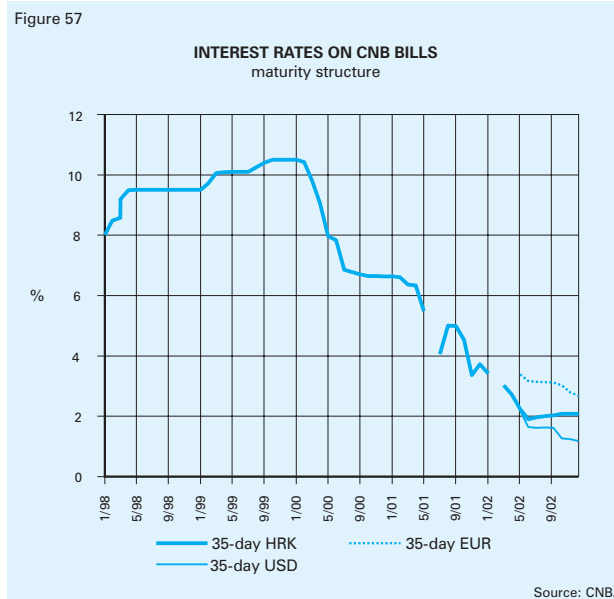


Figure 57



The weighted monthly average interest rate on auctioned 35-day kuna CNB bills continued to grow in the fourth quarter into November, reaching 2.08%, and held steady in December and January 2003. The weighted monthly average interest rate on auctioned 91-day Ministry of Finance T-bills, rose from 1.99% in September to 2.0% in December and 2.04% in January, while that on 182-day T-bills came down from 2.6% in September to 2.55% in December to grow to 2.59% in January. Interest rates on auctioned T-bills with the longest maturity (364 days) fell substantially, bringing down their weighted average rate from 4.83% in September to 2.93% in December and pushing it up again to 3.05% in January. Reflecting these interest rate developments, demand for these bills, initially very high, gradually lessened over the fourth quarter.

The weighted monthly average interest rates on foreign currency CNB bills continuously trended downwards since June. These rates on EUR denominated CNB bills fell from 3.39% (35-day bills) and 3.24% (63-day bills) in June to 2.79% and 2.75% respectively in December. The average monthly interest rates on 35-day CNB bills denominated in American dollars decreased from 2.18% in June to 1.18% in December and those on 63-day bills came down from 1.68% in June to 1.17% in December. This downward trend continued into January 2003.

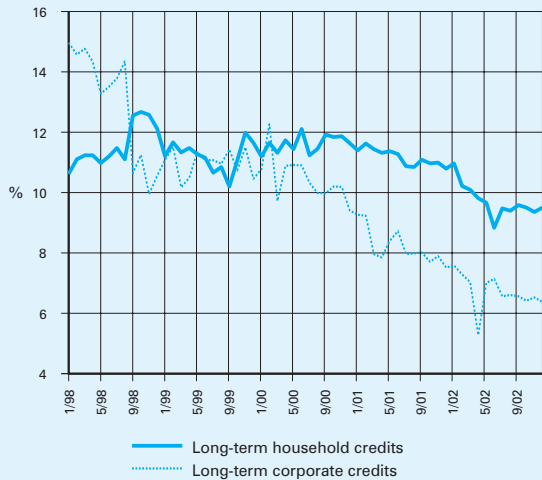
Deposit Money Banks' Interest Rates

In contrast to high growth rates of placements in the fourth quarter 2002, deposit money banks interest rates continued to fall. The average interest rate on kuna credits without a currency clause, mostly short-term, declined further, with the exception of a one-off leap in October. The interest rate on kuna credits with a currency clause also decreased compared with the previous quarter.

Interest rates on corporate credits further decreased. The average interest rate on long-term corporate credits with a currency clause stood at 6.37% in December compared with

Figure 58

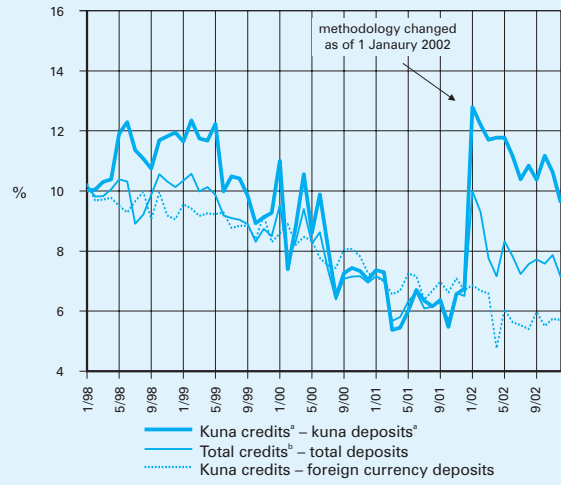
DMB's AVERAGE INTEREST RATES ON LONG-TERM CREDITS WITH A CURRENCY CLAUSE



Source: CNB.

Figure 61

SPREAD BETWEEN DMB's AVERAGE INTEREST RATES ON CREDITS AND DEPOSITS

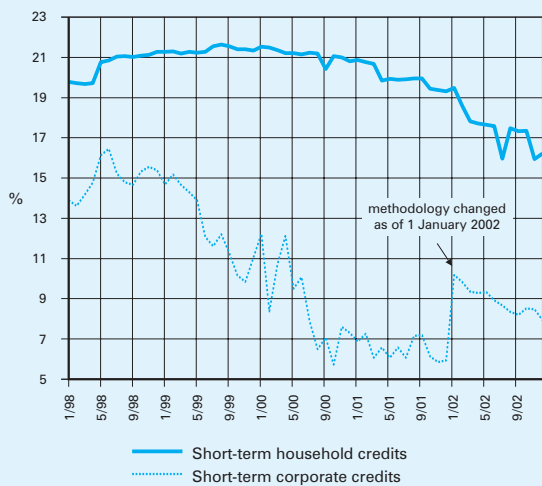


* Without a currency clause. * With a currency clause.

Source: CNB.

Figure 59

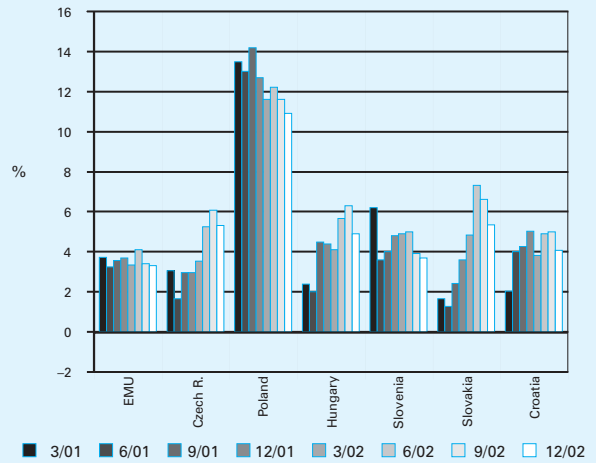
DMB's AVERAGE INTEREST RATES ON SHORT-TERM CREDITS WITHOUT A CURRENCY CLAUSE



Source: CNB.

Figure 62

REAL INTEREST RATES ON LONG-TERM CORPORATE CREDITS IN SELECTED COUNTRIES

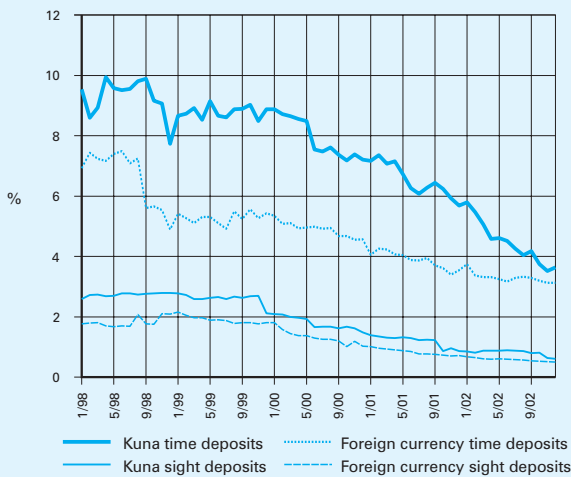


Note: The direct comparison between interest rates is not possible since there is a difference between statistical coverages in individual countries. However the analysis of their movements is possible.

Sources: Central banks' bulletins and CNB.

Figure 60

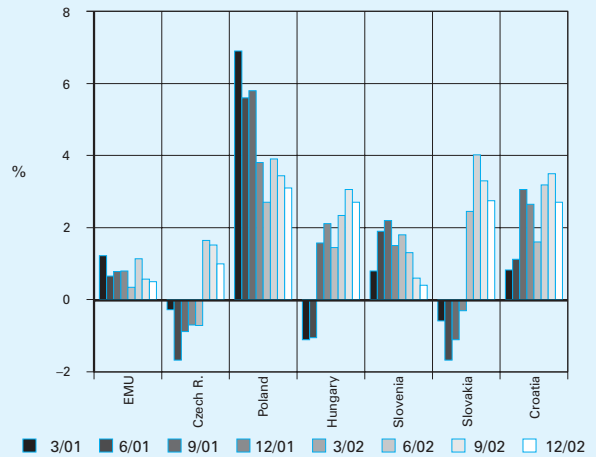
DMB's AVERAGE INTEREST RATES ON DEPOSITS



Source: CNB.

Figure 63

REAL INTEREST RATES ON SHORT-TERM HOUSEHOLD DEPOSITS IN SELECTED COUNTRIES



Note: The direct comparison between interest rates is not possible since there is a difference between statistical coverages in individual countries. However the analysis of their movements is possible.

Sources: Central banks' bulletins and CNB.

6.57% in September. Continuously trending downwards except for occasional oscillations, the average interest rate on short-term corporate credits without a currency clause stood at 7.44% in December.

With regard to household lending, placements trended strongly upwards, while deposit money banks interest rates halted their downward trend already restrained in the third quarter. The average interest rate on long-term household credits was 9.50% in December; a decrease compared with September, but an increase in comparison with the June 8.83%. Conversely, the average interest rate on short-term household credits without a currency clause, mostly current account overdrafts, declined further, standing at 15.72% at the end of the fourth quarter compared with 16.83% at the end of the previous quarter.

Deposit rates stagnated in the third quarter and resumed their downward trend in the fourth quarter in 2002, with the exception of interest rates on kuna time deposits, which trended strongly downwards over the whole 2002, standing at an average 3.64% in December. The average interest rate on foreign currency time deposits also dropped in the fourth quarter, from 3.28% in September to 3.12% in December. The spread between lending and deposit rates on kuna and foreign currency time deposits, falling for the first time below 1 percentage point in the third quarter in 2002, continued to trend downwards in the fourth quarter reaching an approximate 50 basis points. Following a period of stagnation, interest rates on sight deposits also dropped in the fourth quarter in 2002. Those on kuna deposits declined from 0.8% in September to 0.6% in December, while those on foreign currency deposits fell from 0.54% to 0.5% over the same period.

The spread between interest rates on kuna credits and kuna deposits without a currency clause decreased considerably in the fourth quarter of 2002, amounting to 9.61 percentage points in December. The spread between interest rates on kuna credits with a currency clause and those on foreign currency deposits mainly held steady in the fourth quarter, standing at 5.7 percentage points in December.

In comparison with EMU countries and selected transition countries, real interest rate trends in Croatia mostly resemble those in the EMU where there were no major changes in the observed two-year period. Real interest rates on long-term corporate credits decreased in the fourth quarter in all ob-

served transition countries. Real interest rates on time household deposits also declined in comparison with the previous quarter.

Capital Market

Two significant developments marked the capital market last year. Firstly, the total volume of trading on the Zagreb Stock Exchange (ZSE) was HRK 5.9bn, which is 3.5 times more than in 2001. This was due to a large increase in bond trading following the entrance of pension funds into the market and the imposed obligation to report "off-the-market" bond trading. Secondly, following the transformation from the Varaždin Securities Market into the Varaždin Stock Exchange (VSE) in July, November saw the listing of the first share in the first quotation (the Dom Fund) and at the beginning of December the new trading system developed in cooperation with the Ljubljana Stock Exchange was put into operation. At HRK 1.36bn, or 28.3% more than in 2001, the volume of trading on the Varaždin Stock Exchange also reached record levels in 2002.

Equities Market

The volume of share trading at the Zagreb Stock Exchange increased in the fourth quarter of 2002, compared with its sharp decline which followed a period of extremely heightened activity in the first quarter. The total volume of share trading in 2002 thus reached HRK 1.17bn (of which almost one half was realized in the first three months), exceeding the total volume of trading in the previous year by 20%. The shares of Pliva, Podravka and Viktor Lenac (Quotation I) continued to dominate in the ZSE trading, although their share in total trading fell from last year's 71% to 59% in 2002. From the beginning of 2002 market capitalization of shares on the Zagreb Stock Exchange increased by 9.7%. At end December, it stood at HRK 28.3bn (approximately 16% of GDP in 2002).

The CROBEX fluctuated throughout the year, reaching 1172 at the end of 2002 compared with 1035 at the end of the previous year.

At HRK 1.22bn, the volume of share trading at the

Table 1: Comparison of Capital Markets Indicators

December 2002	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million USD)	9.5	38.4	7.4	31.5	48.9	0.8
Average daily turnover, bonds (million USD)	241.5	12.3	5.5	169.9	6.7	8.2
Turnover ^a /GDP ^c , annual level (%)	8.5	17.4	8.5	12.1	6.3	0.9
Turnover ^b /GDP ^c , annual level (%)	217.9	5.6	6.3	65.0	0.9	9.0
Turnover velocity ^d	66.2	70.4	28.9	42.9	39.3	4.6
Market capitalization ^a (million USD), end month	2,575	13,089	5,553	15,860	28,326	3,964
Market capitalization ^b (million USD), end month	7,134	20,332	3,111	12,358	....	1,269
Market capitalization ^a /GDP ^c , end month (%)	12.9	248	29.5	28.1	16.1	20.3
Market capitalization ^b /GDP ^c , end month (%)	35.8	38.5	16.5	21.9	n.a.	6.5
Index movement from the beginning of the year (%)	15.9	9.4	55.2	16.8	5.3	13.3
Index movement from the beginning of the month (%)	0.2	-1.8	-0.1	-0.8	13.6	0.3

^a Shares. ^b Bonds. ^c 2001. ^d Monthly volume of trading in shares x 100/market capitalization of shares.
Sources: Reports from BSSE, BSE, PSE, LJSE, WSE, ZSE and FIBV Statistics (www.fibv.org).

Figure 64

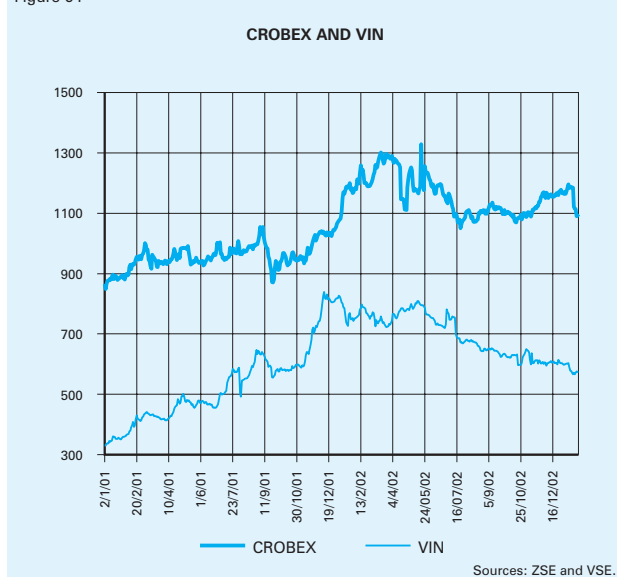
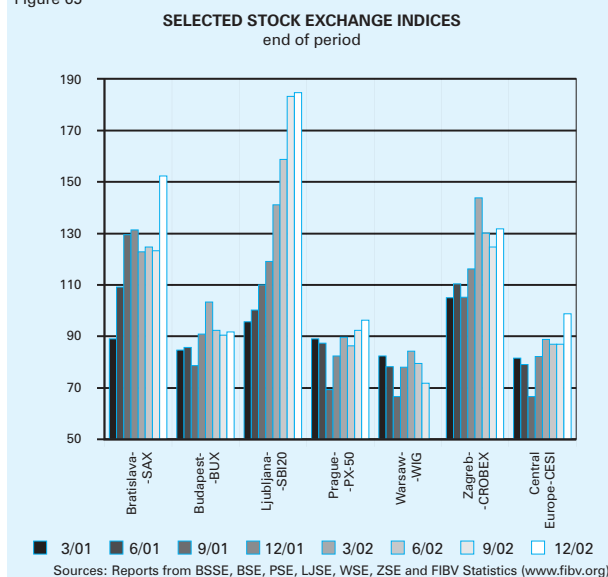


Figure 65



Varaždin Stock Exchange in 2002 was somewhat larger than the volume of share trading at the Zagreb Stock Exchange. Compared with the previous year, share trading on this market increased by 28.4%. Since November shares have been traded on the Varaždin Stock Exchange in 4 (out of the total of 5) market segments: Quotation I (1 share), Quotation II (1 share), Free Market, which accounts for the largest portion of share trading, and the PIF Quotation in which the shares of the two remaining private investment funds are traded. The Free Market segment accounted for approximately 70% of total trading on the Varaždin Stock Exchange in 2002. The VIN

has been on a slight decline since April 2002, and at end-December it stood at 609 points.

The volume of trading and market capitalization continued to increase on the capital markets of transition countries. The volume of trading on the stock exchanges of all observed countries increased in 2002, especially bond trading which in some countries increased several times over. Market capitalization also increased on all observed stock exchanges at end-2002, compared with December 2001. The CESI index which covers the Central European stock exchanges also increased and so did the individual indices of transition coun-

Table 2: Issue of Bonds in the Domestic Market

Series	Issued by	Issue day	Maturity	Currency	Nominal value of the issue	Nominal interest rate	Last price	Current yield 31/1/2003
DAB-O-03CA	DAB	19/12/2000	19/12/2003	EUR	105,000,000	8.000%	105.00	7.619%
DAB-O-05CA	DAB	19/12/2000	19/12/2005	EUR	225,000,000	8.375%	112.50	7.444%
HZZO-O-047A	CIHI	19/7/2000	19/7/2004	EUR	222,000,000	8.500%	107.20	7.929%
RHMF-O-049A	Republic of Croatia	20/9/2001	20/9/2004	EUR	200,000,000	6.500%	104.50	6.220%
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	110.30	6.233%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	110.40	6.227%
BLSC-O-051A	Belišće d.d.	17/1/2002	17/1/2005	EUR	17,000,000	7.375%	100.25	7.357%
PLAG-O-048A	Plava laguna d.d.	25/2/2002	25/8/2004	EUR	12,000,000	6.750%	100.50	6.716%

Source: ZSE.

Table 3: Issue of International Bonds of the Republic of Croatia

Bond	Currency	Amount	Nominal interest rate	Yield on issue day	Spread ^a 31/3/2002	Spread ^a 30/6/2002	Spread ^a 30/9/2002	Spread ^a 31/12/2002
London Club A	USD	857,796,000	6-month LIBOR + 81.25 b.p.	0	161	143	149	138
London Club B	USD	604,426,000	6-month LIBOR + 81.25 b.p.	0	157	142	139	135
Euro-DEM bonds, 2004	DEM	300,000,000	6.125%	6.20%	104	147	130	93
Eurobonds, 2006	EUR	300,000,000	7.375%	7.45%	124	150	150	123
Samurai bonds, 2004	JPY	25,000,000,000	4.00%	4.00%	....	....	105	117
Eurobonds, 2005	EUR	500,000,000	7.00%	7.06%	124	147	152	118
Samurai bonds, 2007	JPY	40,000,000,000	3.00%	3.00%	159 ^a	159 ^a	112	131
Samurai bonds, 2006	JPY	25,000,000,000	2.50%	2.50%	160 ^b	160 ^b	99	125
Eurobonds, 2011	EUR	750,000,000	6.75%	6.90%	148	158	164	122
Eurobonds, 2009	EUR	500,000,000	6.25%	6.45%	139	153	158	126
Samurai bonds, 2008	JPY	25,000,000,000	2.15%	2.15%	....	144 ^b	114	140

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

tries stock exchanges, with the exception of Poland. The index of the Ljubljana Stock Exchange, SBI-20 recorded the sharpest increase. Compared with end-2001, it rose by 55.5%, while other indices rose between 10% and 20% in the same period.

Debt Securities Market

There was a large increase in bond trading at the Zagreb Stock Exchange in 2002. The total volume of bond trading in 2002 stood at HRK 4.7bn, or 6.6 times more than in the previous year, with almost one half of the total volume of bond trading taking place in the last quarter. The bond of the Republic of Croatia maturing in 2012 and the bond of the State Agency for Deposit Insurance and Bank Rehabilitation maturing in 2003, accounted for the largest share of trading (HRK 1.3bn and HRK 788.8m, respectively). The third, or the last tranche of the so called pension bonds of the Republic of

Figure 66



Figure 67

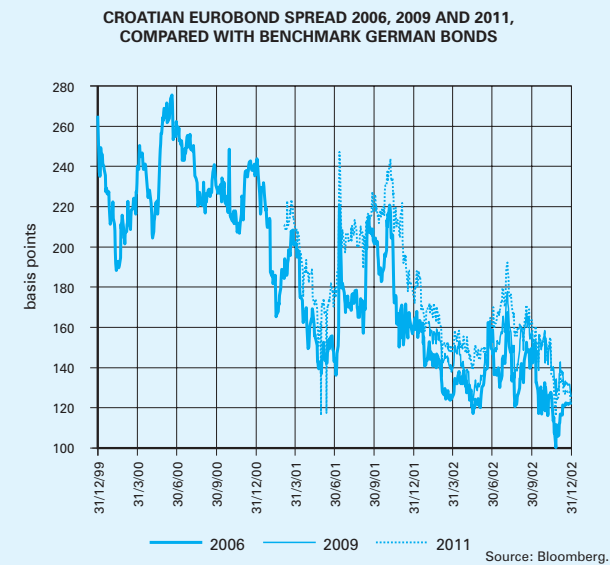
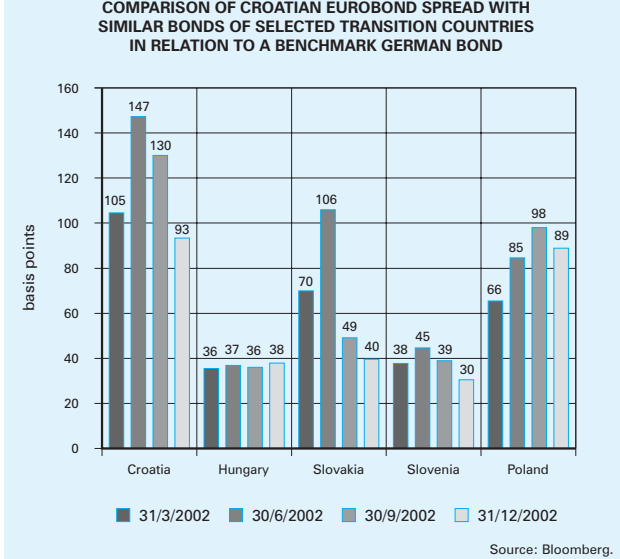


Figure 68



Croatia was issued in January 2003, in the amount of EUR 200m, following its prior two tranches amounting to EUR 150m each in May and September last year.

Market capitalization of government bonds at the end of December was HRK 10.1bn (EUR 1.4bn) or 6.5% of GDP in 2002. Market capitalization of the two corporate bonds at end-December stood at HRK 216.7m.

The price index of the Zagreb Stock Exchange bonds, the CROBIS, increased from its initial value of 100 set on 30 September 2002, to 101.3 at the end of the year and continued to increase in January as well.

The total nominal value of all 11 issues of Croatian eurobonds at end-December 2002 stood at HRK 31.7bn, or 4.3bn USD.

Occasional fluctuations aside, the spread on Croatian bonds in relation to benchmark German bonds has been falling since August 2002. This, together with lower interest rates on each new issue of Croatian eurobonds, points to a growing confidence of foreign investors in Croatia and their increased interest for investment in this country.

However, compared with other observed transition countries, Croatia still maintains the largest spread. Current political instability in developed countries has generated interest of foreign investors for government bonds of almost all transition countries. Thus, in the last quarter of 2002 the spread on transition countries government bonds fell in all observed transition countries, except in Hungary.

International Transactions

International transactions of the Republic of Croatia were marked by a somewhat lower current account surplus in the third quarter of 2002 in comparison with the same quarter of 2001. The growth in imports or continued increase in personal and investment consumption led to a further expansion of external debt.

Current Account

The current account surplus was USD 1bn in the third quarter of 2002, which corresponds to its annual decrease of 13.5%. The lower surplus resulted from the deteriorated merchandise trade balance and somewhat lower net income from tourism than expected. The cumulative data on the current account balance indicate that the current account deficit grew by 135.2% year-on-year in the first three quarters of 2002 (from USD 250m in 2001 to 589m in 2002). With the lower surplus in the third quarter of 2002, this development also resulted from the poorer performance in the first quarter of 2002 in comparison with the same period last year. In addition, it should be noted that the year-on-year increase in the current account deficit registered in the first quarter of 2002 was also the result of the foreign trade liberalization – due to the implementation of numerous free trade agreements and the reduction in tariff rates as of 1 January 2002, a number of import orders was transferred from the fourth quarter of 2001 to the first quarter of 2002 (see CNB Bulletin No. 72).

According to the balance of payments data, goods exports were USD 1.3bn in the third quarter of 2002 and rose by 8% over the same period last year (contributions of individual sectors and divisions are analyzed in the section on Merchandise Trade). Goods imports, supported by credit expansion, grew even faster. The value of goods imports stood at USD 2.7bn in the third quarter of 2002, an increase of about USD 500m or 22.7% in comparison with the same period last year.

The balance on services account increased by USD 130m or 6.3% year-on-year in the July-September period of 2002. This increase was stimulated by higher income from tourism and income from other services. Despite highly unfavorable weather conditions in August and September, receipts from tourism-travel reached USD 2.3bn in the third quarter of 2002 and grew by USD 180m or 8.5% in comparison with the same period last year. As to other services, net income from construction services rendered grew the most. It grew by USD 31m or 69.6% year-on-year in the third quarter of 2002. The

larger inflow from these services resulted from higher income which domestic companies have earned from construction projects completed for foreign contractors in Croatia (USD 23m income increase) and abroad (USD 17m income increase).

Current transfers also grew moderately in the third quarter of 2002 and were primarily supported by increased income (annual increase in income from worker's remittances from abroad was USD 32m in the said period). The third quarter of 2002 also saw positive developments or lower net outflow from the income account. Outflows for the payment of interest on government bonds issued abroad (decrease of about USD 39m over the same period last year) and outflows for equity investments (annual decrease in outflows based on reinvested earnings and dividends paid out to foreign direct investors stood at about USD 38m) decreased the most.

Merchandise Trade

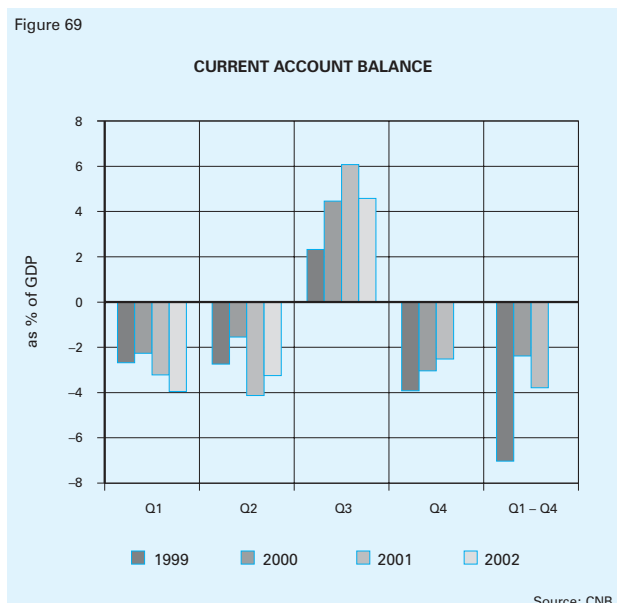
In the fourth quarter of 2002, according to the CBS preliminary data, total exports and imports of goods in the Republic of Croatia stood at USD 1.3bn and USD 3bn respectively. The annual increase in goods imports registered in the fourth quarter of 2002 resulted from the continued strong growth in personal and investment consumption. Moreover, the growth in their value was influenced by a comparable base period (due to the expected liberalization of trade regime, the seasonal fall in goods imports in the fourth quarter of 2001 was lower than seasonally common) and the depreciation of the US dollar against the euro (11.6% year-on-year in the last quarter of 2002).

The same source shows that the value of total exports and imports of goods was USD 4.9bn and 10.7bn respectively in 2002. Accordingly, imports/exports coverage, an indicator of merchandise trade dynamics, fell thus to 45.7% in 2002, from the average 51% registered in 2001.

Seasonally adjusted goods exports (other transport equipment excluded)¹⁷ measured at a constant exchange rate¹⁸ rose by 4.7% year-on-year in 2002. This trend indicates that the growth in exports was far more pronounced in the second half of 2002 when the growth in seasonally adjusted values was 7.5%.

The increase in exports of electrical machinery, apparatus and equipment (29.7% according to CBS data), general purpose machinery (37.8%), fabricated metal products (18.8%), special purpose machinery (29.2%), furniture and parts (16.3%) and wearing apparel (3.8%) made the strongest contribution to total growth in exports in 2002. According to the same source, ship exports contracted by about USD 110m in 2002 in comparison with 2001. However, the data on the net value of exported ships, expressed in terms of a constant ex-

Figure 69



17 Exports of other transport equipment include exports of ship. The monitoring of ship exports is accompanied by two problems. Firstly, exports are unevenly distributed throughout the year. Secondly, a significant portion of exports includes semi-finished goods whose value equals the sum of previously imported ship and the value of services of a foreign shipyard.

18 The reporting of data at a constant exchange rate excludes the impact of the cross-currency changes between the dollar and the euro on merchandise trade values.

change rate, indicate a 5.2% growth in 2002. The fall in total exports of goods in 2002 was impacted by the fall in exports of oil and refined petroleum products (6.2% according to the CBS), organic basic chemicals (39%) and footwear (11.1%).

Seasonally adjusted data on goods imports (machinery and other transport equipment excluded), expressed in terms of a constant exchange rate, suggest that imports grew at an annual rate of 11.5% in 2002. CBS data show that the growth rates of imports of intermediate goods, except energy and capital goods were among the highest in 2002.

Looking at the SITC sections and divisions, the division of road vehicles made the greatest contribution to the increase in total imports of goods. Measured at a constant exchange rate, imports of road vehicles grew at an annual rate of 13%, which is even higher if the strong impact of the base period is taken into account (stimulated by the ending of tariff privileges, imports of personal vehicles rose extremely in 2001).

A more pronounced growth in imports in 2002 was also evident in special purpose machinery (49.3% according to

CBS data), electrical machinery, apparatus and equipment (33%) and general purpose machinery (31.7%). The upward trend in imports of machinery and transport equipment (ships and road vehicles excluded) has been largely constant since the second quarter of 2002, indicating further restructuring of enterprises and lately extremely high public investments in capital infrastructure projects. Measured at a constant exchange rate, seasonally adjusted data on imports of machinery and transport equipment (ships and road vehicles excluded) grew by 23.2% in 2002.

Imports of oil and refined petroleum products also grew strongly in 2002, whereas the annual growth of net imports of oil and refined petroleum products boosted in the second quarter of 2002. Observing developments in the Middle East, it is likely that INA has increased or replenished its crude oil reserves in order to protect itself from the short-term interruptions in supply and unexpectedly high prices of crude oil in the world market. INA's current oil reserves enable it to supply its customers in the following three-month period.

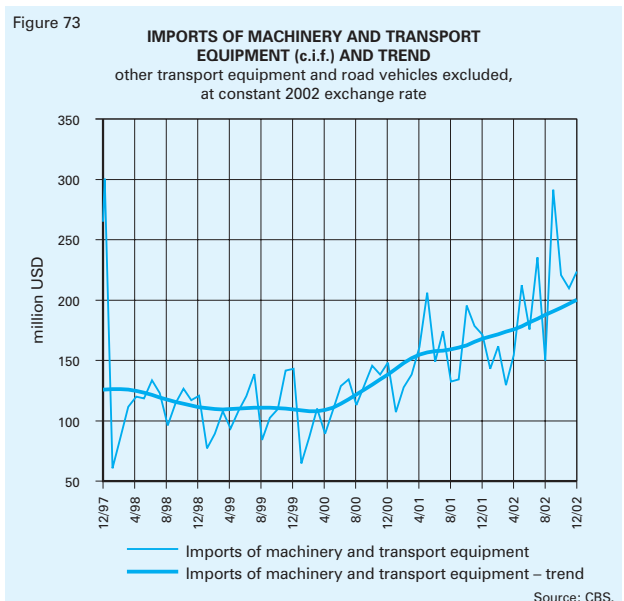
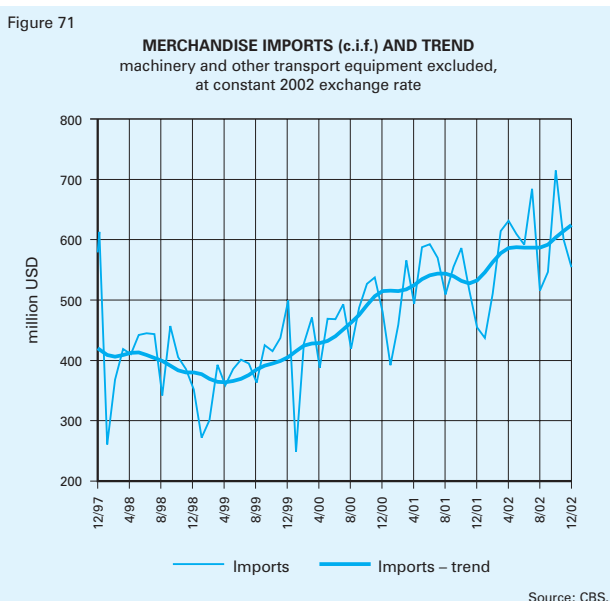
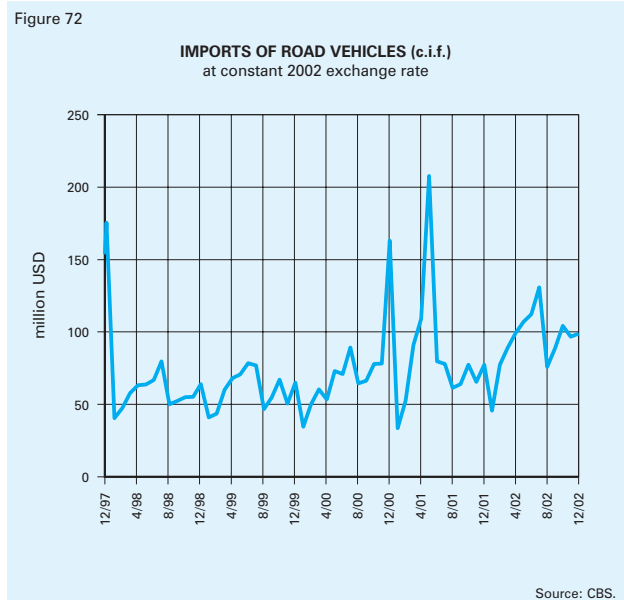
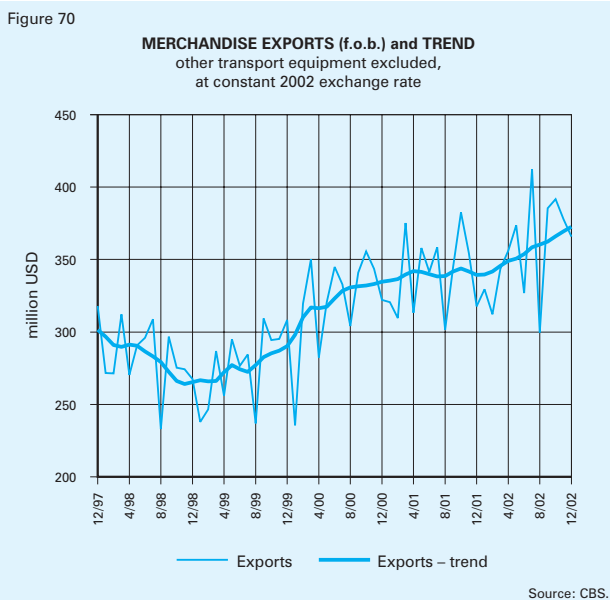


Table 4: Imports and Exports by Economic Classification of Countries, in %

Exports	1998	1999	2000	2001	2002 ^a
Total	100.0	100.0	100.0	100.0	100.0
Developed countries	52.4	56.9	60.1	61.7	58.1
EU-15	47.7	49.0	54.5	54.1	52.7
Austria	5.5	6.4	6.6	5.7	7.5
Italy	17.7	18.0	22.3	23.7	22.7
Germany	16.9	15.7	14.3	14.8	12.5
EFTA	1.8	3.5	1.0	1.1	0.8
Other developed countries	3.0	4.4	4.6	6.5	4.6
Developing countries	47.6	43.1	39.9	38.3	41.9
CEFTA	13.2	13.5	13.8	12.1	12.4
Slovenia	9.5	10.6	10.8	9.1	8.7
Bosnia and Herzegovina	14.4	12.7	11.2	12.0	14.4
Yugoslavia	0.4	0.6	2.4	3.2	3.5
Imports	1998	1999	2000	2001	2002 ^a
Total	100.0	100.0	100.0	100.0	100.0
Developed countries	69.3	66.7	64.7	66.0	64.5
EU-15	59.3	56.6	55.4	57.1	55.8
Austria	7.3	7.1	6.7	6.9	6.6
Italy	17.9	15.9	16.6	18.1	17.3
Germany	19.1	18.5	16.5	17.3	16.3
EFTA	2.8	2.6	2.4	2.1	2.0
Other developed countries	7.2	7.5	7.0	6.8	6.8
Developing countries	30.7	33.3	35.3	34.0	35.5
CEFTA	15.2	13.8	14.8	14.8	16.0
Slovenia	8.7	7.9	7.9	7.8	7.7
Bosnia and Herzegovina	1.8	1.5	1.0	1.4	1.6
Yugoslavia	0.2	0.3	0.4	0.4	0.5

^a Preliminary data. Source: CBS.

Total exports of goods by economic classification of countries show that Croatia's exports into developed countries, expressed as a share in total exports of goods, has negligibly fallen. In 2002, exports to Germany fell the most (USD 78m or 11.3% according to CBS). This contraction partly resulted from Germany's substantially low economic growth in 2002, as opposed to other EU countries. Regarding developing countries, exports to the neighboring Bosnia and Herzegovina was especially strong (USD 144m or 25.6% in 2002), and was followed by exports to Hungary (USD 26m or 45.5%) and Yugoslavia (USD 23m or 15.5%). Taking into consideration these movements, we can state that Italy has remained our most important exporting destination. Germany, which until recently enjoyed the status of the second most important exporting destination, was crowded out by Bosnia and Herzegovina.

Accounting for a 33.6% share in total Croatian imports, Italy and Germany remained Croatia's biggest importing partners in 2002 as well. Except for Great Britain, Finland and Greece, 2002 was also marked by the annual increase in goods imports from all EU member states and all CEFTA countries.

Capital and Financial Account

The value of net FDI in the Republic of Croatia in the first three quarters of 2002 stood at USD 607m, which accounts for an annual fall of USD 188m or 23.7%. As a result of extremely high income generated in the fourth quarter of 2001 (the second phase of the HT privatization), a more pro-

nounced annual fall in FDI is expected in 2002 as whole. Data on FDI by economic classification of countries show that in the first nine months of 2002 95.6% of FDI, made in Croatia, have originated from the EU member states. The highest amounts were invested in the financial intermediation, i.e. privatization of Dubrovačka banka, Splitska banka and Riječka banka (66.1%). Expressed in FDI terms (data cover only investments in shares), the second largest were the investments in hotels and motels (10.9%), business and management consulting companies (4.1%), wholesale (2.8%) and beer production (2.4%). With shares accounting for less than 2%, they were followed by FDI in pharmaceutical products, crude oil and natural gas extraction, restaurants, and production of steel pipes and mattresses.

The net portfolio investment registered an annual fall in the January-September period of 2002. This fall can to a large extent be ascribed to euro-dollar bonds that were issued in 1997 and matured in the first quarter of 2002. Other investment, which form a part of the capital and financial account, were marked by the strongest annual changes in the first three quarters of 2002. They grew from USD 114m in the first nine months of 2001 to about USD 2.4bn in the same period of 2002. The difference comprises to a greater extent the adjustment of portfolios of commercial banks, whereas to a lesser extent it comprises an increase in liabilities arising from net utilized trade credits and corporate credits which was supported by the strong economic growth in 2002. Therefore, Croatian banks' deposits held abroad dropped by USD 1.3bn in the first half of the year, which reflects the fall in household foreign currency deposits held in banks' liabilities due to post euro-effect and the announcement of operating losses of Riječka banka. Commercial banks' deposits held abroad grew far more slowly in the third quarter of 2002 than in the same period last year. Deposits of foreign legal and natural persons (non-residents) with Croatian commercial banks grew by almost USD 0.7bn in the first nine months of 2002. They mostly comprised the deposits of foreign parent banks transferred to their subsidiaries whose increased investments were stimulated by higher average deposit rates in Croatia than in EMU countries.

Net errors and omission were USD 2bn in the first nine months of 2002. It should be noted that they do not encompass the estimates on changes in the volume of foreign currency cash which circulates in the household sector. However, the CNB estimates (see Box 4) show that under the influence of the post euro-effect and, to a lesser extent, the announcement of Riječka banks losses the euro cash in circulation grew by almost USD 0.8bn in 2002. The highest increases in foreign currency cash were registered in the first quarter of 2002 (estimated at USD 400m) and the second quarter of 2002 (around USD 360m). The adjustment of the item currency and deposits of household sector for the estimated amount would decrease the value of net errors and omission by USD 1.2bn.

External Debt

At the end of 2002, external debt stood at high USD 15.2bn. The share of government debt in total external debt

Box 4: Cash Changeover and Currency Substitution in Croatia

A special box was dedicated a year ago to the effect of the announced cash conversion of the EMU member states' national currencies to the euro on the level of foreign currency in circulation and monetary aggregates in Croatia at the end of 2001. It was concluded that the euro cash changeover resulted in net inflow of foreign cash to deposit money banks amounting to EUR 2.1bn. This figure is somewhat higher due to a partial substitution with the US dollar, standing at almost EUR 2.3bn, of which 95% referred to German marks. This indicates that the German mark was evidently the main parallel currency in the Republic of Croatia.

The majority of the EMU member states' national currencies inflow was deposited in household foreign exchange accounts, so that growth in household euro-denominated deposits amounted to more than EUR 3.1bn or 59.5% in 2001. According to the study of the European Central Bank¹⁹, the growth in euro-denominated deposits in Croatia exceeded a growth in any other country outside the euro area during 2001. However, cash inflow of EMU member states' currencies to deposit money banks was not completed by the end of 2001, which was indicated by long queues formed outside bank offices in the last days of the year despite the fact that banks worked on non-working days and extended their working hours.

The beginning of 2002 saw a stagnation of household foreign exchange deposits, which, nevertheless, hid significant gross flows of cash. During January and February a net inflow of German marks was thus recorded, amounting to almost EUR 800m. At the beginning of 2002, total amount of German marks in circulation, inclusive of this inflow, in the run-up to the euro cash changeover is thus estimated at EUR 3bn. On the other hand, from the very beginning of the year, the outflow of euro cash was recorded, which was at that time only slightly larger than the inflow of German marks. This inflow ceased in March with the expiry of the period during which the EMU member states' currencies could be deposited in foreign exchange accounts without special commissions. However, at that time the crisis in Riječka banka arose, which caused a withdrawal of household deposits from this bank and from other deposit money banks as well. As

a result of renewal of a level of foreign currency cash in circulation and deposit withdrawal, total net outflow of the euro cash from deposit money banks over the first quarter exceeded EUR 1bn. Although the effect of the Riječka banka problem spilt over into the beginning of the second quarter, a rapid solution to the problem regained public confidence in the banking system. Accordingly, only a slight net outflow of the euro cash, amounting to EUR 60m, was recorded in the second quarter. In the third quarter, banks again recorded net inflow of euro cash of more than EUR 500m.

Significant outflow of euro cash in early 2002 indicates that households replaced at least some of the cash in German marks that they previously held at home with the euro. The European Central Bank data show a partial replacement of the German mark with the euro in other countries as well. According to these data, over the first half of the year, i.e. during the period when the outflow of the euro cash from Croatian deposit money banks was recorded, total shipment of euro cash to third countries reached EUR 23bn. This is less than the estimated amount of EUR 32-45bn which, in the form of German marks, circulated outside Germany in mid-nineties. If the average estimate of EUR 38.5% is taken as the amount of German marks in third countries in the run-up to the cash changeover, less than 8% of this amount circulated in Croatia. Since the euro outflows from the Croatian deposit money banks in the first half of 2002 accounted for less than 5% of total euro shipment outside the euro area, it can be concluded that higher than average share of inflow of EMU member states' currencies remained deposited in deposit money banks, indicating confidence growth in the banking system and/or diminished role of foreign currencies as unofficial transaction currencies in Croatia.

Nevertheless, in order to assess total amount of euro cash circulation following the changeover, unregistered inflows from tourism or immigrants transfers should be taken into account, which have been so far the main source of the German mark cash in Croatia. As a result of these inflows, as well as repatriation of savings, deposit money banks in Croatia have continuously recorded net inflows of foreign currency cash over the last ten years, except during several months marked with crises. Nevertheless, net inflow fluctuations were significant, between half a billion US dollars in 1999, which was marked with a crisis, and almost two and a half billion US dollars in 1996 to almost three billion US dollars in 2001, as a consequence of the euro cash changeover. The inflow of EMU member states' currencies was the most volatile component of total inflow, which actually caused its

19 European Central Bank, *Review of the International Role of the Euro*, December 2002.

Figure 74

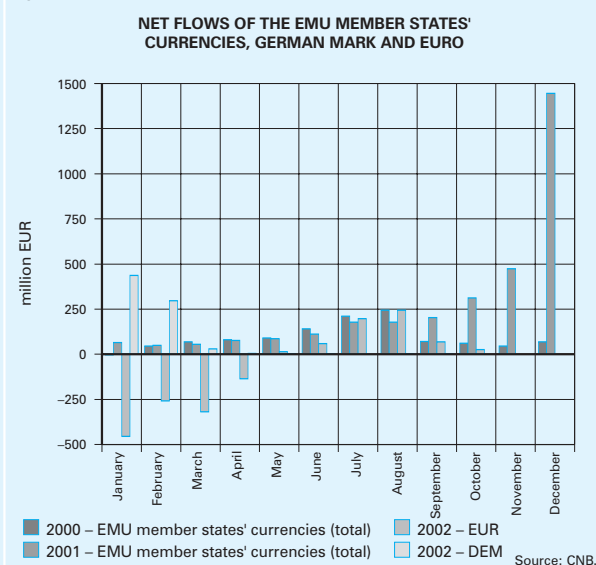
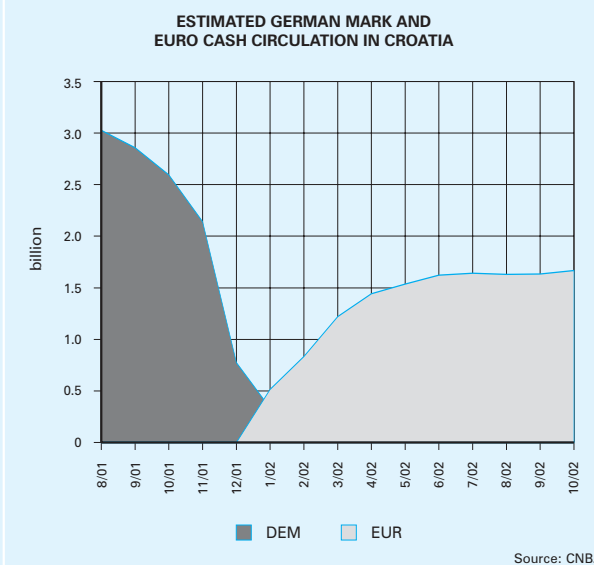


Figure 75



fluctuations. Under the assumption that "normal" net inflows of euro cash to deposit money banks amounted to EUR 1.2bn (which roughly corresponds to the inflow recorded in 2000) and that inflows are subject to the common seasonal changes, it is assessed that at end-October 2002 less than EUR 1.7bn circulated in Croatia, which is 55% of the estimated level of the German mark cash circulation in the run-up to the cash changeover. The lowest level was reached at end-December 2001, when less than EUR 800m of German marks was in circulation, whereas an increase in the euro cash was recorded between March and June 2002, as a consequence of problems in Riječka banka. In view of significant euro cash inflows to deposit money banks after June, the euro cash circulation seems to have been stable since.

An increase in the euro cash circulation in the first half of 2002 has several implications. First, cash changeover almost halved the level of cash of EMU member states' national currencies in Croatia. This reduced Croatia's share in total amount of the euro outside the euro area. Second, the examined gross cash flows imply that foreign currency cash in circulation is still one third larger than the kuna cash. Third, fluctuations in the euro cash circulation may account for household deposits volatility, i.e. their stagnation and reduction in early 2002. Fourth, foreign currency cash inflows, reaching almost

one tenth of GDP in only one quarter, followed by outflows of one twentieth of GDP, have significant balance of payments effects.

Changes in foreign currency cash in circulation should, generally, be included in the financial account of the balance of payments, under changes in financial assets. The appropriate financial account item is entitled "cash and deposits of other sectors". In view of the problems with assessing the foreign currency cash in circulation, from 1999 onwards the balance of payments did not contain this item. A change in foreign currency cash in circulation was thus actually incorporated in net errors and omissions. However, exceptionally, as a result of a strong effect of the euro cash changeover, a USD 1.9bn reduction in cash and deposits of other sectors was reported in the fourth quarter of 2001. This amount represents a deviation of net bank inflow of foreign currency cash from the long-term trend. Since the euro cash changeover effect continued in the first half of 2002, the increase in cash and deposits of other sectors was estimated in the same manner in the first and second quarter of 2002. The inclusion of thus estimated change in the foreign currency cash in circulation under item "cash and deposits" in the balance of payments capital and financial transactions account may explain almost four fifths of total errors and omissions, which amounted to USD -849m in the first half of 2002.

was the highest (41.6%) and was followed by the external debt of banks (26.1%), enterprises (25.6%) and FDI-based external debt (6.6%).

In comparison with external debt stock registered at the end of 2001, the external debt of the Republic of Croatia rose by USD 3.9bn or 34.4%. Data on the change in external debt in 2002 show that USD 2.6bn were used for servicing due principal payments, while new borrowings stood at USD 5.1bn. Accordingly, the external debt rose by USD 2.5bn. As a result of the depreciation of the US dollar against the euro in the second, third and fourth quarters of 2002 in comparison with same quarters last year, Croatia's total external debt,

which is largely denominated in the euro, grew by an additional USD 1.4bn.

As far as debtors are concerned, banks (annual increase of USD 1.7bn or 72.7%) made the highest contribution to the increase in total external debt. Banks settled USD 0.5bn of principal payments due in 2002 and borrowed another USD 2bn in the same period. Banks' debt was followed by the government external debt (increase of USD 1.2bn or 23.4%), enterprises' debt (USD 0.8bn or 24.6%) and FDI-based debt (USD 0.4bn or 58.3%). In 2002, the central banks settled USD 130m of principal payments due and thus repaid its obligations arising from external debt at the end of 2002.

Table 5: External Debt of the Republic of Croatia by Debtor, end of period, in million USD and %

Sector	1998	1999	2000	2001	2002	Structure					Indices			
						1998	1999	2000	2001	2002	1999/98	2000/99	2001/00	2002/01
1. Monetary sector	234	197	159	122	0	2.4	2.0	1.4	1.1	0.0	84.0	80.7	77.0	0.0
2. Government	3,395	3,973	4,795	5,141	6,346	35.4	40.2	43.6	45.3	41.6	117.0	120.7	107.2	123.4
of which: London Club	1,405	1,381	1,255	1,106	957	14.7	14.0	11.4	9.8	6.3	98.3	90.9	88.1	86.5
3. Banks	2,499	2,187	2,088	2,305	3,980	26.1	22.2	19.0	20.3	26.1	87.5	95.4	110.4	172.7
of which: Currency and deposits	615	538	433	634	1,976	6.4	5.4	3.9	5.6	13.0	87.5	80.5	146.4	311.9
4. Other sectors (enterprises)	3,215	3,208	3,336	3,135	3,907	33.5	32.5	30.3	27.6	25.6	99.8	104.0	94.0	124.6
5. Direct investment	244	307	624	637	1,009	2.5	3.1	5.7	5.6	6.6	126.1	203.4	102.0	158.3
Total (1+2+3+4+5)	9,586	9,872	11,002	11,341	15,242	100.0	100.0	100.0	100.0	100.0	103.0	111.4	103.1	134.4

Source: CNB.

Table 6: Change in External Debt by Debtor, in million USD

Sector	Outstanding debt 31/12/2001	Change				Cross-currency change	Outstanding debt 31/12/2002
		Disbursement	Amortization				
			Principal	Interest			
1. Central bank (CNB)	122.2	0.0	129.6	3.3	7.4	0.0	
2. Government	5,141.1	1,289.8	653.9	253.9	569.3	6,346.3	
3. Banks	2,304.9	1,956.4	548.6	81.4	267.3	3,980.0	
4. Other sectors (enterprises)	3,135.3	1,411.4	1,100.6	153.4	460.6	3,906.7	
5. Direct investment	637.1	458.9	216.6	24.2	129.3	1,008.7	
Total (1+2+3+4+5)	11,340.5	5,116.5	2,649.2	516.2	1,433.9	15,241.7	

Source: CNB.

Table 7: External Debt and Projected Future Principal Payments by Debtor, in million USD

Sector	Outstanding debt 31/12/2002	Nonreported principal payments	Projected future principal payments								
			2003	2004	2005	2006	2007	2008	2009	2010	Other
1. Central bank (CNB)	0	0	0	0	0	0	0	0	0	0	0
2. Government	6,346	3	366	844	864	867	625	506	811	229	1,231
3. Banks	3,980	69	319	377	520	228	104	105	91	20	2,147
4. Other sectors (enterprises)	3,907	455	748	741	412	431	435	195	146	89	257
5. Direct investment	1,009	118	137	104	107	268	174	37	11	14	38
Total (1+2+3+4+5)	15,242	645	1,569	2,065	1,903	1,794	1,337	843	1,059	352	3,674
Supplement:											
Projected interest payments		65	614	583	475	363	274	202	168	115	161

Source: CNB.

In contrast with 2002, the smaller principal payment (USD 1.6bn) will fall due in 2003. However, one should have in mind that no obligations arising from the issue of government bonds will have to be settled in 2003. In comparison with 2003, the principal payments to be settled in the next three years are of higher amount and comprise the principals arising from Euro-DEM bonds, two issues of eurobonds and three issues of Samurai bonds of the Republic of Croatia falling due in the 2004-2006 period.

Total external debt to GDP ratio, which shows to what degree the current economic activity is burdened by the external debt, shows that the external debt share, registered at end-2002, has risen to as high as 68.1% of the GDP estimate for 2002; an increase of 10 percentage points in comparison with end-2001. This ratio classifies Croatia as a moderately to heavily indebted country.

The external debt share in the GDP estimate for 2002, despite continued growth in public investment in capital infrastructure projects, grew at a slower pace, from 26.3% at end-2001 to 28.3% at end-2002). However, the potential external public debt is substantially larger when augmented by the external debt guaranteed by the central government. The value of guarantees issued by the central government, excluding the government sector, stood at about USD 1.1bn at end-2002.

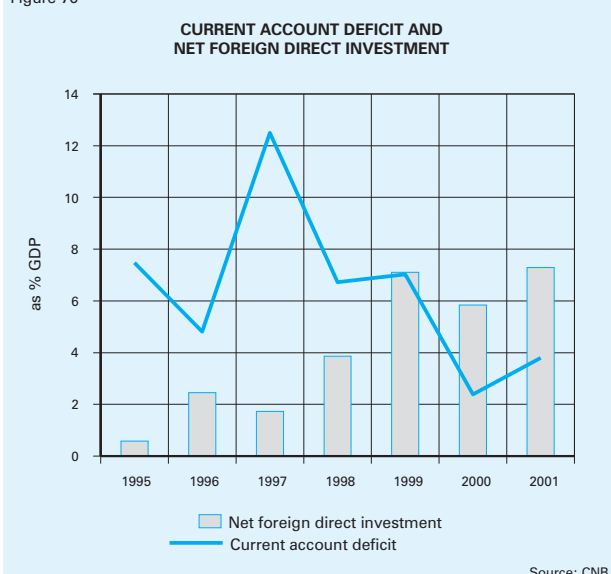
International Liquidity

The significant FDI inflow in the period between 1999 and 2001 exceeded the current account deficit and thus enabled unhindered financing of the current account deficit and international reserves growth. Accordingly, the CNB's international reserves reached USD 5.9bn at end-2002, which is sufficient for the six-month reserve cover of imports of goods and estimated value of services in 2002. This indicator marked Croatia as the country with extremely high international liquidity (according to the January report of SchroderSalomonSmithBarney, Croatia's international liquidity, measured by the reserve cover of imports of goods and services and the share of due short-term and long-term external debt in international reserves, is one of the strongest among the transition countries).

Aside from the growth in international reserves, the fact that Croatia currently has no difficulty repaying and refinancing its total external debt is additionally underpinned by Croatia's decision to make no purchases under the new stand-by arrangement and by favorable interest rate on government bonds issued abroad in the first three months of 2003. However, the upsurge in external debt registered in 2002 and accompanied by the deterioration of the foreign trade balance, the expected substantial annual growth in the current account deficit and the progressive fall in FDI inflow calls for precautions. Otherwise, it might become difficult to service the external debt in future.

In the long run, the stabilization and the gradual decrease of external debt will to a large extent depend on the scope of further restructuring of enterprises and improvement of their competitiveness, growth in imports and capability to attract the new greenfield investment. The new CNB decisions aimed at slowing down the credit expansion should be viewed as endeavor to curb, by applying direct measures, further increase in banks' external debt which grew steeply in 2002 and which was chiefly used to finance the import of goods. Further decrease in the government deficit in 2003, restrictions and more clear criteria for issuing government guarantees should contribute to the stabilization of government external debt and potential external public debt. The government efforts to limit new borrowings and issuance of new bonds on the domestic market would stimulate the external debt stabilization.

Figure 76



Government Finance

Budget Highlights in the Fourth Quarter of 2002 and Expectations for 2003

The estimated consolidated central government deficit on an accrual basis in 2002 is HRK 9.6bn (5.5% of GDP). This is an increase of 19.5% compared with 2001, or only slightly above the planned budget deficit. Such developments can primarily be attributed to heightened investment activity of the Croatian Roads (CR) and the Croatian Highways (CH) in the fourth quarter of 2002 and accumulated net government arrears. General government deficit²⁰ is not expected to exceed considerably the mentioned consolidated central government deficit.

The revenue of the consolidated central government budget in 2002 was in line with its forecasts. Revenues from social security contributions, customs duties and profit taxes in 2002 surpassed the expectations. By contrast, revenues from excise duties on tobacco products and revenue from bodies of government administration were much lower than expected.

A large increase in capital expenditures coupled with significantly lower transfers to households, lower subsidies and wage bill indicate a change in consolidated central government budget spending in 2002.

Cumulative total debt of the consolidated central government increased to 41.2% of GDP (HRK 72.6bn) at the end of 2002. Government guarantees at end-2002 amounted to HRK 24.4bn or 13.9% of GDP. In addition to domestic and foreign borrowing, budget deficit financing during 2002 came from net arrears amounting to HRK 0.1bn (0.06% of GDP) and from privatization receipts amounting to HRK 2.3bn (1.31% of GDP).

The expectations for 2003 include a fall in general government budget deficit to 5.0% of GDP, foreign borrowing in the amount of EUR 0.7bn (2.8% of GDP), privatization receipts in the amount of HRK 2.5bn (1.3% of GDP), and an issue of pension fund bonds amounting to EUR 0.4bn (1.6% of GDP) and bonds for CH funding.

The Outturn of the Consolidated Central Government Budget

The Consolidated Central Government Deficit

The estimated total consolidated central government budget deficit on an accrual basis in 2002 was HRK 9.6bn (Table 8).

In the fourth quarter of 2002, the estimated deficit of the Croatian Roads and the Croatian Highways reached almost

HRK 2.0bn. The said deficit is based on CH and CR revenue and expenditure data taken from the revised budget and a decline in CH capital expenditures of HRK 0.6bn forecast in the Memorandum of Economic and Financial Policies (MEFP). It will be possible to calculate the final consolidated central government budget deficit at the end of the first quarter of 2003 when data for these two agencies are expected to be released. According to an estimate by the Ministry of Finance, net arrears accumulated by the central government budget in 2002 amounted to HRK 0.1bn. Loosened financial discipline of the government budget relating to net payments of arrears coincides with the expiry of the stand-by arrangement in March 2002. In the period from the second to the fourth quarter 2002, the government budget accumulated further HRK 0.4bn in arrears. In short, the total consolidated central government deficit on an accrual basis (capital revenue excluded), including the budgets of the Croatian Highways and the Croatian Roads was around 5.5% of GDP (HRK 9.6bn).

Consolidated Central Government Revenues

For a consistent analysis of total revenues and grants of the consolidated central government in 2002 we would need data on revenues from excise duties on refined petroleum products for the fourth quarter which are not available yet. These revenues are transferred to agencies for the construction and maintenance of roads and highways. Tax revenue without the said excise duties (which do not include revenue from special tax on cars) increased by 3.6%, or HRK 1.8bn in real terms in 2002, compared with 2001. Such tax developments have to be viewed against the background of good revenue from social security contributions and the country's rapid economic growth in 2001 and 2002 as contrasted with significant shortfalls in ministries' own revenue and revenue from excise duties on tobacco products.

Revenues from social security contributions in 2002 were HRK 22.3bn, an increase of HRK 0.5bn compared with 2001. This, somewhat unexpected increase was the result of the introduction of supplementary health insurance and slighter outflows into the second pillar pension insurance scheme than initially forecast at the beginning of 2002. Croatia's rapid economic growth in 2001 and 2002 caused larger revenues from profit taxes as well as larger imports, which both had a positive impact on revenue from customs duties. Revenues from profit tax rose by HRK 0.6bn or 31.3% in real terms during 2002, compared with the previous year. At the same time income from customs duties increased by 0.5% in real terms, compared with 2001, despite continuing customs' duties reduction following Croatia's entry into the WTO. Revenue from value added tax were in line with expectations (HRK 24.1bn), and recorded real growth of 4.0%. Revenue from income tax fell by 3.4% in real terms in 2002 due to several factors. Firstly, the effects of the wage reform in government administration carried out in the middle of the previous year could not be felt on an annual level until 2002. Secondly, due to fiscal decentralization a portion of income tax was transferred to the local government and self-government. Thirdly,

²⁰ In accordance with the methodology used by the Ministry of Finance, general government budget is calculated by including the budgets of the State Agency for Deposit Insurance and Bank Rehabilitation (DAB), the Croatian Privatization Fund (CPF) and local government and self-government into consolidated central government budget.

Table 8: Balances of the Consolidated Central Government Budget, in million HRK and %

	2001					2002					2002/2001
	Q1	Q2	Q3	Q4	Q1 – Q4	Q1	Q2	Q3	Q4	Q1 – Q4	Q1 – Q4
Revenues and grants	14,409	16,845	16,865	22,727	70,846	14,611	18,059	18,684	19,575	70,929	0.1%
Expenditures and net lending	17,752	17,657	17,797	21,071	74,277	17,225	18,312	18,318	21,083	74,938	0.9%
Deficit on a cash basis	-3,344	-812	-932	1,656	-3,431	-2,614	-253	366	-1,508	-4,009	16.8%
Capital revenues	56	96	210	5,050	5,412	62	765	523	1,193	2,543	-53.0%
Deficit on a cash basis excluding capital revenues	-3,400	-908	-1,142	-3,394	-8,843	-2,676	-1,018	-157	-2,701	-6,552	-25.9%
Net changes in arrears	457	142	-392	1,263	1,470	285	-525	26	120	-94	-
Deficit on an accrual basis	-2,943	-766	-1,534	-2,131	-7,373	-2,391	-1,543	-131	-2,581	-6,646	-9.9%
Repayments classified as subsidies	240	80	225	73	618	32	64	28	51	175	-71.7%
Deficit on an accrual basis as defined in the Letter of Intent	-3,183	-846	-1,759	-2,204	-7,992	-2,423	-1,607	-159	-2,632	-6,821	-14.6%
Balance of state agencies CH and CR	0	0	0	0	0	-262	-160	-352	-1,958	-2,732	-
Deficit on an accrual basis as defined in the Letter of Intent and adjusted for CH and CR	-3,183	-846	-1,759	-2,204	-7,992	-2,685	-1,767	-511	-4,590	-9,553	19.5%

Source: MoF.

the nominal increase in average gross wage of 5.7% in 2002 made a positive impact on revenue from income tax and so did a 1.7% increase in the number of persons insured through the Croatian Health Insurance Institute in legal persons and crafts (excluding individual farmers). In other words, this means an increase in the number of persons paying contributions, and accordingly an increase in income tax, which is also an indication of a rising employment during 2002.

The largest shortfall in government budget revenue was created by nontax revenue, in particular revenue of bodies of government administration and excise duties, mainly excise duties on tobacco products. In 2002 the revenue of bodies of government administration for the first time comprised own revenue of ministries, which were to be registered through the State Treasury and thus increase this item's revenue from HRK 0.1bn in 2001 to HRK 1.0bn in 2002. However, the total revenue of bodies of government administration reached only HRK 0.5bn in 2002. Government budget revenue from excise duties in 2002 were 6.7bn, compared with HRK 7.5bn planned by the Ministry of Finance. The largest shortfall was recorded with excise duties on tobacco products, which generated HRK 0.5bn less than initially planned. The reasons for such developments should be sought in the inefficiency of administrative measures for the prevention of illicit tobacco trade, introduced at the beginning of 2002. The only exception was revenue from excise duties on non-alcoholic drinks and luxury products, whose outturn met the expectations. Still, unexpectedly large revenue from profit tax, increased revenue from customs duties despite customs duties reduction and good outturn of social security contributions managed to neutralize large shortfalls in revenue items of the bodies of government administration and excise duties on tobacco products.

The beginning of 2003 saw some income tax changes. They included an increase in untaxable basis from HRK 1,250 to HRK 1,500, the introduction of a fourth tax bracket and a redistribution of existing tax brackets (15% tax on amounts up to HRK 3,000, 25% tax on amounts up to HRK 6,750, 35% tax on amounts up to HRK 21,000 and 45% tax on amounts exceeding HRK 21,000). These changes are expected to increase tax progression. The estimated decline in inflows due to income tax changes is HRK 0.9bn. At the same time, taxes

on premium for obligatory automobile liability insurance increased by 5 percentage points and a tax on comprehensive automobile insurance (15%) was introduced in addition. The base of insured persons paying social security contributions was also extended, while the contribution rate is expected to fall from 37.67% to 37.20%. These measures are expected to bring about an increase in revenue of approximately HRK 1.1bn.

Consolidated Central Government Expenditures

Consolidated central government expenditures adjusted for estimated CH and CR expenditures, net paid due obligations and payments of public enterprises' principal debt which have the characteristics of subsidies stood at HRK 80.0bn and were 3.5% larger compared with the same period in the previous year. It should be stressed, however, that budget outturn data of roads and highways construction and maintenance agencies for the fourth quarter are not available yet. Thus the total expenditures comprise the CH and CR budgets for the fourth quarter, as laid out in their revised budgets, except for the capital expenditures of the CH, which have been reduced by HRK 0.6bn in accordance with the MEFP.

The main feature characterizing developments in expenditure items in 2002 was a turn in government spending towards capital expenditures. More specifically, there was a rapid increase in the share of capital expenditure in total expenditures, from 5.9% in 2001 to 11.6% in 2002. This increase is the result of infrastructural investments. Further rapid growth in capital expenditure is expected in 2003 when

Table 9: Developments in Items of Consolidated Central Government Expenditures, as % of total expenditures, on a cash basis

	1998	1999	2000	2001	2002
1. Wage bill	23.0	23.7	24.2	23.7	21.9
2. Other purchases of goods and services	23.5	20.0	22.3	19.7	18.4
3. Interest payments	3.2	3.2	3.7	4.3	4.2
4. Subsidies	5.1	4.9	5.1	4.9	3.4
5. Transfers	31.7	34.3	35.1	40.4	38.6
6. Capital expenditures	11.8	11.8	8.0	5.9	11.6
Total as % of total expenditures	98.2	97.9	98.4	98.9	98.1

Source: MoF.

some sections of the future Zagreb-Split highway are planned to be completed. A nominal increase in capital expenditure of 14.8%, or HRK 1.4bn, has been budgeted for 2003.

Subsidies, transfers to households and the wage bill decreased in 2002. Subsidies declined at accelerated speed in 2002. Following adjustments for public enterprises' principal debt payments (which have the characteristics of subsidies), subsidies decreased by 31.8% nominally in 2002 compared with the previous year. Of HRK 2.9bn in subsidies paid from the consolidated central government budget in 2002, almost one half was paid through the Development and Employment Fund to mostly non-financial public enterprises (HRK 1.0bn). The remaining HRK 0.4bn was paid to other enterprises. In the second half of 2002, the government decided to provide additional subsidies to shipyards by taking over their loan repayments. This decision did not affect the budget for 2002 but it is expected to have an effect of HRK 0.5bn in 2003. Direct subsidies to shipyards are likely to increase by 10% in the next period, which would imply further HRK 0.2bn in budget subsidies in 2003. Announced additional rehabilitation of some shipyards is also likely to take the form of additional subsidies. In short, following years of their constant reduction, subsidies are likely to increase significantly in 2003, reaching approximately HRK 4.9bn, mostly because of subsidies to shipyards and agriculture.

The share of expenditure for interest payments in total expenditure held steady at around 4.2% in the last two years. In 2002 this was mainly due to the significant depreciation of the US dollar against the kuna, which largely reduced the kuna countervalue of interest payments in that year. Interest payments in 2002 were HRK 3.2bn, or HRK 0.6bn less (15.8%) than the amount planned in the budget.

Wages

The trend of real decline in the net wage bill of the consolidated central government budget (adjusted for CH and CR expenditures) continued into 2002, although at a slower pace

than in 2001. Generally speaking, it can be said that the trend of increase in government sector wages which averaged around 9.0% in real terms from 1997 to 1999 finally came to a halt. The reform of the basic wage and wage coefficients of government employees initiated in the middle of 2001 resulted in the wage bill's average real decline of 2.4% in the period from 2000 to 2002. Further decline in the wage bill, following the announced workforce rationalization in the Ministry of Defense, is not to be expected in 2003 because of severance wages to be paid and changes in the wage structure within this Ministry. The first phase of rationalization should be completed till the end of the first quarter of 2003. The consolidated central government budget for 2003 provided for a nominal increase in the net wage bill of 2.0%.

Financing

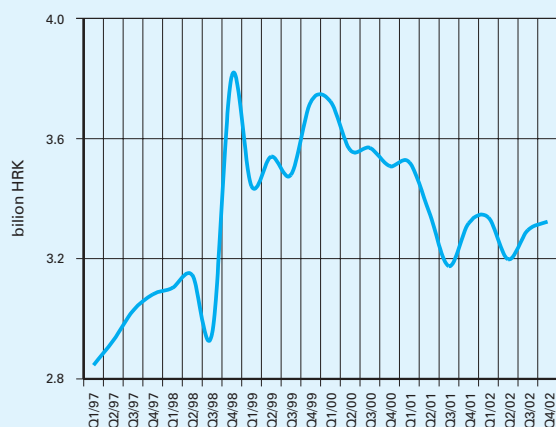
Cumulative total central government debt and issued government guarantees continued to grow in 2002. Towards the end of 2002, total central government debt increased by 0.5 percentage points compared with 2002, reaching 41.2% of GDP (HRK 72.6bn). Such developments can be primarily attributed to government infrastructural investments such as the Zagreb-Split highway. However, large CH and CR mostly foreign borrowing notwithstanding, net borrowing of the central government during 2002 relied much more on domestic financing than on foreign financing. Thus, the increase in domestic debt contributed much more to total cumulative debt than foreign debt. The same trend is expected in 2003 if the intentions of the government concerning larger CH borrowing on the domestic financial market materialize, either through bonds issue or bank loans. It should be stressed that the absolute increase in total debt during 2002 declined compared with its absolute increase in 2001. More specifically, the real growth of total debt in 2002 declined by 5.5% compared with the total debt growth in 2001. In other words, although the total cumulative central government debt is growing, the rate of its growth has been declining considerably.

In addition to total central government debt, issued guarantees also constitute potential government debt. Guarantees issued by central government rose from 12.6% of GDP in 2001 to 13.9% of GDP in 2002. The said growth of 1.3 percentage points of GDP may largely be attributed to guarantees issued to shipyards. Thus, total central government debt, with issued guarantees included, stood at 55.1% of GDP at end-2002. To curb the growing debt, both real and potential, the government has introduced some concrete measures. These include further reduction in the consolidated central government budget for 2003 and a new budget execution law which regulates and imposes heavy restrictions on guarantee issuing.

Foreign funding in 2003 comprised an issue of eurobonds amounting to EUR 0.5bn, released in the second half of February and an issue of Samurai bonds amounting to approximately EUR 0.2bn at the end of the second quarter. As regards domestic funding, towards the end of January 2003 the government placed EUR 0.2bn worth of pension funds bonds on the domestic market through the Zagreb Stock Exchange.

Figure 77

REAL WAGE BILL IN THE CONSOLIDATED CENTRAL GOVERNMENT BUDGET AND THE CH AND CR BUDGETS (1995 = 100)



Sources: MoF and CNB.

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

	Stock			Change	
	Dec. 2001	Sep. 2002	Dec. 2002	Jan. – Dec. 2001	Jan. – Dec. 2002
1. Domestic debt of central government	24,907.3	27,153.2	28,737.1	3,583.2	3,829.8
1.1. Domestic debt of the Republic of Croatia	21,467.9	23,551.9	24,725.4	2,958.2	3,257.4
Treasury bills	4,892.3	5,544.1	5,632.7	2,327.7	740.4
Money market instruments	7.4	0.1	0.1	-6.8	-7.3
Bonds	15,415.8	16,096.8	16,021.7	1,333.3	605.8
Credits from the CNB	-	-	0.5	0.0	0.5
Credits from DMBs	1,152.4	1,910.8	3,070.4	-696.0	1,918.0
1.2. Domestic debt of central government funds	3,439.4	3,601.3	4,011.8	625.0	572.4
Money market instruments	-	-	-	-	-
Bonds	1,636.1	1,629.8	1,652.2	-50.7	16.0
Credits from DMBs	1,803.3	1,971.6	2,359.6	675.7	556.3

Source: CNB *Bulletin*, Table I3.**Table 11: External Debt of Central Government, end of period, in million HRK**

	Stock			Change	
	Dec. 2001	Sep. 2002	Dec. 2002	Jan. – Dec. 2001	Jan. – Dec. 2002
1. External debt of central government	41,440.7	42,779.1	43,873.9	2,781.8	2,433.1
1.1. External debt of the Republic of Croatia	38,676.7	39,787.8	40,114.6	2,098.9	1,437.9
Bonds	30,077.9	30,402.1	30,115.3	4,846.8	37.4
Credits	8,598.8	9,385.8	9,999.3	-2,747.9	1,400.5
1.2. External debt of central government funds	2,764.0	2,991.3	3,759.3	682.9	995.2
Bonds	697.9	288.9	1,019.3	311.4	321.4
Credits	2,066.1	2,702.3	2,739.9	371.5	673.8

Source: CNB *Bulletin*, Table I3.**Table 12: Principal Payments of the General Government External Debt, in million USD**

	2003	2004	2005	2006	2007	2008
1. Central government	292.5	625.9	762.4	770.7	539.2	426.2
of which: Bonds	161.2	517.7	657.8	663.3	404.6	282.1
Long-term trade credits	0.4	107.8	104.7	107.4	134.6	144.0
Long-term credits	131.0	0.4	0.0	0.0	0.0	0.0
2. Central government funds	1.5	2.2	1.2	1.3	1.4	1.4
of which: Long-term credits	1.5	2.2	1.2	1.3	1.4	1.4
3. Local government units and funds	10.7	10.8	10.6	10.2	3.5	3.2
of which: Long-term trade credits	0.2	0.3	0.0	0.0	0.0	0.0
Long-term credits	10.4	10.6	10.6	10.2	3.5	3.2
Total	304.7	638.9	774.2	782.3	544.0	430.7

Source: CNB.

Domestic Central Government Debt to Banks

Domestic central government debt increased by HRK 3.8bn in 2002. This is a nominal increase of 6.9% compared with the domestic debt increase in 2001 (HRK 3.6bn). Unlike previous years, when bonds and Treasury bills were the main generators of domestic debt, the year 2002 was marked by rapid credit growth of banks. Thus, central government net borrowing on the basis of bank loans increased by HRK 2.5bn, compared with the previous year when HRK 20.8m worth of net loan repayments were made to banks. Increased loan-based borrowing can partly be explained by the Croatian Highway's use of a syndicated loan. Increased borrowing on the part of the Croatian Highways is expected in 2003 on the domestic capital market, probably in the form of bonds, as planned in the new MEFP.

Arrears

Before 2000, one of the most popular forms of central government budget funding was late settlement of bills, or accumulation of government arrears. The estimated stock of arrears at the end of 1999 was HRK 9.5bn. By signing the stand-by arrangement, the government had undertaken to settle its net arrears. Thus, government arrears stood at only HRK 0.5bn at end-2001, contributing, among others, to increased government borrowing. Although the government made further net repayments of arrears in the amount of HRK 0.3bn in the first three months of 2002, with the expiration of the stand-by arrangement towards the end of March 2002, government's discipline as regards its net repayments slackened. As shown by Ministry of Finance data, Government's failure to settle its financial obligations on time during the last three quarters of 2002 resulted in HRK 0.4bn worth of government arrears.

Central Government External Debt

Cumulative external debt of the consolidated central government increased by HRK 2.4bn and at end-2002 stood at HRK 43.9bn. This is an increase of 5.9% compared with its external debt at end-December 2001. While the increase in domestic debt slowed down in 2002, the increase in external debt recorded a decline of 12.5%, partly due to debt repayments related to issued bonds. In other words, external debt's net increase fell from HRK 2.8bn in 2001 to HRK 2.4bn in 2002. It should be mentioned that the 7% coupon eurodollar bond amounting to USD 0.3bn was repaid in 2002. This leaves Croatia with the obligation to pay off the remaining ten bond issues, if the next issue of eurobonds amounting to EUR 0.5bn is included.

The government is not facing any larger foreign debt repayments in 2003 so it will be afforded some extra space within the budget to pursue its policies. By contrast, in the period 2004-2006, the central government will be faced with growing principal repayments that could easily affect the country's growth. Principal repayments in that period are expected to increase from approximately USD 0.3bn to USD 0.6bn in 2004 and USD 0.8bn in 2005 and 2006. Principal repayments in the period 2004-2006 are related to obligations arising from issued bonds and long-term trade loans. Po-

tentially, the amounts to be repaid may be larger if the possibility of the use of long-term loans, which mature in 2003, is considered (Table 12).

Privatization

Privatization receipts in 2002 were HRK 2.3bn, while other capital revenue, from the sale of apartments in military and state ownership, amounted to HRK 0.2bn. Privatization receipts from the sale of Dubrovačka banka, Splitska banka and Riječka banka in the first half of 2002 were HRK 0.7bn. In the second half of the year, privatization receipts from the sale of hotels Croatia Cavtat and Anita Vrsar, the remaining government stake in Privredna banka Zagreb and the payment of the second half of the amount agreed for the sale of Riječka banka, following the completion of due diligence in that bank, amounted to HRK 1.6bn. HRK 2.5bn in privatization receipts are planned for 2003. Privatization plans comprise the sale of 25% + one share of INA, 7% shares of HT (ESOP) and the sale of 30% of Croatia osiguranje through their listing on the Zagreb Stock Exchange. Should the privatization receipts top the planned HRK 2.5bn, the government has undertaken to use any such surplus to decrease the existing debt.

Box 5: Memorandum of Economic and Financial Policies

Following successful completion of the last stand-by arrangement in May last year, the Croatian authorities had applied for another precautionary arrangement of this type. It was concluded in February of this pre-election year. This Arrangement underscores the commitment of the Croatian authorities to continue the process of reforms outlined in the program of the Memorandum of Economic and Financial Policies (MEFP) for 2003, prepared by the Croatian Government and the Croatian National Bank. The economic program aims at maintaining macroeconomic stability and strengthening the foundations for high economic growth. To achieve these objectives, the program relies on fiscal adjustment and structural reform. Fiscal consolidation will be based on budget deficit reduction and a reduction in the share of government spending in GDP and on the stabilization of the share of public debt in GDP, following its uninterrupted growth in the past years. In support of the program, SDR 105.88m (29% of its membership quota) was made available to the Republic of Croatia under the approved IMF arrangement over a 14-month period ending in March 2004.

In accordance with the Fund's standard practice, the implementation of the program will be monitored through quantitative performance criteria and indicative targets in the fiscal, monetary and external sectors. In this regard, the MEFP proposes quantitative performance and structural performance criteria for end-March and end-June 2003 and indicative targets for the second half of 2003.

Quantitative performance criteria comprise quarterly limits on:

- cumulative deficits of the consolidated central and general governments;
- cumulative changes of the stock of central government arrears;
- cumulative amount of nonconcessional external debt contracted or guaranteed by the general government, CNB and HBOR with an original maturity of over one year, with sublimits on such debts with a maturity of up to five years;

- net changes of the stock of short-term external debt contracted or guaranteed by the general government, CNB and HBOR;
- cumulative changes (floors) of the net usable international reserves of the CNB; and
- cumulative changes of the net domestic assets of the CNB.

Structural benchmarks comprise:

- approval of a new budget law;
- issuing (until end-June 2003) and implementing (until end-September 2003) decisions for the inclusion of options in the calculation of net open foreign exchange positions of banks;
- issuing a decision on the bids received for the privatization of INA until end-March 2003; and
- preparation of a privatization plan for HPB until end-March 2003.

The preparation of criteria for issuing guarantees (until end-March 2003) constitutes the structural performance criterion.

Periodic consultations with the Fund have been agreed in accordance with the Fund's policies on such consultations, about the progress being made in implementing the economic program as well as about any revisions to the policies that may be needed to implement the program successfully.

In view of Croatia's comfortable international reserves position and easy access to international capital markets, the Croatian authorities have pointed out that they do not intend to make purchases under the concluded arrangement. Furthermore, to emphasize the precautionary nature of the concluded arrangement, the Croatian authorities repurchased the entire amount of IMF credit before due date (at end-December 2002) and applied for the lowest possible amount under the new arrangement. The arrangement with the IMF was concluded, among other things, to improve Croatia's credit rating in the international capital markets. The country's improved rating is expected to lead to improved confidence of foreign investors because the country will earn more credibility if its implementation of the planned measures and if its commitment to targets outlined in the economic program are recognized internationally. It is also ex-

pected to lead to cheaper foreign borrowing because of financial markets improved confidence in Croatia. After concluding the arrangement with the IMF, the government decided to borrow on the international market in the first quarter to cover its budgetary mismatches. February saw this year's first issue of eurobonds amounting to EUR 538m, at a coupon interest rate of 4.625% or a yield to maturity of 4.683%.

As stated previously, to achieve its economic objectives, the government has undertaken to make progress in establishing the foundations for long-term fiscal sustainability, relying on budget deficit reduction and a reduction in the share of government expenditures in GDP and on the stabilization of the share of public debt in GDP. Stabilization in the share of debt in GDP of 57.5% of GDP estimated for end-2002 is expected on the basis of the reduction of general government deficit from the forecast 6.2% of GDP in 2002 to 5.0% of GDP in 2003, conservative estimates for privatization receipts and under assumption of no further growth of government guarantees. A decline in the share of revenue in GDP of 0.5% has been estimated mainly due to increased standard personal income tax deduction, lower social security contribution rates, real estate tax exemptions for those acquiring residential houses or flats for the first time and lower import customs duties. By contrast, an increase in revenue of 0.6% of GDP is planned due to the reduction of the standard personal income tax deduction in areas of special national concern (islands, war-affected areas) to the level of the increased standard deduction, extension of the base for social security contributions to encompass all types of work, except regular employment, of all population groups except students and fees paid under authors' contracts as well as due to additional car insurance tax that has been introduced. However, if the effects of costs of the introduction of the second pillar of pension insurance in 2002 are taken into consideration, the estimated total net decline of revenue in GDP stands at 0.4 percentage points. Thus, targets related to fiscal consolidation, or deficit reduction will be achieved through a much larger decline in the share of expenditure in GDP. This is why this program relies heavily on rigid wage policy in the government sector which is to be achieved through a wage freeze and the implementation of the approved by-laws regulating reform in the defense sector (relating to a reduction in the number of employees by 12,000 in the first nine months of 2003).

A nominal decline of some bonuses and compensations paid to employees in the central government is expected to contribute to keeping the total wage bill in check.

Planned net borrowing under the program, which will attempt to rely predominantly on domestic funding, will help curb the appreciation pressures on the exchange rate and is expected to match well the investment needs of new private pension funds and development needs of domestic capital markets. In addition, deficit funding will rely less on privatization receipts.

The implementation of the fiscal program will be monitored on the basis of quantitative performance criteria (limits), relating to the deficits of the consolidated and general governments, changes of the stock of central government arrears, net changes of the stock of short-term external debt contracted or guaranteed by the general government, the CNB and HBOR for nonconcessional external debt with original maturity of over one year. General government's net domestic borrowing will be monitored on the basis of indicative targets to ensure sufficient space for non-government sector borrowing.

Planned fiscal adjustment and reduced reliance on external sources of financing are expected to facilitate the implementation of monetary policy. As regards the monetary and exchange rate policies, the emphasis is laid on further price stability and the role of discretionary powers in conducting foreign exchange interventions and on the exchange rate stability needed to achieve this objective. However, even though exchange rate stability was beneficial for the economy, the central bank should allow greater exchange rate flexibility to prevent unhedged foreign exchange positions and one-sided exchange rate speculations. Under this Memorandum, the monetary authorities undertake to continue (following the issuing of decisions restricting credit expansion of banks) their close monitoring of the banking system and to bring credit expansion of the banking sector in line with sound lending policies and good quality of credit portfolios of banks.

The implementation of the CNB's monetary program will be monitored on the basis of quantitative performance criteria (limits), relating to net usable international reserves and net domestic assets of the CNB. To provide room for non-government sector credit expansion, indicative limits have been set for net domestic borrowing of nine large public enterprises.

Structural reforms on which Croatia's economic program is based are aimed at improving the country's competitiveness and increasing employment and growth in medium term. The reforms are intended to cover, in particular, the fiscal area, the financial sector, privatization and labor market. The fiscal sector reform comprises the adoption of a new budget law (structural benchmark) which will prescribe the obligation to submit an updated three-year budgetary framework with each annual budget and the obligation to report all general government budget data on a consolidated basis as well as the obligation to regularly disclose such data. Under the Memorandum the government is also obliged to prepare the criteria for issuing guarantees to restrict their issuing to private companies in which the government holds no ownership stakes. With its fiscal reform the government has also undertaken to strengthen the country's debt management sectors. Measures envisaged within the financial sector reform include the adoption of a new foreign exchange law in accordance with EU standards and the authorization for the CNB to impose temporary restrictions on short-term capital inflows. To implement the new banking law, the CNB has drafted the regulations (on the classification of placements, methodology of supervision, etc.) and has already issued an amended decision regulating the calculation of net open positions of banks for prudential purposes (decision restricting bank exposure to currency risk as a structural benchmark). As the government is determined to sell almost all its public enterprises and only keep minority ownership stakes in some of them, it has undertaken, under the Memorandum, to speed up the privatization of INA (decision on bids received for the privatization as a structural benchmark), complete the preparatory work for a possible privatization of HEP's power plants, privatize HPB (preparatory work on its privatization program as a structural benchmark), sell 30% of Croatia osiguranje on the Zagreb Stock Exchange and 7% of HT to the company's employees and sell most of the companies held in the portfolio of CPF and in the ownership of DAB and CPIL.

To promote market functioning and employment growth, the government is preparing new laws on companies, market competition, labor market and bankruptcy.

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 Administration, State Agency for Deposit Insurance and Bank Rehabilitation and Croatian Guarantee Agency, 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	October	16,075.1	20,064.9	20,420.6	90,102.4	54,147.3	72,959.7	17.96	-1.08	-0.67	1.99	0.43	1.99	
	November	16,482.3	20,975.8	21,380.1	95,005.8	55,524.1	74,101.9	2.53	4.54	4.70	5.44	2.54	1.57	
	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	January	17,631.9	22,398.4	22,596.0	108,647.4	61,267.9	77,306.8	-0.96	-5.51	-5.60	2.43	6.72	3.12	
	February	18,954.0	22,164.9	22,511.3	107,183.8	59,950.6	77,343.1	7.50	-1.04	-0.38	-1.35	-2.15	0.05	
	March	19,747.8	24,375.1	24,776.6	106,245.0	63,530.6	79,862.5	4.19	9.97	10.06	-0.88	5.97	3.26	
	April	20,757.4	26,418.4	27,012.0	106,333.0	66,599.9	82,131.3	5.11	8.38	9.02	0.08	4.83	2.84	
	May	20,991.0	26,715.5	27,255.7	106,444.8	68,443.7	83,986.9	1.13	1.12	0.90	0.11	2.77	2.26	
	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 ^b	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	

^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

	1997	1998	1999	2000	2001	2002						2003
	Dec.	Dec.	Dec. ^a	Dec.	Dec. ^b	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.	Jan. ^c
ASSETS												
1. Foreign assets (net)	16,913.0	12,713.5	16,655.5	29,017.2	48,661.3	42,714.4	37,379.6	39,934.3	38,117.0	37,049.9	32,817.4	30,270.5
2. Domestic credit	56,194.9	66,923.1	65,938.6	72,051.4	87,637.6	94,540.0	97,400.5	102,915.8	107,136.0	107,806.0	112,518.9	116,346.0
2.1. Claims on central government and funds (net)	7,331.4	7,131.1	10,062.8	11,167.6	12,673.1	14,677.5	12,387.3	11,750.2	12,554.9	12,397.2	15,055.2	16,190.5
2.2. Claims on other domestic sectors	48,616.6	59,597.7	55,676.4	60,653.4	74,513.0	79,231.4	84,245.7	90,078.4	93,472.7	94,453.3	96,329.0	98,893.1
2.3. Claims on other banking institutions	–	0.4	45.4	68.7	170.2	168.6	184.7	215.0	209.3	218.1	219.5	215.7
2.4. Claims on other financial institutions	246.8	193.9	154.0	161.7	281.4	462.5	582.8	872.2	899.0	737.4	915.3	1,046.6
Total (1+2)	73,107.8	79,636.5	82,594.1	101,068.7	136,298.9	137,254.3	134,780.1	142,850.1	145,253.0	144,855.9	145,336.3	146,616.6
LIABILITIES												
1. Money	13,731.4	13,531.4	13,858.9	18,030.3	23,703.5	24,375.1	28,254.4	28,913.6	29,090.4	29,092.3	30,869.8	29,412.1
2. Savings and time deposits	5,598.9	5,683.8	5,397.5	7,651.1	10,213.1	10,626.7	10,945.0	11,831.6	12,320.1	12,673.8	13,001.1	13,995.3
3. Foreign currency deposits	31,278.1	37,970.9	36,966.0	46,901.6	71,836.9	70,938.8	67,159.9	72,254.2	73,165.4	72,290.8	72,054.6	73,015.0
4. Bonds and money market instruments	133.6	154.1	436.8	478.2	317.8	304.4	234.1	275.8	250.4	203.7	216.3	192.5
5. Restricted and blocked deposits	5,953.4	4,315.2	3,814.7	2,864.5	1,926.2	1,861.3	1,993.8	1,896.8	1,794.5	1,841.2	1,729.5	1,645.5
o/w: Households' blocked f/c deposits	4,573.8	3,419.1	2,742.7	1,695.1	770.2	538.6	474.0	363.3	335.0	327.0	319.3	258.2
6. Other items (net)	16,412.5	17,981.1	22,120.0	25,143.1	28,301.4	29,148.1	26,192.9	27,678.2	28,632.2	28,754.1	27,465.1	28,356.1
Total (1+2+3+4+5+6)	73,107.8	79,636.5	82,594.1	101,068.7	136,298.9	137,254.3	134,780.1	142,850.1	145,253.0	144,855.9	145,336.3	146,616.6

^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.

^c Preliminary data.

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	October	45	3	15	8	5	11	3	23	4	14	5
	November	45	3	15	7	6	11	3	22	3	14	5
	December	44	3	13	7	7	10	4	21	4	12	5
2002	January	45	3	14	7	7	9	5	19	3	12	4
	February	45	4	13	7	7	9	5	18	2	12	4
	March	46	5	12	8	7	11	3	17	2	11	4
	April	48	5	14	8	7	11	3	15	2	11	2
	May	50	8	14	7	7	11	3	12	2	8	2
	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

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 operations, so that data up to June 1995 relate only to those savings banks

that reported voluntarily to the CNB. From July 1995 on, the data cover all registered savings banks. In accordance with the Banking Law, savings banks must meet the conditions set out in the Law by December 31, 2001, or they will be liquidated.

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

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics.

Table C1: Monetary Authorities Accounts

End of period, million kuna

	1997	1998	1999	2000	2001	2002						2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.	Nov.	Dec.	Jan. ^c
ASSETS												
1. Foreign assets	16,005.6	17,592.5	23,135.7	28,747.4	39,308.9	41,501.9	41,227.8	42,817.5	43,597.0	43,795.9	42,058.8	41,851.6
1.1. Gold	–	–	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	927.0	1,444.4	1,449.2	1,204.2	905.8	884.4	705.5	687.4	589.3	572.6	17.4	17.4
1.3. Reserve position in the IMF	0.7	1.0	1.6	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6	1.6
1.4. Currency and demand deposits with foreign banks	510.6	342.0	1,109.6	7.4	6.1	229.0	6.9	6.4	6.4	11.8	6.4	6.1
1.5. Time deposits with foreign banks	12,169.5	11,696.6	17,702.4	20,986.9	25,565.9	27,595.0	26,692.4	26,812.4	27,670.7	29,277.4	28,183.2	28,013.6
1.6. Securities in f/c	2,396.5	4,107.2	2,871.6	6,545.7	12,829.3	12,791.7	13,821.3	15,309.6	15,328.8	13,932.4	13,850.0	13,812.9
1.7. Nonconvertible foreign exchange	1.4	1.4	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	–	–	24.1	0.0	–	–	–	2.4	–	2.0	2.3	0.5
2.1. Claims in kuna	–	–	24.1	0.0	–	–	–	2.4	–	2.0	2.3	0.5
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	24.4	1.0	276.8	289.5	229.2	128.2	122.6	110.5	110.8	110.8	110.6	110.5
4. Claims on DMBs	33.5	1,053.8	1,138.7	329.9	18.5	578.7	17.0	17.3	17.7	17.7	17.9	17.9
4.1. Credits to DMBs	31.0	1,044.4	1,125.3	313.6	–	562.0	–	–	–	–	–	–
Lombard credits	30.0	252.3	176.7	–	–	4.0	–	–	–	–	–	–
Short-term liquidity credits	–	–	929.0	–	–	558.0	–	–	–	–	–	–
Other credits	1.0	333.0	19.7	14.0	–	–	–	–	–	–	–	–
CNB bills under repurchase agreement	–	459.2	–	299.6	–	–	–	–	–	–	–	–
4.2. CNB deposits with DMBs	2.5	9.3	13.4	15.2	16.6	16.7	17.0	17.0	17.4	17.4	17.6	17.6
4.3. Overdue claims	0.0	0.0	0.0	1.1	1.9	–	–	0.3	0.3	0.3	0.3	0.3
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	16,063.5	18,647.3	24,575.3	29,366.8	39,556.6	42,208.8	41,369.8	42,945.3	43,727.5	43,926.8	42,187.7	41,980.5
LIABILITIES												
1. Reserve money	10,346.1	9,954.2	10,310.0	11,717.3	17,803.2	19,747.8	22,036.3	20,871.2	20,319.8	20,798.0	23,027.9	21,678.2
1.1. Currency outside banks	5,307.5	5,718.8	5,958.9	6,636.7	8,507.4	9,145.9	9,904.2	9,679.8	9,506.8	9,348.2	9,680.9	9,468.1
1.2. DMBs' cash in vaults	216.9	251.4	382.1	532.3	538.8	891.3	972.4	895.9	1,001.9	954.3	1,214.8	1,278.0
1.3. DMBs' deposits	4,821.6	3,980.2	3,960.4	4,540.7	8,741.5	9,706.6	11,156.1	10,277.2	9,804.2	10,479.5	12,109.4	10,914.0
Settlement accounts	866.6	467.5	247.9	459.5	2,450.1	2,635.8	3,747.3	2,483.3	1,855.4	2,407.1	3,923.4	2,626.0
Statutory reserves	3,955.0	3,512.7	3,712.5	4,081.2	6,291.4	7,070.7	7,408.8	7,793.9	7,948.8	8,072.4	8,186.0	8,288.0
CNB bills on obligatory basis	–	–	–	–	–	–	–	–	–	–	–	–
1.4. Deposits of other banking institutions	–	2.4	8.5	7.5	15.5	4.0	3.6	18.3	7.0	15.9	19.1	15.0
1.5. Deposits of other domestic sectors ^b	0.1	1.3	–	0.0	0.1	–	–	–	–	–	3.5	3.2
2. Restricted and blocked deposits	101.1	1,787.6	5,016.8	5,805.5	6,030.5	6,951.0	6,468.8	6,848.7	7,072.7	7,154.9	7,091.2	7,196.6
2.1. Statutory reserve in f/c	–	1,668.4	4,636.2	5,490.5	5,705.1	6,840.9	6,428.2	6,825.4	7,050.4	7,107.4	7,042.3	7,149.6
2.2. Restricted deposits	101.1	119.1	380.6	315.0	325.4	110.1	40.7	23.3	22.2	47.5	49.0	47.0
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,471.4	1,465.4	1,671.2	1,630.8	1,597.5	1,995.7	1,317.0	1,711.9	1,863.5	2,619.7	195.7	825.2
3.1. Use of IMF credit	1,468.4	1,461.3	1,501.7	1,290.3	1,025.5	1,010.3	826.1	813.5	718.1	702.3	2.8	2.8
3.2. Liabilities to international organizations	3.0	4.1	6.8	9.5	12.2	13.5	12.4	12.6	12.8	12.6	12.6	13.0
3.3. Liabilities to foreign banks ^a	–	–	162.7	331.0	559.8	971.9	478.6	885.9	1,132.7	1,904.8	180.2	809.4
4. Central government and funds deposits	1,032.7	434.8	397.2	1,157.4	1,752.1	1,086.0	778.5	1,412.6	1,917.0	1,553.3	768.1	800.8
4.1. Demand deposits	805.7	390.2	394.2	1,008.5	1,752.1	1,086.0	778.5	1,312.8	1,897.0	1,513.4	608.3	631.2
Central government demand deposits	625.7	291.0	388.0	980.8	1,564.8	1,033.7	698.5	1,290.8	1,888.8	1,498.9	569.5	612.9
Central government funds demand deposits	180.1	99.3	6.2	27.7	187.3	52.3	80.0	22.0	8.3	14.5	38.7	18.3
4.2. Central government f/c deposits	147.6	–	0.0	–	–	–	–	–	–	–	–	–
4.3. CNB bills	79.4	44.6	2.9	148.8	–	–	–	99.8	20.0	39.9	159.9	169.7
5. CNB bills	722.0	2,242.9	2,887.2	4,207.3	6,372.3	6,052.0	6,342.4	7,236.1	6,999.0	6,625.0	6,212.4	6,288.8
5.1. CNB bills in kuna	722.0	830.7	1,252.5	2,394.6	3,458.9	4,026.3	4,531.8	5,540.4	5,472.3	5,370.4	4,986.2	5,103.9
5.2. CNB bills in f/c	–	1,412.2	1,634.7	1,812.7	2,913.4	2,025.7	1,810.5	1,695.7	1,526.7	1,254.6	1,226.3	1,185.0
6. Capital accounts	2,361.8	2,898.2	4,535.5	5,216.6	6,425.2	6,802.4	4,852.2	5,298.6	5,988.5	5,616.5	5,353.5	5,656.7
7. Other items (net)	28.5	–135.8	–242.4	–368.1	–424.2	–426.1	–425.3	–433.8	–433.1	–440.6	–461.1	–466.0
Total (1+2+3+4+5+6+7)	16,063.5	18,647.3	24,575.3	29,366.8	39,556.6	42,208.8	41,369.8	42,945.3	43,727.5	43,926.8	42,187.7	41,980.5

^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.^c Preliminary data.

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec. ^a	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. [*]	Jan.
ASSETS										
1. Reserves with the CNB	5,045.6	5,908.1	8,987.9	10,588.9	15,002.7	17,532.5	18,618.3	17,989.1	20,373.5	19,379.5
1.1. In kuna	5,045.6	4,239.7	4,352.6	5,098.4	9,306.2	10,701.6	12,199.1	11,173.2	13,340.0	12,238.6
1.2. In f/c	–	1,668.4	4,635.3	5,490.5	5,696.5	6,830.8	6,419.2	6,815.9	7,033.5	7,140.9
2. Foreign assets	16,185.8	12,763.1	12,400.1	19,710.4	32,807.6	26,352.3	22,324.4	24,741.0	25,977.8	25,439.1
3. Claims on central government and funds	15,238.8	14,864.2	16,264.4	19,055.5	20,059.9	21,654.3	20,270.8	20,451.1	21,917.7	22,743.1
3.1. Bonds arising from blocked f/c deposits	6,714.4	5,802.3	5,419.9	4,484.4	3,420.1	2,948.8	2,920.3	2,442.9	2,473.5	2,014.4
3.2. Big bonds	2,291.9	2,103.1	1,321.8	1,475.7	1,659.4	1,650.9	1,672.3	1,699.7	1,699.1	1,705.5
3.3. Other claims	6,232.5	6,958.8	9,522.8	13,095.3	14,980.4	17,054.7	15,678.1	16,308.6	17,745.2	19,023.2
4. Claims on other domestic sectors	48,592.2	59,596.7	55,399.7	60,363.9	74,283.8	79,103.2	84,123.1	89,967.9	96,218.4	98,782.6
4.1. Claims on local government and funds	308.8	654.0	905.6	1,174.9	1,280.0	1,194.2	1,200.8	1,167.4	1,422.4	1,421.2
4.2. Claims on enterprises	35,487.2	41,225.5	35,244.3	35,890.7	42,882.0	45,346.0	46,936.3	49,435.7	51,723.4	52,781.7
4.3. Claims on households	12,796.2	17,717.2	19,249.8	23,298.3	30,121.9	32,563.0	35,986.0	39,364.8	43,072.6	44,579.7
5. Claims on other banking institutions	–	0.4	45.4	68.7	170.2	168.6	184.7	215.0	219.5	215.7
6. Claims on other financial institutions	246.8	193.9	154.0	161.7	281.4	462.5	582.8	872.2	915.3	1,046.6
Total (1+2+3+4+5+6)	85,309.3	93,326.4	93,251.5	109,949.1	142,605.6	145,273.4	146,104.2	154,236.3	165,622.2	167,606.7
LIABILITIES										
1. Demand deposits	8,423.8	7,808.9	7,891.5	11,386.0	15,180.6	15,225.2	18,346.6	19,215.4	21,166.2	19,925.8
2. Savings and time deposits	5,598.9	5,683.8	5,397.5	7,651.1	10,213.1	10,626.7	10,945.0	11,831.6	13,001.1	13,995.3
3. Foreign currency deposits	31,278.1	37,970.9	36,966.0	46,901.6	71,836.9	70,938.8	67,159.9	72,254.2	72,054.6	73,015.0
4. Bonds and money market instruments	133.6	154.1	436.8	478.2	317.8	304.4	234.1	275.8	216.3	192.5
5. Foreign liabilities	13,807.1	16,176.8	17,209.1	17,809.7	21,857.8	23,144.1	24,855.7	25,912.2	35,023.5	36,194.9
6. Central government and funds' deposits	6,874.7	7,298.3	5,828.6	6,730.5	5,634.7	5,890.8	7,107.5	7,288.4	6,094.9	5,752.3
7. Credit from central bank	33.7	1,049.2	1,138.7	328.8	16.6	578.7	17.0	17.0	17.6	17.6
8. Restricted and blocked deposits	5,852.3	4,196.0	3,434.2	2,549.6	1,600.8	1,751.3	1,953.1	1,873.5	1,680.5	1,598.5
o/w: Households' blocked f/c deposits	4,573.8	3,419.1	2,742.7	1,695.1	770.2	538.6	474.0	363.3	319.3	258.2
9. Capital accounts	17,027.0	19,785.6	21,975.4	24,953.1	25,455.1	25,694.4	25,005.9	25,967.0	26,323.2	26,574.4
10. Other items (net)	–3,719.9	–6,797.2	–7,026.4	–8,839.4	–9,507.8	–8,880.9	–9,520.5	–10,398.9	–9,955.6	–9,659.6
Total (1+2+3+4+5+6+7+8+9+10)	85,309.3	93,326.4	93,251.5	109,949.1	142,605.6	145,273.4	146,104.2	154,236.3	165,622.2	167,606.7

^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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Foreign assets in f/c	16,167.9	12,743.4	12,352.8	19,619.2	32,763.6	26,321.8	22,264.8	24,604.1	25,924.4	25,374.9
1.1. Claims on foreign banks	15,425.6	11,980.5	11,598.5	19,154.9	31,660.3	25,055.2	21,156.0	23,200.8	21,333.5	20,983.3
Foreign currencies	850.4	586.9	886.7	1,002.8	7,324.7	1,760.3	1,085.0	825.5	1,019.8	773.7
Demand deposits	6,938.5	6,228.6	1,498.5	995.0	1,231.9	1,080.2	1,091.8	713.0	757.7	810.7
Time and notice deposits	7,010.9	4,637.1	8,509.4	16,286.7	21,765.2	20,236.6	16,745.1	18,850.2	17,569.8	17,163.3
Securities	88.6	51.1	–	454.9	1,008.5	1,646.0	1,899.3	2,443.8	1,690.2	1,942.0
Loans and advances	408.7	343.4	569.8	370.9	290.3	292.3	295.4	351.3	278.7	276.1
Shares and participations	128.4	133.5	134.1	44.6	39.7	39.8	39.4	17.0	17.2	17.5
1.2. Claims on foreign nonbanks	742.4	762.9	754.3	464.3	1,103.3	1,266.6	1,108.8	1,403.3	4,590.8	4,391.6
Claims on foreign governments	–	–	399.9	137.8	596.2	683.5	641.5	719.4	3,855.5	3,680.3
Claims on other nonresidents	580.4	583.9	350.4	322.4	505.5	581.5	465.7	682.3	733.7	709.7
Securities	17.7	3.7	4.5	–	72.1	109.0	11.1	41.5	191.3	193.1
Loans and advances	562.7	580.2	345.9	322.4	433.4	472.5	454.6	640.8	542.4	516.6
Shares and participations	162.0	179.0	4.0	4.1	1.6	1.6	1.5	1.5	1.6	1.6
2. Foreign assets in kuna	17.9	19.7	47.3	91.2	44.1	30.5	59.7	136.9	53.4	64.2
2.1. Claims on foreign banks	3.6	3.1	16.6	66.1	29.2	19.9	25.0	102.6	19.6	18.9
2.2. Claims on foreign nonbanks	14.3	16.6	30.6	25.1	14.8	10.6	34.6	34.2	33.8	45.3
o/w: Loans and advances	14.3	16.6	29.6	23.3	13.9	9.8	33.8	33.4	33.0	44.5
Total (1+2)	16,185.8	12,763.1	12,400.1	19,710.4	32,807.6	26,352.3	22,324.4	24,741.0	25,977.8	25,439.1

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Bonds (c'part to blocked f/c savings deposits)	6,714.4	5,802.3	5,419.9	4,484.4	3,420.1	2,948.8	2,920.3	2,442.9	2,473.5	2,014.4
2. Big bonds	2,291.9	2,103.1	1,321.8	1,475.7	1,659.4	1,650.9	1,672.3	1,699.7	1,699.1	1,705.5
3. Other claims	6,232.5	6,958.8	9,522.8	13,095.3	14,980.4	17,054.7	15,678.1	16,308.6	17,745.2	19,023.2
3.1. In kuna	4,261.8	5,066.1	8,564.0	11,412.0	12,699.2	14,209.0	12,722.7	13,171.4	14,271.8	15,237.9
3.1.1. Claims on central government	4,191.8	4,614.1	7,831.3	9,812.6	11,150.7	12,664.4	11,512.9	11,556.8	12,270.8	13,234.2
Securities	4,171.7	4,426.9	6,897.3	8,587.8	10,323.7	10,674.4	9,915.1	10,136.8	9,816.5	10,647.2
Loans and advances	20.1	187.2	934.0	1,224.9	826.9	1,990.0	1,597.8	1,420.1	2,454.3	2,586.9
3.1.2. Claims on central government funds	70.0	452.0	732.7	1,599.4	1,548.5	1,544.6	1,209.8	1,614.6	2,001.0	2,003.7
Securities	–	–	–	627.3	560.1	583.5	560.0	546.8	560.7	561.9
Loans and advances	70.0	452.0	732.7	972.1	988.4	961.0	649.8	1,067.8	1,440.3	1,441.8
3.2. In f/c	1,970.7	1,892.7	958.8	1,683.3	2,281.2	2,845.7	2,955.5	3,137.1	3,473.3	3,785.3
3.2.1. Claims on central government	1,966.7	1,879.5	921.4	1,492.7	1,390.9	1,935.7	2,047.7	2,258.2	2,359.1	2,630.6
Bonds	1,172.5	1,182.2	518.1	869.2	1,065.5	1,555.2	1,445.2	1,688.8	1,733.4	1,921.4
Loans and advances	794.2	697.3	403.3	623.5	325.5	380.5	602.4	569.3	625.7	709.2
3.2.2. Claims on central government funds	4.0	13.2	37.4	190.6	890.3	910.0	907.8	878.9	1,114.2	1,154.7
Securities	2.8	0.2	27.6	35.0	75.4	69.6	38.3	31.6	195.0	244.1
Loans and advances	1.3	13.0	9.8	155.5	814.8	840.4	869.5	847.3	919.2	910.6
Total (1+2+3)	15,238.8	14,864.2	16,264.4	19,055.5	20,059.9	21,654.3	20,270.8	20,451.1	21,917.7	22,743.1

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec. ^a	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Claims in kuna	40,149.5	50,509.7	48,336.4	53,739.5	66,626.8	70,267.6	75,541.2	80,640.3	85,418.7	87,951.2
1.1. Money market instruments	81.5	101.8	365.7	231.9	544.7	619.7	778.8	1,190.8	1,394.7	1,437.8
1.2. Bonds	1.7	0.7	0.0	1.0	7.7	124.5	163.1	118.6	72.4	67.4
1.3. Loans and advances	35,971.2	45,956.0	44,505.1	49,566.8	62,180.6	65,820.6	70,852.8	75,767.3	80,887.6	83,402.7
1.4. Shares and participations	4,095.2	4,451.3	3,465.5	3,939.8	3,893.8	3,702.8	3,746.5	3,563.6	3,064.0	3,043.3
2. Claims in f/c	8,442.7	9,087.0	7,063.3	6,624.3	7,657.0	8,835.5	8,581.9	9,327.6	10,799.8	10,831.4
2.1. Securities	0.6	0.6	74.9	112.4	126.6	201.6	380.4	276.1	243.2	247.5
2.2. Loans and advances	8,442.1	9,086.3	6,988.5	6,512.0	7,530.5	8,633.9	8,201.5	9,051.5	10,556.6	10,583.9
Total (1+2)	48,592.2	59,596.7	55,399.7	60,363.9	74,283.8	79,103.2	84,123.1	89,967.9	96,218.4	98,782.6

^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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec. ^a	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. [*]	Jan.
LOANS IN KUNA										
1. Loans to central government and funds	74.6	633.2	1,666.6	2,196.9	1,815.4	2,951.0	2,247.6	2,487.8	3,894.6	4,028.8
1.1. Loans to central government	4.6	181.9	934.0	1,224.9	826.9	1,990.0	1,597.8	1,420.1	2,454.3	2,586.9
1.2. Loans to central government funds	70.0	451.3	732.7	972.1	988.4	961.0	649.8	1,067.8	1,440.3	1,441.8
2. Loans to local governments and funds	293.2	623.5	785.7	996.8	1,069.1	965.3	969.5	935.0	1,202.9	1,200.6
3. Loans to enterprises	22,925.8	27,660.0	24,533.4	25,328.0	31,049.4	32,361.7	33,973.5	35,549.7	36,708.1	37,719.9
4. Loans to households	12,752.2	17,672.5	19,186.1	23,242.1	30,062.1	32,493.6	35,909.8	39,282.6	42,976.6	44,482.3
o/w: Housing loans	....	....	7,469.5	8,257.8	9,450.0	9,793.8	10,245.9	11,321.0	12,363.4	12,803.5
5. Loans to other banking institutions	–	0.4	31.3	33.5	34.7	34.6	19.3	18.6	17.6	17.7
6. Loans to other financial institutions	166.6	114.2	138.6	105.5	240.9	320.5	472.5	802.3	521.3	593.8
A. Total (1+2+3+4+5+6)	36,212.4	46,703.7	46,341.6	51,902.8	64,271.6	69,126.8	73,592.3	79,076.1	85,321.1	88,043.0
LOANS IN F/C										
1. Loans to central government and funds	679.9	637.4	413.1	779.1	1,140.3	1,221.0	1,471.9	1,416.6	1,544.9	1,619.9
1.1. Loans to central government	678.6	624.5	403.3	623.5	325.5	380.5	602.4	569.3	625.7	709.2
1.2. Loans to central government funds	1.3	13.0	9.8	155.5	814.8	840.4	869.5	847.3	919.2	910.6
2. Loans to local governments and funds	13.1	30.5	118.7	171.6	179.1	179.1	165.5	163.9	152.3	144.5
3. Loans to enterprises	8,382.3	9,009.8	6,806.1	6,284.0	7,291.7	8,385.4	7,959.7	8,805.4	10,308.3	10,341.9
4. Loans to households	46.8	46.0	63.7	56.3	59.7	69.4	76.2	82.2	96.0	97.5
5. Loans to other banking institutions	–	–	1.7	–	–	–	–	–	1.2	–
6. Loans to other financial institutions	–	–	–	–	–	–	43.9	11.0	28.3	80.5
B. Total (1+2+3+4+5+6)	9,122.0	9,723.8	7,403.2	7,291.0	8,670.7	9,854.9	9,717.4	10,479.1	12,131.0	12,284.3
TOTAL (A+B)	45,334.4	56,427.5	53,744.9	59,193.9	72,942.3	78,981.7	83,309.6	89,555.2	97,452.1	100,327.3

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. [*]	Jan.
1. Local governments and funds	484.2	514.3	314.7	573.6	907.0	1,014.8	1,515.2	1,754.3	1,910.4	1,886.1
2. Enterprises	5,692.8	4,794.2	4,695.6	7,087.1	8,981.6	8,587.7	10,421.0	10,783.6	12,344.5	11,184.8
3. Households	2,235.7	2,492.2	2,686.5	3,499.7	4,872.0	4,979.6	5,828.0	6,024.5	6,307.4	6,368.3
4. Other banking institutions	–	–	6.9	11.6	17.0	25.7	22.8	16.7	42.1	28.1
5. Other financial institutions	203.8	190.0	190.0	221.7	407.1	622.0	567.5	642.7	568.1	463.9
6. Less: Checks of other banks and checks in collection	–192.6	–181.8	–2.2	–7.6	–4.2	–4.7	–8.0	–6.3	–6.4	–5.4
Total (1+2+3+4+5+6)	8,423.8	7,808.9	7,891.5	11,386.0	15,180.6	15,225.2	18,346.6	19,215.4	21,166.2	19,925.8

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	1,115.7	1,117.5	1,371.4	1,676.1	2,006.8	1,916.8	2,064.9	2,164.1	2,236.2	2,198.2
1.1. Local governments and funds	–	–	91.7	137.6	118.3	13.3	10.8	15.5	14.8	14.0
1.2. Enterprises	–	–	92.1	142.4	88.0	105.2	71.4	192.6	213.3	150.3
1.3. Households	1,115.7	1,117.5	1,167.3	1,348.3	1,712.2	1,780.9	1,908.9	1,948.3	1,996.3	2,016.4
1.4. Other banking institutions	–	–	2.6	0.6	20.8	0.0	66.4	0.0	0.0	0.0
1.5. Other financial institutions	–	–	17.8	47.2	67.5	17.3	7.4	7.7	11.8	17.5
2. Time and notice deposits	4,483.2	4,566.3	4,026.2	5,975.0	8,206.3	8,709.9	8,880.0	9,667.5	10,764.9	11,797.1
2.1. Local governments and funds	102.6	185.3	176.1	230.7	340.7	409.9	462.2	575.1	482.8	563.7
2.2. Enterprises	1,785.0	1,569.2	1,417.0	2,871.4	3,618.3	3,853.4	3,616.3	4,037.2	4,633.6	5,182.9
2.3. Households	1,962.1	1,998.7	1,531.7	1,789.8	2,554.1	2,803.2	3,221.7	3,488.2	3,793.8	4,076.0
2.4. Other banking institutions	–	–	33.5	20.8	24.7	14.5	27.0	35.3	58.4	70.5
2.5. Other financial institutions	633.6	813.1	867.8	1,062.2	1,668.5	1,628.9	1,552.9	1,531.7	1,796.3	1,903.9
Total (1+2)	5,598.9	5,683.8	5,397.5	7,651.1	10,213.1	10,626.7	10,945.0	11,831.6	13,001.1	13,995.3

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.*	Jan.
1. Savings deposits	10,750.3	12,140.3	12,228.1	14,566.3	23,748.8	21,658.3	20,419.4	21,947.7	21,074.4	21,153.5
1.1. Local governments and funds	111.7	19.5	29.5	16.8	13.2	16.2	17.0	13.5	12.2	12.3
1.2. Enterprises	1,969.4	2,091.9	1,842.6	2,408.0	2,884.2	2,819.3	3,042.6	3,989.6	3,346.7	3,293.3
1.3. Households	8,616.2	9,976.4	10,256.6	12,041.5	20,688.3	18,721.1	17,204.4	17,823.5	17,537.3	17,711.7
1.4. Other banking institutions	–	–	6.4	10.3	23.9	18.3	17.4	20.1	34.7	9.6
1.5. Other financial institutions	52.9	52.5	93.0	89.8	139.2	83.4	138.0	100.8	143.5	126.6
2. Time deposits	20,527.8	25,830.6	24,737.9	32,335.3	48,088.1	49,280.6	46,740.4	50,306.6	50,980.3	51,861.5
2.1. Local governments and funds	–	–	15.5	8.2	1.7	9.7	9.5	12.5	9.5	9.7
2.2. Enterprises	1,457.2	1,579.4	1,442.3	2,753.1	4,619.1	5,040.9	4,723.1	6,302.3	6,009.6	5,949.6
2.3. Households	18,849.8	23,994.7	22,957.7	29,097.2	42,705.4	43,324.6	41,232.1	43,109.5	44,159.2	45,112.3
2.4. Other banking institutions	–	–	2.5	4.2	11.5	9.4	22.4	21.7	41.5	33.8
2.5. Other financial institutions	220.8	256.5	320.0	472.7	750.3	896.0	753.3	860.6	760.5	756.1
Total (1+2)	31,278.1	37,970.9	36,966.0	46,901.6	71,836.9	70,938.8	67,159.9	72,254.2	72,054.6	73,015.0

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Money market instruments (net)	7.0	4.5	1.4	–	–	–	–	4.9	5.1	5.1
2. Bonds (net)	19.1	24.1	384.1	353.5	104.4	103.4	96.2	96.3	92.8	63.1
3. Other domestic borrowing	107.5	125.6	51.2	124.7	213.4	201.0	137.9	174.6	118.4	124.3
3.1. Local governments and funds	0.0	0.0	–	–	–	–	–	–	–	–
3.2. Enterprises	29.9	22.5	13.7	15.2	158.1	45.8	44.0	44.4	46.3	59.6
3.3. Other banking institutions	–	54.2	15.7	1.3	4.6	4.8	2.5	1.2	10.0	4.0
3.4. Other financial institutions	77.6	48.9	21.8	108.2	50.7	150.4	91.4	129.0	62.0	60.7
Total (1+2+3)	133.6	154.1	436.8	478.2	317.8	304.4	234.1	275.8	216.3	192.5

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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign liabilities in f/c	13,540.1	15,878.2	17,066.0	17,669.8	21,692.7	22,109.0	24,091.5	25,709.5	34,198.5	35,239.6
1.1. Liabilities to foreign banks	8,979.3	10,557.0	11,525.4	11,957.6	16,407.4	16,644.2	18,794.9	20,302.3	28,662.3	29,644.3
Demand deposits	300.9	242.3	157.1	176.3	147.1	113.2	314.3	93.7	130.9	98.1
Time and notice deposits	2,365.5	411.5	1,267.0	345.9	1,208.3	1,677.4	4,118.7	5,948.2	9,002.9	8,714.9
Loans and advances	6,313.0	9,903.2	10,101.2	11,435.4	15,052.1	14,853.6	14,361.8	14,260.4	19,528.5	20,831.3
1.2. Liabilities to foreign nonbanks	4,560.8	5,321.2	5,540.7	5,712.2	5,285.2	5,464.8	5,296.6	5,407.2	5,536.2	5,595.2
Savings and time deposits	2,056.8	2,892.6	2,545.9	2,868.1	3,777.8	3,977.1	3,887.9	4,018.0	4,160.2	4,246.2
Sight deposits	608.4	620.5	754.0	745.5	873.7	925.9	883.8	890.5	875.6	939.5
Time and notice deposits	1,448.4	2,272.1	1,791.9	2,122.6	2,904.1	3,051.2	3,004.2	3,127.5	3,284.6	3,306.6
Loans and advances	2,504.0	2,428.6	2,994.8	2,844.1	1,507.4	1,487.7	1,408.6	1,389.2	1,376.0	1,349.1
2. Foreign liabilities in kuna	266.9	298.6	143.1	140.0	165.1	1,035.1	764.2	202.7	825.0	955.3
2.1. Liabilities to foreign banks	187.1	156.3	65.0	37.0	46.9	949.4	675.5	134.3	690.9	814.4
Demand deposits	52.3	70.5	52.6	14.4	38.2	50.7	316.7	40.5	53.6	125.4
Time and notice deposits	128.4	85.8	11.7	22.0	4.2	880.4	7.4	83.3	635.8	646.5
Loans and advances	6.4	–	0.7	0.7	4.5	18.3	351.4	10.5	1.5	42.5
2.2. Liabilities to foreign nonbanks	79.9	142.3	78.1	103.0	118.2	85.7	88.6	68.4	134.1	141.0
Demand deposits	42.0	41.0	42.1	50.8	60.1	53.2	55.6	62.0	56.2	55.9
Time and notice deposits	33.1	96.1	35.9	52.2	58.1	32.5	33.1	6.4	77.9	85.1
Loans and advances	4.8	5.2	0.1	–	–	–	–	–	–	–
Total (1+2)	13,807.1	16,176.8	17,209.1	17,809.7	21,857.8	23,144.1	24,855.7	25,912.2	35,023.5	36,194.9

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). Within foreign liabilities in f/c, 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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec. ^a	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	2,386.3	3,033.3	3,269.6	3,073.3	3,335.1	3,685.8	3,628.0	4,213.3	4,036.8	3,952.8
1.1. Central government deposits	82.1	130.1	330.9	430.0	295.9	583.0	540.3	527.3	634.3	553.1
Demand deposits	31.7	4.5	74.7	116.7	33.9	249.3	240.3	263.7	476.4	367.5
Savings deposits	–	–	15.9	26.1	41.6	33.3	0.4	3.3	3.3	24.9
Time and notice deposits	21.7	100.4	202.3	259.5	217.6	297.6	296.8	259.3	153.6	159.6
Loans and advances	28.7	25.2	38.1	27.7	2.8	2.9	2.8	1.0	1.1	1.1
1.2. Central government funds' deposits	2,304.2	2,903.2	2,938.8	2,643.3	3,039.2	3,102.8	3,087.7	3,686.1	3,402.5	3,399.7
Demand deposits	85.7	83.0	40.6	116.9	214.6	156.2	301.8	884.1	553.2	499.4
Savings deposits	–	–	4.5	15.2	10.8	7.6	0.0	0.0	0.0	0.1
Time and notice deposits	19.4	33.9	57.2	32.6	195.2	232.2	204.1	169.7	144.3	179.8
Loans and advances	2,199.1	2,786.4	2,836.5	2,478.6	2,618.6	2,706.7	2,581.8	2,632.2	2,705.0	2,720.4
2. In f/c	4,488.4	4,265.0	2,559.0	3,657.1	2,299.6	2,205.0	3,479.5	3,075.1	2,058.1	1,799.5
2.1. Central government deposits	4,483.7	4,249.5	2,497.6	3,622.6	2,275.0	2,146.8	3,406.8	2,967.3	1,938.9	1,701.1
Savings deposits	160.1	83.2	59.1	1,256.1	329.8	311.8	1,811.7	881.2	263.0	461.6
Time and notice deposits	0.1	0.1	10.5	27.0	55.8	52.6	50.9	633.8	293.1	4.6
Refinanced loans and advances	4,323.5	4,166.2	2,428.0	2,339.4	1,889.5	1,782.4	1,544.2	1,452.3	1,382.8	1,234.8
2.2. Central government funds' deposits	4.7	15.5	61.4	34.6	24.5	58.2	72.7	107.8	119.2	98.4
Savings deposits	4.7	8.0	55.2	25.0	22.9	56.9	71.3	104.3	114.1	93.1
Time and notice deposits	–	7.5	6.1	9.5	1.6	1.4	1.5	3.5	5.0	5.3
Total (1+2)	6,874.7	7,298.3	5,828.6	6,730.5	5,634.7	5,890.8	7,107.5	7,288.4	6,094.9	5,752.3

^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

	1997	1998	1999	2000	2001	2002				2003
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec. [*]	Jan.
1. Restricted deposits	1,199.4	700.6	691.4	854.4	830.6	1,212.7	1,479.1	1,510.2	1,361.2	1,340.4
1.1. In kuna	260.9	202.5	81.8	131.6	100.3	393.7	791.5	772.0	789.6	704.5
1.2. In f/c	938.5	498.0	609.7	722.8	730.3	819.0	687.6	738.2	571.6	635.9
2. Blocked f/c deposits	4,652.9	3,495.5	2,742.7	1,695.1	770.2	538.6	474.0	363.3	319.3	258.2
2.1. Central government	69.9	74.0	–	–	–	–	–	–	–	–
2.2. Enterprises	9.1	2.4	–	–	–	–	–	–	–	–
2.3. Households	4,573.8	3,419.1	2,742.7	1,695.1	770.2	538.6	474.0	363.3	319.3	258.2
Total (1+2)	5,852.3	4,196.0	3,434.2	2,549.6	1,600.8	1,751.3	1,953.1	1,873.5	1,680.5	1,598.5

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.

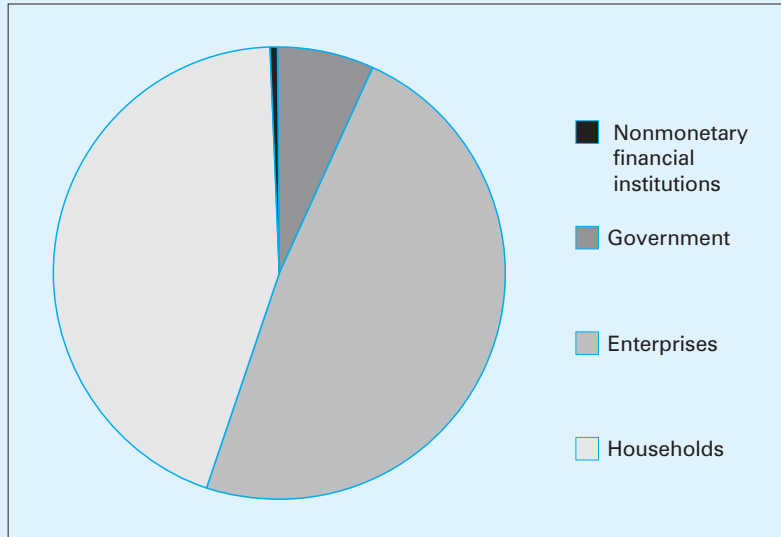
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked foreign currency deposits.

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

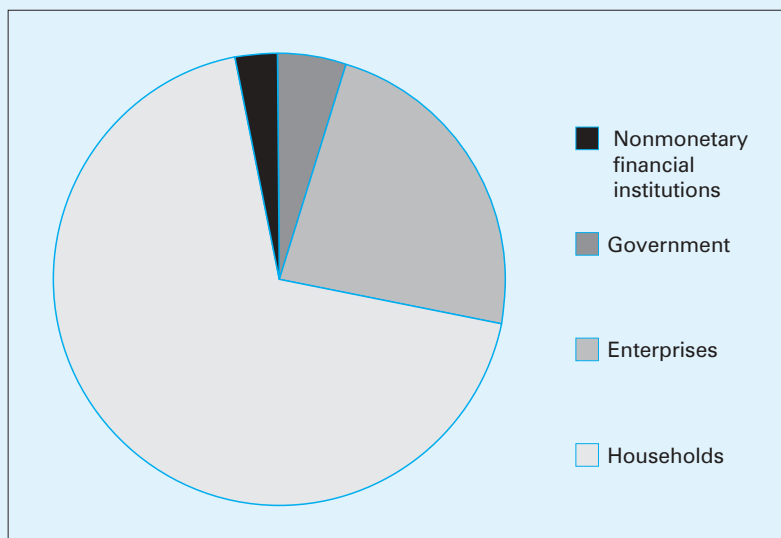
**DISTRIBUTION OF DEPOSIT MONEY BANKS' LOANS
BY DOMESTIC INSTITUTIONAL SECTORS**



January 2003

Figure D2

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



January 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.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS									
1. Reserves with the CNB	2.4	8.6	7.6	15.5	4.0	3.6	18.3	19.1	15.0
2. Claims on central government and funds	49.7	81.4	497.6	1,208.8	1,310.3	1,359.4	1,569.3	1,983.9	2,055.5
3. Claims on other domestic sectors	–	5.3	1.1	11.6	25.0	46.7	72.3	93.3	99.7
o/w: Claims on households	–	–	0.6	11.6	25.0	46.7	72.3	91.3	97.7
4. Claims on banks	54.2	57.0	7.6	18.1	15.1	13.3	7.3	37.2	29.3
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	106.3	152.3	513.8	1,254.0	1,354.5	1,423.1	1,667.3	2,133.6	2,199.5
LIABILITIES									
1. Time deposits	8.7	87.6	437.8	1,137.5	1,253.8	1,350.7	1,573.6	2,012.9	2,087.1
2. Bonds and money market instruments	0.4	–	10.0	10.0	10.0	10.0	–	–	–
3. Capital accounts	108.3	117.4	112.5	124.0	120.3	91.5	117.1	141.1	148.3
4. Other items (net)	–11.0	–52.7	–46.5	–17.5	–29.7	–29.1	–23.4	–20.4	–35.9
Total (1+2+3+4)	106.3	152.3	513.8	1,254.0	1,354.5	1,423.1	1,667.3	2,133.6	2,199.5

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	–	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	October	5.90	10.50	–	–	11.50	–	18.00	18.00
	November	5.90	10.00 ^a	–	–	11.00	–	15.00 ^b	18.00
	December	5.90	10.00	–	–	11.00	–	15.00	18.00
2002	January	5.90	10.00	–	–	11.00	–	15.00	18.00
	February	5.90	10.00	–	–	11.00	–	15.00	18.00
	March	5.90	10.00	–	–	11.00	–	15.00	18.00
	April	5.90	9.50 ^b	–	–	10.50	–	15.00	18.00
	May	5.90	9.50	–	–	10.50	–	15.00	18.00
	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 ^c	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

^a Since 22 November 2001. ^b Since 24 April 2002. ^c 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	October	2.00	–	–	4.99	5.92	6.16	–	3.05	3.09	–	–
	November	2.00	–	–	4.53	4.97	5.51	–	2.96	3.19	–	–
	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–
2002	January	2.00	–	–	3.72	4.16	4.78	–	2.86	3.04	–	–
	February	2.00	–	–	3.41	4.05	4.37	–	2.53	3.10	–	–
	March	2.00	–	–	–	–	–	–	2.78	3.18	2.15	2.82
	April	1.75 ^a	–	–	3.03	3.79	4.35	–	2.50	3.09	–	3.29
	May	1.75	–	–	2.71	3.42	4.05	–	2.80	3.26	3.33	3.82
	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	–	–	–

^a Since 24 April 2002. ^b Since 29 January 2003.

Table F2: Deposit Rates of the Croatian National Bank

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

Interest rates paid by the CNB for appropriated statutory reserve funds are being set by the Council of the CNB. Until 7 October 1993, the CNB was setting different exchange rates for statutory reserve funds based on savings and time deposits. Therefore, for that period the table reports the weighted average interest rate on appropriated statutory reserve funds (column 3). From 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 in % of total immobilized funds in kuna	Weighted avg. remuneration in % of total immobilized 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	–	2.0	–
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.6	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.9	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	5.0	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.1	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.3	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.6	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.1	....
2001	October	22.00	22,024.4	8,137.3	13,887.1	–	5,779.4	6,481.8	1.9	1.46
	November	21.70	22,587.0	8,665.9	13,921.1	–	6,233.7	6,521.7	2.0	1.38
	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	2.0	1.32
2002	January	18.92	21,420.4	9,003.6	12,416.8	–	6,518.2	5,956.3	2.0	1.23
	February	18.95	22,828.1	9,431.5	13,396.7	–	6,810.9	6,418.9	1.9	1.35
	March	18.97	23,623.4	9,676.3	13,947.2	–	7,029.1	6,757.3	1.9	1.26
	April	18.98	23,438.4	9,720.5	13,717.9	–	7,113.7	6,754.5	1.9	1.29
	May	19.00	23,383.4	10,024.5	13,359.0	–	7,304.8	6,622.4	1.7	1.28
	June	19.00	23,483.2	10,225.7	13,257.5	–	7,393.2	6,590.9	1.7	1.40
	July	19.00	23,659.6	10,415.5	13,244.1	–	7,473.7	6,588.8	1.7	1.20
	August	19.00	23,967.9	10,599.9	13,368.0	–	7,578.3	6,607.1	1.7	1.25
	September	19.00	24,482.1	10,822.7	13,659.4	–	7,742.9	6,748.3	1.7	1.22
	October	19.00	24,997.1	11,056.5	13,940.5	–	7,908.7	6,909.4	1.7	1.21
	November	19.00	25,547.1	11,274.2	14,272.9	–	8,043.6	7,077.8	1.7	1.22
	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.7	1.05
2003	January	19.00	26,507.2	11,693.9	14,813.3	–	8,265.0	7,182.9	1.7	0.95

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	October	343.4	11,101.4	1.47	3.3	2,052.8	3,509.7	3,093.0
	November	647.5	12,887.3	2.73	2.5	2,023.8	3,143.0	3,187.2
	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,457.2
2002	January	586.2	21,298.0	2.29	1.0	3,252.8	3,084.0	3,810.7
	February	272.0	20,847.6	1.04	51.9	3,087.7	3,025.9	3,910.9
	March	910.1	16,712.7	3.44	241.8	3,275.8	2,296.0	3,944.7
	April	2,120.0	13,985.8	7.83	134.0	2,816.8	1,982.9	4,019.3
	May	2,146.2	12,679.5	7.32	0.4	3,179.1	1,878.6	3,882.2
	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

other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on total immobilized 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 ^b			Interest rates on kuna credits not indexed to foreign currency							
		On overnight credits	On other credits	Total average ^c	On short-term credits					On long-term credits		
					Total average ^c	Enterprises	Households			Total average	Enterprises	Households
							Total average ^c	Credit lines ^c	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	....	....	....	....	1,166.29	....	....
1993	December	34.49	86.90	59.00	59.00	....	....	....	....	78.97	....	....
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97
2001	October	3.99	4.87	8.53	8.52	5.64	18.94	18.96	16.14	12.06	10.78	13.48
	November	3.75	2.46	9.56	9.54	5.35	18.88	18.90	16.28	12.64	11.45	13.30
	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14
2002	January	1.62	1.79	15.28	15.30	9.69	18.98	19.04	10.97	13.69	10.57	14.41
	February	2.08	2.16	14.28	14.37	9.36	17.68	17.74	11.33	11.20	8.69	12.70
	March	2.86	2.41	13.47	13.56	8.86	16.86	17.00	11.08	11.89	7.24	12.38
	April	2.84	2.46	13.42	13.64	8.78	16.72	16.83	11.68	10.68	7.08	12.39
	May	2.91	1.51	13.44	13.54	8.82	16.63	16.73	10.67	10.85	6.60	12.43
	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*	2.10	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
Relative significance ^a		-	-	56.76	52.24	24.64	27.60	27.24	0.36	4.52	1.28	3.24

^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). ^b Data starting from March 1996 have been revised. ^c Data starting from February through December 2002 have been revised.

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	October	9.37	9.24	9.61	7.56	9.45	7.71	10.97	....	....	5.93	5.65	6.27
	November	9.68	9.36	9.24	11.65	9.87	7.89	11.00	....	....	5.61	5.58	5.84
	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	January	9.55	9.79	9.36	12.22	9.44	7.54	10.95	8.80	11.57	8.26	8.53	7.61
	February	9.28	9.76	9.37	11.21	9.12	7.29	10.21	8.54	10.61	7.76	7.58	8.36
	March	9.21	9.08	8.57	11.32	9.24	7.03	10.10	8.22	10.36	6.20	6.44	5.86
	April	8.19	9.08	8.42	11.69	8.01	6.56	9.81	7.95	10.16	6.38	6.62	6.05
	May	8.63	8.75	8.04	11.57	8.60	7.01	9.67	7.37	10.13	7.48	7.74	6.41
	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
Relative significance ^a		36.09	8.59	6.62	1.97	27.50	12.04	15.46	4.60	10.86	7.15	3.91	3.24

^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	October	3.06	1.43	6.24	6.19	6.46	6.09	7.57	8.02	7.11
	November	2.99	1.42	5.93	5.90	6.18	5.81	6.92	8.00	6.27
	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	January	2.48	1.34	5.79	5.74	6.31	5.45	7.53	7.74	6.85
	February	2.32	1.25	5.47	5.41	5.93	5.01	7.20	7.59	5.73
	March	2.02	1.16	5.06	5.00	5.55	4.59	7.24	7.47	5.70
	April	1.94	1.18	4.58	4.56	5.62	3.80	5.15	7.12	3.06
	May	1.97	1.16	4.60	4.52	5.54	3.85	7.23	7.45	3.39
	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
Relative significance ^a		41.49	33.48	4.68	4.51	1.78	2.73	0.17	0.15	0.02

^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	October	4.58	4.84	3.07	2.75	0.73	0.73	0.81	0.83	0.51
	November	4.40	4.61	3.50	2.59	0.70	0.73	0.81	0.71	0.33
	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	January	2.99	3.77	1.58	2.72	0.67	0.67	0.70	0.74	0.38
	February	3.32	4.22	3.80	2.62	0.67	0.67	0.70	0.65	0.63
	March	2.89	4.58	6.04	2.62	0.60	0.60	0.64	0.61	0.40
	April	3.76	3.87	5.22	2.60	0.59	0.61	0.61	0.56	0.38
	May	2.78	4.15	3.58	2.57	0.61	0.60	0.58	0.83	0.49
	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 ^b	3.47	4.45	2.54	0.50	0.52	0.42	0.50	0.35
Relative significance ^a		1.73	1.17	0.13	56.78	35.33	25.38	4.75	3.94	1.26

^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, 64.72 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	October	3.61	3.45	3.46	3.36	3.88	2.85	4.64	4.64	4.80	5.92	2.41	
	November	3.40	3.21	3.24	3.17	3.59	2.25	4.56	4.59	4.36	4.81	3.02	
	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23	
2002	January	3.75	3.41	3.63	3.18	3.35	1.24	4.82	5.08	4.52	3.73	0.32	
	February	3.39	3.22	3.35	2.88	3.33	1.92	4.73	4.95	4.38	3.51	2.75	
	March	3.31	3.17	3.42	2.82	3.27	1.98	4.57	4.75	4.17	3.65	-	
	April	3.31	3.17	3.33	2.76	3.36	1.91	4.51	4.72	4.20	3.50	6.46	
	May	3.24	3.13	3.31	2.77	3.31	1.94	4.36	4.66	4.17	2.54	-	
	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	
Relative significance ^a		21.44	18.95	12.11	1.77	3.13	1.93	2.50	2.01	0.26	0.22	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

	1997	1998	1999	2000	2001	2002 ^a	2002				2003	
							Mar.	Jun.	Sep.	Dec. ^b	Jan. ^a	Feb. ^a
A. Purchase of foreign exchange												
1. Legal persons	2,506.4	3,186.0	2,924.9	3,316.4	5,012.4	7,112.1	706.0	573.9	551.2	774.6	724.8	677.3
2. Natural persons	2,093.4	2,273.5	2,170.0	2,549.2	3,339.9	3,351.8	241.0	275.5	251.3	252.1	194.8	225.8
2.1. Residents	1,695.5	1,854.5	1,794.7	2,021.1	2,684.5	2,385.2	226.6	223.2	204.2	238.7		
2.2. Non-residents	397.9	419.1	375.3	528.0	655.4	474.4	14.4	52.4	47.2	13.5		
3. Commercial banks	1,002.3	1,138.2	1,204.4	2,441.4	3,985.8	5,996.0	471.7	405.8	446.7	552.7	571.2	334.4
4. Croatian National Bank	57.1	582.2	934.8	168.2	481.7	294.4	73.9	–	–	–	74.6	90.5
Total (1+2+3+4)	5,659.1	7,179.9	7,234.0	8,475.2	12,820.1	16,754.2	1,492.7	1,255.2	1,249.3	1,579.4	1,565.3	1,328.0
B. Sale of foreign exchange												
1. Legal persons	4,513.7	4,656.0	4,487.0	5,414.8	8,534.2	11,227.4	785.6	860.3	1,044.2	1,141.8	981.2	965.3
2. Natural persons	925.9	1,011.8	893.1	963.6	1,253.5	1,344.9	93.3	78.0	107.1	121.5	121.5	98.8
2.1. Residents	925.2	1,011.5	892.7	962.8	1,252.3	1,097.1	93.2	77.7	106.5	121.3		
2.2. Non-residents	0.7	0.3	0.4	0.6	1.2	3.2	0.1	0.3	0.6	0.2		
3. Commercial banks	1,002.3	1,138.2	1,204.4	2,441.4	3,985.8	5,996.0	471.7	405.8	446.7	552.7	571.2	334.4
4. Croatian National Bank	257.8	217.0	48.3	284.2	915.7	745.3	237.9	173.1	–	0.1		
Total (1+2+3+4)	6,699.7	7,022.9	6,632.8	9,104.1	14,689.5	19,313.7	1,588.5	1,517.2	1,598.0	1,816.1	1,673.9	1,398.5
C. Net purchase (A-B)												
1. Legal persons	–2,007.4	–1,470.1	–1,562.1	–2,098.4	–3,521.9	–4,115.1	–79.5	–286.4	–493.0	–367.2	–256.5	–288.0
2. Natural persons	1,167.5	1,261.7	1,276.8	1,585.4	2,086.3	2,006.8	147.8	197.5	144.2	130.7	73.3	126.9
2.1. Residents	770.3	843.0	901.9	1,058.2	1,432.2	1,288.3	133.5	145.5	97.7	117.4		
2.2. Non-residents	397.3	418.7	374.9	527.3	654.2	471.0	14.3	52.0	46.6	13.3		
3. Croatian National Bank	–200.7	365.2	886.5	–116.0	–434.0	–450.9	–164.0	–173.1	–	–0.1	74.6	90.5
Total (1+2+3)	–1,040.6	156.8	601.2	–628.9	–1,869.6	–2,559.3	–95.7	–262.0	–348.7	–236.7	–108.6	–70.5
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	78.5	254.5	1,044.9	405.8	536.8	197.5	–	–	–	137.5		89.7
Sale of foreign exchange	8.4	279.5	100.4	86.9	2.6	3.3	–	1.3	–	–	89.6	

^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

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-1,452.8	-1,397.8	-438.9	-741.2	-629.6	-805.7	1,185.1	-491.0	-885.4	-727.7	1,024.6
1. Goods, services, and income (2+5)	-2,158.8	-2,030.2	-1,322.1	-1,706.9	-852.2	-1,059.9	947.0	-741.9	-1,126.6	-998.6	736.7
1.1. Credit	8,939.6	8,365.1	8,994.5	10,036.0	1,787.6	2,179.6	3,928.7	2,140.1	1,767.8	2,532.4	4,302.4
1.2. Debit	-11,098.4	-10,395.3	-10,316.6	-11,742.9	-2,639.7	-3,239.5	-2,981.7	-2,882.0	-2,894.4	-3,531.0	-3,565.6
2. Goods and services (3+4)	-1,994.8	-1,673.4	-935.9	-1,174.9	-711.0	-797.4	1,050.5	-717.1	-898.4	-819.7	772.5
2.1. Credit	8,544.7	8,117.8	8,663.1	9,633.3	1,689.8	2,085.9	3,794.9	2,062.7	1,664.0	2,422.4	4,190.8
2.2. Debit	-10,539.5	-9,791.1	-9,598.9	-10,808.2	-2,400.8	-2,883.3	-2,744.3	-2,779.8	-2,562.4	-3,242.1	-3,418.3
3. Goods	-4,071.5	-3,298.6	-3,203.8	-4,101.3	-826.4	-1,251.3	-1,003.8	-1,019.9	-1,011.6	-1,381.4	-1,410.9
3.1. Credit	4,580.6	4,394.7	4,567.2	4,758.7	1,111.4	1,164.1	1,221.2	1,262.0	1,051.2	1,250.2	1,319.4
3.2. Debit	-8,652.0	-7,693.3	-7,770.9	-8,860.0	-1,937.8	-2,415.4	-2,224.9	-2,281.8	-2,062.8	-2,631.6	-2,730.4
4. Services	2,076.7	1,625.2	2,267.9	2,926.4	115.4	453.9	2,054.3	302.8	113.2	561.7	2,183.4
4.1. Credit	3,964.1	3,723.0	4,095.9	4,874.6	578.4	921.8	2,573.7	800.8	612.8	1,172.2	2,871.3
4.2. Debit	-1,887.4	-2,097.8	-1,828.0	-1,948.2	-462.9	-467.9	-519.4	-498.0	-499.6	-610.5	-687.9
5. Income	-164.0	-356.8	-386.2	-532.0	-141.2	-262.5	-103.5	-24.8	-228.2	-178.9	-35.8
5.1. Credit	394.9	247.3	331.4	402.7	97.8	93.8	133.8	77.4	103.8	110.0	111.6
5.2. Debit	-558.9	-604.2	-717.6	-934.7	-239.0	-356.2	-237.3	-102.2	-331.9	-288.9	-147.3
6. Current transfers	706.0	632.5	883.2	965.7	222.6	254.1	238.1	250.9	241.2	270.9	287.9
6.1. Credit	919.1	967.4	1,101.0	1,174.5	269.4	297.9	289.7	317.6	302.3	334.9	332.7
6.2. Debit	-213.1	-335.0	-217.8	-208.8	-46.8	-43.8	-51.6	-66.7	-61.1	-64.1	-44.8
B. CAPITAL AND FINANCIAL ACCOUNT	1,469.0	2,372.7	1,203.2	1,208.7	322.2	761.3	-205.6	330.8	1,199.3	1,262.6	108.6
B1. Capital account	19.1	24.9	20.9	133.0	3.4	119.3	4.4	5.9	5.6	7.8	7.5
B2. Financial account, excl. reserves	1,601.5	2,726.3	1,764.5	2,388.7	458.8	1,028.7	204.1	697.1	1,423.3	1,511.6	260.4
1. Direct investment	834.9	1,413.3	1,077.2	1,423.8	181.2	282.6	331.2	628.7	230.0	306.6	70.2
1.1. Abroad	-97.5	-44.8	0.2	-154.6	37.4	15.6	-156.3	-51.3	-8.4	-31.3	-37.1
1.2. In Croatia	932.4	1,458.1	1,077.0	1,578.4	143.8	267.0	487.5	680.0	238.4	337.9	107.3
2. Portfolio investment	14.9	570.2	722.2	723.1	575.9	27.3	179.4	-59.6	21.3	246.5	-42.4
2.1. Assets	-0.1	-0.3	-0.2	-6.3	0.0	3.2	36.0	-45.4	-19.7	9.7	0.2
2.2. Liabilities	15.1	570.5	722.3	729.4	576.0	24.1	143.4	-14.2	40.9	236.8	-42.7
3. Other investment	751.7	742.7	-34.9	241.9	-298.3	718.8	-306.5	127.9	1,172.0	958.5	232.7
3.1. Assets	348.8	-117.7	-847.5	307.8	84.5	248.3	-518.6	493.7	1,016.5	373.5	-153.8
3.2. Liabilities	402.9	860.5	812.6	-65.9	-382.8	470.5	212.1	-365.7	155.5	585.0	386.4
B3. Reserve assets (CNB)	-151.5	-378.5	-582.1	-1,313.1	-140.0	-386.8	-414.1	-372.2	-229.5	-256.9	-159.2
C. NET ERRORS AND OMISSIONS	-16.2	-974.9	-764.4	-467.5	307.4	44.5	-979.5	160.2	-313.9	-534.9	-1,133.2

^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

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
1. Goods	-4,071.5	-3,298.6	-3,203.8	-4,101.3	-826.4	-1,251.3	-1,003.8	-1,019.9	-1,011.6	-1,381.4	-1,410.9
1.1. Credit	4,580.6	4,394.7	4,567.2	4,758.7	1,111.4	1,164.1	1,221.2	1,262.0	1,051.2	1,250.2	1,319.4
1.1.1. Exports f.o.b. in trade statistics	4,517.2	4,302.5	4,431.6	4,665.9	1,093.3	1,141.4	1,196.6	1,234.6	1,033.9	1,228.7	1,291.3
1.1.2. Adjustments for coverage	63.4	92.2	135.6	92.8	18.1	22.7	24.6	27.4	17.2	21.5	28.1
1.2. Debit	-8,652.0	-7,693.3	-7,770.9	-8,860.0	-1,937.8	-2,415.4	-2,224.9	-2,281.8	-2,062.8	-2,631.6	-2,730.4
1.2.1. Imports c.i.f. in trade statistics	-8,275.6	-7,798.6	-7,886.5	-9,147.1	-2,009.3	-2,508.4	-2,279.0	-2,350.4	-2,142.5	-2,748.6	-2,829.2
1.2.2. Adjustments for coverage	-964.0	-448.4	-444.4	-362.3	-71.2	-85.1	-107.7	-98.3	-72.4	-78.1	-102.1
1.2.3. Adjustments for classification	587.6	553.7	559.9	649.4	142.7	178.1	161.8	166.9	152.1	195.2	200.9
2. Services	2,076.7	1,625.2	2,267.9	2,926.4	115.4	453.9	2,054.3	302.8	113.2	561.7	2,183.4
2.1. Transportation	229.5	83.8	178.6	166.8	45.1	38.9	49.0	33.8	30.4	23.0	49.2
2.1.1. Credit	565.7	484.0	557.3	588.6	135.2	154.2	160.7	138.5	118.1	141.3	177.3
2.1.2. Debit	-336.2	-400.1	-378.7	-421.8	-90.1	-115.3	-111.7	-104.7	-87.6	-118.3	-128.1
2.2. Travel	2,133.2	1,742.0	2,189.9	2,728.6	80.9	391.8	1,981.0	274.9	95.0	551.7	2,096.0
2.2.1. Credit	2,733.4	2,493.4	2,758.0	3,335.0	237.5	533.2	2,151.2	413.1	236.7	756.9	2,350.0
2.2.2. Debit	-600.3	-751.4	-568.1	-606.4	-156.6	-141.4	-170.2	-138.2	-141.7	-205.2	-254.0
2.3. Other services	-286.0	-200.6	-100.6	31.0	-10.6	23.1	24.3	-5.9	-12.3	-13.0	38.2
2.3.1. Credit	665.0	745.7	780.6	951.0	205.6	234.3	261.8	249.2	258.0	274.0	344.1
2.3.2. Debit	-951.0	-946.3	-881.2	-920.0	-216.2	-211.2	-237.5	-255.1	-270.3	-287.0	-305.9
Total (1+2)	-1,994.8	-1,673.4	-935.9	-1,174.9	-711.0	-797.4	1,050.5	-717.1	-898.4	-819.7	772.5

^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. This survey is carried out jointly by the Croatian National Bank and the Institute for Tourism. Additional data from the Croatian Institute for Health Insurance on health services provided to non-residents is also used.

Expenditures from travel-tourism are, starting in the first quarter of 1999, based on the results of the Survey on Consumption of Domestic 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 resi-

dents' income from factor services to peacekeeping and humanitarian missions in the Republic of Croatia, based on the research of the Croatian National Bank for the period 1993 to 1996, data on foreign direct investment do not include data on retained profit.

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

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

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

Table H3: Balance of Payments – Income and Current Transfers

Million US dollars

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
1. Income	-164.0	-356.8	-386.2	-532.0	-141.2	-262.5	-103.5	-24.8	-228.2	-178.9	-35.8
1.1. Compensation of employees	69.7	60.3	69.6	124.5	28.8	29.6	31.9	34.3	34.6	36.5	39.8
1.1.1. Credit	81.0	75.2	82.7	137.3	31.6	32.7	34.7	38.2	38.3	40.3	44.7
1.1.2. Debit	-11.4	-14.9	-13.1	-12.8	-2.9	-3.1	-2.8	-3.9	-3.8	-3.9	-4.9
1.2. Direct investment income	-100.6	-66.8	-134.1	-319.1	-9.5	-227.1	-75.4	-7.0	-103.1	-179.2	-35.9
1.2.1. Credit	5.3	2.7	5.5	20.2	1.1	9.7	1.9	7.4	0.6	3.4	3.4
1.2.2. Debit	-105.9	-69.6	-139.5	-339.2	-10.6	-236.9	-77.3	-14.4	-103.7	-182.6	-39.3
1.3. Portfolio investment income	-102.6	-129.2	-178.8	-218.1	-123.7	-23.8	-65.5	-5.1	-139.5	-9.0	-27.3
1.3.1. Credit	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Debit	-102.8	-129.3	-178.8	-218.1	-123.7	-23.8	-65.5	-5.1	-139.5	-9.0	-27.3
1.4. Other investment income	-30.5	-221.1	-142.8	-119.4	-36.7	-41.1	5.5	-47.0	-20.1	-27.2	-12.4
1.4.1. Credit	308.3	169.3	243.3	245.2	65.1	51.3	97.1	31.7	64.9	66.2	63.5
1.4.2. Debit	-338.8	-390.4	-386.1	-364.6	-101.8	-92.4	-91.7	-78.7	-84.9	-93.4	-75.9
2. Current transfers	706.0	632.5	883.2	965.7	222.6	254.1	238.1	250.9	241.2	270.9	287.9
2.1. General government	-9.2	-130.3	21.7	56.7	14.9	22.7	12.1	7.0	4.0	6.8	4.5
2.1.1. Credit	77.6	76.2	118.0	125.5	27.7	35.2	28.9	33.8	27.6	30.4	14.3
2.1.2. Debit	-86.8	-206.5	-96.3	-68.9	-12.8	-12.5	-16.8	-26.8	-23.6	-23.5	-9.9
2.2. Other sectors	715.2	762.7	861.5	909.0	207.7	231.5	226.0	243.9	237.2	264.1	283.4
2.2.1. Credit	841.5	891.2	983.0	1,049.0	241.7	262.7	260.8	283.8	274.6	304.6	318.3
2.2.2. Debit	-126.3	-128.5	-121.5	-139.9	-34.0	-31.3	-34.8	-39.9	-37.4	-40.5	-34.9
Total (1+2)	542.0	275.6	497.0	433.7	81.4	-8.3	134.6	226.1	13.0	92.0	252.1

^a Preliminary data.

residents (Survey on Consumption of Domestic Travelers Abroad, which is carried out jointly by the Croatian National Bank and the Institute 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

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
ASSETS	348.8	-117.7	-847.5	308.4	84.5	248.9	-518.6	493.7	1,016.5	373.5	-153.8
1. Trade credits	-19.5	-292.1	97.8	56.7	124.3	-62.5	70.9	-76.1	45.0	-20.5	14.5
1.1. General government	0.0	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	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	0.0
1.2. Other sectors	-19.5	-292.1	97.8	56.7	124.3	-62.5	70.9	-76.1	45.0	-20.5	14.5
1.2.1. Long-term	0.0	-20.7	2.4	8.3	4.2	3.2	0.6	0.3	-8.7	1.9	-6.1
1.2.2. Short-term	-19.5	-271.4	95.4	48.4	120.1	-65.7	70.3	-76.3	53.7	-22.4	20.5
2. Loans	0.0	-23.5	2.7	-12.4	-10.2	6.6	-7.5	-1.4	-4.3	-13.6	-3.4
2.1. General government	0.0	1.1	0.0	-3.2	-4.0	0.0	0.0	0.8	0.0	0.0	-0.3
2.1.1. Long-term	0.0	1.1	0.0	-3.2	-4.0	0.0	0.0	0.8	0.0	0.0	-0.3
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	0.0
2.2. Banks	0.0	-24.6	2.7	-9.2	-6.2	6.6	-7.5	-2.2	-4.3	-13.6	-2.0
2.2.1. Long-term	0.0	-14.8	2.3	-3.0	1.8	3.8	-8.6	0.1	-0.7	-4.8	-3.0
2.2.2. Short-term	0.0	-9.8	0.4	-6.3	-8.0	2.8	1.2	-2.2	-3.5	-8.8	1.1
2.3. Other sectors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.1
2.3.1. Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0
2.3.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
3. Currency and deposits	368.3	197.9	-948.1	264.1	-29.7	304.8	-582.1	571.1	975.8	407.6	-164.8
3.1. General government	-22.3	12.3	-26.7	-15.2	-64.3	10.6	53.1	-14.6	3.4	75.1	-44.1
3.2. Banks	406.1	185.6	-921.4	-1,613.7	34.6	294.2	-635.2	-1,307.3	972.4	332.5	-120.7
3.3. Other sectors	-15.5	0.0	0.0	1,893.0	0.0	0.0	0.0	1,893.0	0.0	0.0	0.0
LIABILITIES	402.9	860.5	812.6	-65.9	-382.8	470.5	212.1	-365.7	155.5	585.2	386.6
1. Trade credits	-466.9	310.6	280.1	65.1	-423.8	322.2	301.1	-134.5	-112.6	393.0	42.8
1.1. General government	0.0	0.9	-3.2	1.1	0.0	1.1	0.0	0.0	0.4	0.0	-0.2
1.1.1. Long-term	0.0	-1.0	-0.5	1.1	0.0	1.1	0.0	0.0	0.4	0.0	-0.2
1.1.2. Short-term	0.0	1.9	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other sectors	-466.9	309.7	283.3	64.0	-423.8	321.1	301.1	-134.5	-113.0	393.1	43.0
1.2.1. Long-term	0.0	-9.4	-9.4	-27.4	-3.8	9.0	-15.9	-16.6	-0.7	1.0	-5.0
1.2.2. Short-term	-466.9	319.1	292.8	91.4	-419.9	312.1	317.0	-117.9	-112.3	392.1	48.0
2. Loans	1,045.7	514.2	637.4	-331.7	-35.7	100.4	-86.6	-309.8	96.2	-93.7	145.7
2.1. Monetary authorities	-8.9	-31.4	-28.7	-30.8	0.0	-13.8	-3.1	-13.9	-3.0	-13.7	-3.1
2.1.1. Use of Fund credit and loans	-8.9	-31.4	-28.7	-30.8	0.0	-13.8	-3.1	-13.9	-3.0	-13.7	-3.1
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	0.0
2.1.1.2. Repayments	-8.9	-31.4	-28.7	-30.8	0.0	-13.8	-3.1	-13.9	-3.0	-13.7	-3.1
2.2. General government	-61.4	185.2	270.4	-344.9	23.0	-7.8	-33.8	-326.3	89.6	22.1	138.6
2.2.1. Long-term	-12.2	169.7	-16.4	15.1	23.0	-7.8	-33.8	33.7	89.6	22.1	138.6
2.2.1.1. Drawings	248.0	235.1	235.1	164.7	50.6	11.8	43.9	58.3	119.1	46.1	177.5
2.2.1.2. Repayments	-260.2	-65.5	-251.5	-149.6	-27.6	-19.7	-77.7	-24.6	-29.5	-24.1	-38.9
2.2.2. Short-term (net)	-49.2	15.5	286.9	-360.0	0.0	0.0	0.0	-360.0	0.0	0.0	0.0
2.3. Banks	311.6	-5.7	100.7	117.1	-19.0	123.3	-28.4	41.1	0.4	-50.5	-232.4
2.3.1. Long-term	362.3	-7.2	107.4	123.2	-17.1	118.5	-28.4	50.3	0.0	-50.9	-232.6
2.3.1.1. Drawings	517.0	494.6	651.9	729.9	84.8	187.0	348.1	110.0	70.1	28.8	78.9
2.3.1.2. Repayments	-154.7	-501.8	-544.4	-606.7	-101.9	-68.5	-376.5	-59.7	-70.1	-79.7	-311.5
2.3.2. Short-term (net)	-50.7	1.5	-6.8	-6.1	-1.8	4.8	0.1	-9.1	0.4	0.4	0.2
2.4. Other sectors	804.3	366.2	295.0	-73.0	-39.7	-1.3	-21.3	-10.7	9.2	-51.6	242.6
2.4.1. Long-term	668.0	377.8	344.2	-27.4	9.5	26.2	-10.6	-52.6	-6.2	-66.9	214.0
2.4.1.1. Drawings	969.7	914.9	829.6	586.0	105.5	174.9	153.9	151.6	123.9	139.7	301.1
2.4.1.2. Repayments	-301.8	-537.1	-485.4	-613.4	-96.0	-148.8	-164.5	-204.1	-130.1	-206.6	-87.1
2.4.2. Short-term (net)	136.4	-11.6	-49.2	-45.6	-49.3	-27.5	-10.7	41.8	15.4	15.2	28.7
3. Currency and deposits	-175.9	35.6	-104.9	200.7	76.7	48.0	-2.5	78.6	171.9	285.9	198.1
3.1. Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Banks	-175.9	35.6	-104.9	200.7	76.7	48.0	-2.5	78.6	171.9	285.9	198.1
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	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	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	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	0.0

^a Preliminary data.

Table H5: Balance of Payments – Summary

Million kuna

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
A. CURRENT ACCOUNT (1+6)	-9,239.2	-9,958.2	-3,719.3	-6,193.3	-5,286.8	-6,824.9	9,746.7	-3,828.3	-7,526.5	-5,869.0	7,687.3
1. Goods, services, and income (2+5)	-13,736.0	-14,461.5	-11,042.8	-14,248.8	-7,138.6	-8,983.6	7,779.5	-5,906.1	-9,596.9	-8,038.7	5,534.3
1.1. Credit	56,904.8	59,682.0	74,574.1	83,832.6	14,830.0	18,523.8	32,499.7	17,979.0	15,049.3	20,339.3	32,194.7
1.2. Debit	-70,640.8	-74,143.5	-85,616.9	-98,081.4	-21,968.7	-27,507.4	-24,720.2	-23,885.1	-24,646.3	-28,378.1	-26,660.4
2. Goods and services (3+4)	-12,665.6	-11,928.5	-7,894.9	-10,024.2	-5,967.6	-6,756.2	8,638.1	-5,938.3	-7,659.6	-6,601.6	5,801.2
2.1. Credit	54,398.7	57,919.7	71,797.8	80,238.5	14,020.4	17,726.3	31,391.9	17,099.9	14,165.8	19,455.8	31,359.7
2.2. Debit	-67,064.3	-69,848.2	-79,692.7	-90,262.7	-19,988.0	-24,482.6	-22,753.8	-23,038.2	-21,825.4	-26,057.4	-25,558.5
3. Goods	-25,946.4	-23,586.6	-26,686.7	-34,327.9	-6,918.8	-10,616.9	-8,346.5	-8,445.7	-8,626.5	-11,065.4	-10,551.5
3.1. Credit	29,130.4	31,369.6	37,910.1	39,690.9	9,229.3	9,891.6	10,105.8	10,464.2	8,951.5	10,088.0	9,861.3
3.2. Debit	-55,076.9	-54,956.2	-64,596.7	-74,018.8	-16,148.1	-20,508.5	-18,452.3	-18,909.9	-17,578.0	-21,153.4	-20,412.7
4. Services	13,280.8	11,658.1	18,791.7	24,303.8	951.1	3,860.7	16,984.6	2,507.4	966.9	4,463.8	16,352.7
4.1. Credit	25,268.3	26,550.1	33,887.7	40,547.7	4,791.1	7,834.8	21,286.2	6,635.7	5,214.4	9,367.8	21,498.4
4.2. Debit	-11,987.5	-14,892.0	-15,096.0	-16,243.9	-3,839.9	-3,974.1	-4,301.6	-4,128.3	-4,247.4	-4,904.0	-5,145.8
5. Income	-1,070.4	-2,533.0	-3,147.9	-4,224.6	-1,171.0	-2,227.3	-858.6	32.2	-1,937.4	-1,437.1	-266.9
5.1. Credit	2,506.0	1,762.3	2,776.3	3,594.1	809.7	797.5	1,107.8	879.1	883.5	883.5	835.0
5.2. Debit	-3,576.5	-4,295.3	-5,924.1	-7,818.7	-1,980.6	-3,024.8	-1,966.4	-846.9	-2,820.9	-2,320.6	-1,101.9
6. Current transfers	4,496.8	4,503.2	7,323.5	8,055.5	1,851.8	2,158.7	1,967.2	2,077.8	2,070.4	2,169.7	2,153.0
6.1. Credit	5,846.2	6,898.2	9,131.4	9,795.4	2,239.8	2,530.9	2,393.8	2,630.9	2,583.3	2,687.2	2,489.2
6.2. Debit	-1,349.4	-2,394.9	-1,807.9	-1,740.0	-388.0	-372.3	-426.7	-553.1	-512.8	-517.4	-336.2
B. CAPITAL AND FINANCIAL ACCOUNT	9,123.9	16,332.9	9,754.1	7,855.8	2,619.3	6,464.1	-4,084.7	2,857.1	10,133.2	9,894.3	376.6
B1. Capital account	121.9	178.0	172.1	1,140.1	27.9	1,027.1	36.6	48.6	47.9	63.1	55.8
B2. Financial account, excl. reserves	10,056.6	19,146.8	14,391.8	17,750.7	3,798.3	8,714.9	-658.5	5,896.1	12,029.5	11,863.2	1,510.7
1. Direct investment	5,349.3	10,086.4	8,464.8	9,505.8	1,504.4	2,381.4	668.1	4,951.8	2,018.3	2,387.1	379.3
1.1. Abroad	-619.7	-329.0	2.3	-1,279.6	310.7	131.7	-1,296.4	-425.7	-72.4	-250.0	-275.2
1.2. In Croatia	5,969.1	10,415.3	8,462.4	10,785.4	1,193.7	2,249.7	1,964.5	5,377.5	2,090.7	2,637.1	654.4
2. Portfolio investment	107.9	3,970.9	5,781.8	6,053.6	4,776.5	207.8	1,187.3	-118.0	36.5	1,998.5	-319.5
2.1. Assets	-0.9	-2.1	-1.4	2.4	-0.3	2.7	-0.1	0.1	-311.9	81.3	1.8
2.2. Liabilities	108.8	3,973.1	5,783.2	6,051.2	4,776.8	205.1	1,187.4	-118.1	348.4	1,917.1	-321.3
3. Other investment	4,599.3	5,089.5	145.2	2,191.4	-2,482.7	6,125.7	-2,514.0	1,062.4	9,974.6	7,477.7	1,451.0
3.1. Assets	2,139.9	-1,149.9	-6,977.2	2,644.4	702.8	2,124.2	-4,275.6	4,093.0	8,651.2	2,868.2	-1,645.4
3.2. Liabilities	2,459.4	6,239.4	7,122.4	-453.0	-3,185.5	4,001.4	1,761.6	-3,030.6	1,323.5	4,609.5	3,096.4
B3. Reserve assets (CNB)	-1,054.5	-2,992.0	-4,809.8	-11,035.1	-1,206.8	-3,277.9	-3,462.7	-3,087.7	-1,944.2	-2,032.0	-1,189.9
C. NET ERRORS AND OMISSIONS	115.3	-6,374.6	-6,034.8	-1,662.5	2,667.5	360.8	-5,662.0	971.2	-2,606.7	-4,025.4	-8,063.9

^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	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	October	4,504.8	110.7	0.2	–	4,393.9	3,059.7	1,334.3	2,333.6
	November	4,614.9	108.9	0.2	–	4,505.7	3,105.9	1,399.9	2,620.8
	December	4,704.2	108.4	0.2	–	4,595.6	3,060.3	1,535.3	3,577.4
2002	January	4,734.4	107.4	0.2	–	4,626.8	3,319.5	1,307.3	3,179.3
	February	4,750.0	106.4	0.2	–	4,643.3	3,273.2	1,370.2	3,138.5
	March	4,885.5	104.1	0.2	–	4,781.1	3,275.3	1,505.8	2,667.6
	April	5,018.8	92.1	0.2	–	4,926.5	3,292.0	1,634.5	2,423.1
	May	5,230.8	92.8	0.2	–	5,137.8	3,365.6	1,772.2	2,509.7
	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 ^b	6,429.5	1.4	0.2	–	6,427.9	4,275.8	2,152.1	2,443.1

^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	Mar.	Jun.	Sep.	Dec.	Jan.
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	4,885.5	5,601.8	5,705.2	5,885.8	5,948.9
(1) Foreign currency reserves (in convertible f/c)	2,616.3	2,567.4	3,420.3	3,661.5	4,284.3	4,326.3	4,423.1	4,498.4
(a) Securities	375.5	802.6	1,535.3	1,505.8	1,878.0	2,039.9	1,938.2	1,963.4
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	2,155.7	2,406.3	2,286.3	2,484.9	2,535.0
(i) other national central banks, BIS and IMF	712.3	545.7	406.9	382.6	361.2	321.3	338.6	335.5
(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	1,773.0	2,045.1	1,965.0	2,146.3	2,199.5
o/w: located in the reporting country								
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	189.5	147.7	108.4	104.1	95.9	91.6	2.4	2.5
(4) gold								
(5) other reserve assets	41.4	717.0	1,175.3	1,119.7	1,221.4	1,287.2	1,460.1	1,447.8
– reverse repo	41.4	717.0	1,175.3	1,119.7	1,221.4	1,287.2	1,460.1	1,447.8
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	4,885.5	5,601.8	5,705.2	5,885.8	5,948.9
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	-802.9	-876.3	-854.0	-771.6	-792.8
(a) Croatian National Bank	-258.7	-265.0	-391.1	-280.1	-292.4	-270.9	-174.4	-171.5
Up to 1 month	Principal -90.2	-107.6	-172.9	-141.5	-147.6	-149.1	-142.6	-69.4
Interest -5.0	-4.3	-2.8	-2.3	-2.8	-2.3	-2.3	-2.3	-2.0
More than 1 and up to 3 months	Principal -123.6	-116.5	-179.6	-106.7	-95.2	-90.6	-27.6	-99.5
Interest -2.7	-2.8	-1.9	-1.7	-1.7	-1.6	-0.1	-0.1	-0.5
More than 3 months and up to 1 year	Principal -29.9	-29.0	-30.4	-24.6	-42.0	-24.4	-1.7	-0.1
Interest -7.3	-4.7	-3.4	-3.2	-3.2	-2.8	-0.1	0.0	
(b) Central government (excluding extrabudgetary funds)	-673.9	-945.8	-800.3	-522.9	-583.9	-583.1	-597.3	-621.3
Up to 1 month	Principal -63.5	-89.3	-89.7	-3.1	-95.6	-3.6	-102.1	-2.6
Interest -58.3	-69.0	-49.0	-1.3	-57.7	-3.0	-44.6	-40.4	
More than 1 and up to 3 months	Principal -6.0	-93.8	-310.1	-19.4	-8.6	-25.4	-9.0	-9.6
Interest -42.9	-77.1	-110.9	-14.0	-6.0	-18.6	-154.3	-121.2	
More than 3 months and up to 1 year	Principal -384.6	-497.1	-150.6	-237.6	-187.3	-267.2	-183.5	-304.9
Interest -118.7	-119.6	-90.0	-247.5	-228.6	-265.3	-103.8	-142.6	
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	-113.2	-60.4	-113.4	-22.4	-112.2
– outflows related to repos (-)	-21.3	-40.7	-66.3	-113.2	-60.4	-113.4	-22.4	-112.2
Up to 1 month	Principal -21.3	-40.6	-66.3	-113.2	-60.3	-113.3	-22.4	-112.1
Interest 0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	
More than 1 and up to 3 months	Principal							
Interest								
More than 3 months and up to 1 year	Principal							
Interest								
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-954.0	-1,251.5	-1,257.7	-916.1	-936.6	-967.4	-794.1	-905.0
III. Contingent short-term net drains on f/c assets (nominal value)								
1. Contingent liabilities in foreign currency	-869.9	-969.3	-960.3	-1,059.2	-1,110.9	-1,174.0	-1,698.7	-1,304.6
(a) Collateral guarantees on debt falling due within 1 year	-263.6	-296.0	-278.6	-255.1	-238.7	-265.8	-714.4	-289.5
– Croatian National Bank								
– Central government (excluding extrabudgetary funds)	-263.6	-296.0	-278.6	-255.1	-238.7	-265.8	-714.4	-289.5
Up to 1 month	-37.3	-48.4	-43.6	-10.8	-40.7	-9.7	-54.5	-5.8
More than 1 and up to 3 months	-57.6	-11.4	-21.8	-86.6	-29.4	-45.3	-36.7	-40.8

More than 3 months and up to 1 year	-168.7	-236.2	-213.2	-157.8	-168.7	-210.9	-623.2	-243.0
(b) Other contingent liabilities	-606.2	-673.2	-681.7	-804.1	-872.2	-908.2	-984.3	-1,015.0
– Croatian National Bank	-606.2	-673.2	-681.7	-804.1	-872.2	-908.2	-984.3	-1,015.0
Up to 1 month								
More than 1 and up to 3 months	-606.2	-673.2	-681.7	-804.1	-872.2	-908.2	-984.3	-1,015.0
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	150.1				
– BIS (+)	80.0	80.0						
– IMF (+)			150.7	150.2				
4. Aggregate short and long positions of options in foreign currencies vis-à-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	-909.0	-1,110.9	-1,174.0	-1,698.7	-1,304.6
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	-78.7	-20.0	-68.9	20.8	104.4
– 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	1,060.7	1,201.9	1,207.4	1,385.5	1,377.3
(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	4,885.4	5,601.8	5,705.2	5,885.8	5,948.7
– 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	1,702.5	1,779.8	1,760.0	1,667.2	1,797.1
EUR	1,405.1	2,453.9	2,062.0	3,078.6	3,725.8	3,853.3	4,215.9	4,149.1
Other	433.8	148.4	109.0	104.4	96.1	91.8	2.7	2.5

^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	
2001	November	7.408086	0.538366	1.129355	0.382596	5.051386	11.982645	8.332980	3.787694
	December	7.391192	0.537139	1.126780	0.381723	5.016176	11.922554	8.285753	3.779057
2002	January	7.477062				5.071054	12.130633	8.451613	
	February	7.500267				5.077714	12.263697	8.626259	
	March	7.403144				5.043763	12.027717	8.454575	
	April	7.392964				5.043037	12.043841	8.358554	
	May	7.378303				5.065595	11.779217	8.071944	
	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	

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	
2001	November	7.432042	0.540108	1.133007	0.383833	5.082781	11.939023	8.361883	3.799943
	December	7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002	January	7.568480				5.146875	12.391094	8.741603	
	February	7.437848				5.037827	12.179217	8.600657	
	March	7.402535				5.052580	12.107516	8.494991	
	April	7.395818				5.054205	11.969280	8.185742	
	May	7.377827				5.039844	11.587603	7.928032	
	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	

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	October	123.80	112.11	104.80
	November	123.41	111.98	104.61
	December	122.99	111.96	104.32
2002	January	124.74	113.95	105.45
	February	125.80	114.35	106.57
	March	123.91	114.53	105.08
	April	123.36	113.38	104.60
	May	121.86	111.78	103.25
	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 ^a	100.64 ^a
2003	January	118.31	108.54 ^a	100.46 ^a
	February	118.95		

^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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Sep.*	Oct.*	Nov.*	Dec.
1. Direct investment	0.0	270.8	348.6	626.6	635.0	702.8	858.1	891.0	910.2	960.2	1,008.7
2. Government	2,905.7	3,412.3	3,975.3	4,828.4	5,132.6	5,267.4	5,912.1	5,896.2	5,971.4	6,027.0	6,346.3
2.1 Portfolio investment	1,954.5	2,048.3	2,522.9	3,141.2	3,677.1	3,712.1	4,230.0	4,089.4	4,097.7	4,122.5	4,357.1
Bonds	1,954.5	2,048.3	2,522.9	3,141.2	3,677.1	3,712.1	4,230.0	4,089.4	4,097.7	4,122.5	4,357.1
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
2.2 Other investment	951.2	1,364.0	1,452.4	1,687.2	1,455.5	1,555.3	1,682.1	1,806.8	1,873.7	1,904.5	1,989.2
2.2.1 Trade credits	18.1	2.7	3.3	0.1	1.1	1.5	1.5	1.3	1.3	1.3	1.3
Long-term	18.1	1.8	0.6	0.1	1.1	1.5	1.5	1.3	1.3	1.3	1.3
Short-term	0.0	0.8	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2 Credits	933.1	1,361.3	1,449.1	1,687.1	1,454.4	1,553.8	1,680.6	1,805.5	1,872.4	1,903.2	1,988.0
Long-term	833.1	1,311.3	1,373.8	1,327.1	1,454.4	1,553.8	1,680.6	1,805.5	1,872.4	1,903.2	1,988.0
Short-term	100.0	50.0	75.3	360.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	231.8	233.3	196.6	158.7	122.1	118.4	111.7	107.8	93.4	93.7	0.0
o/w: IMF	231.8	233.3	196.6	158.7	122.1	118.4	111.7	107.8	93.4	93.7	0.0
4. Banks	2,215.6	2,491.7	2,184.8	2,086.5	2,299.4	2,435.5	3,013.9	3,079.4	3,177.4	3,394.3	3,980.0
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
Bonds	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
4.2 Other investment	2,215.6	2,491.7	2,184.8	2,086.5	2,299.4	2,435.5	3,013.9	3,079.4	3,177.4	3,394.3	3,980.0
4.2.1 Currency and deposits	789.9	614.6	537.7	432.8	633.5	798.6	1,186.7	1,366.0	1,450.3	1,649.6	1,975.7
4.2.2 Credits	1,425.7	1,877.1	1,647.1	1,653.7	1,665.9	1,636.9	1,827.2	1,713.4	1,727.1	1,744.7	2,004.3
Long-term	1,382.0	1,856.3	1,627.0	1,640.0	1,657.7	1,629.0	1,818.3	1,705.0	1,718.7	1,736.4	1,995.0
Short-term	43.7	20.8	20.1	13.7	8.2	7.9	8.9	8.5	8.4	8.3	9.3
5. Other sectors	2,098.5	3,275.1	3,272.6	3,354.6	3,127.5	3,103.6	3,505.5	3,680.5	3,694.3	3,784.5	3,906.7
5.1 Portfolio investment	0.0	8.7	48.5	38.4	54.8	31.9	165.1	162.4	158.3	159.9	167.7
Bonds	0.0	0.0	31.1	28.9	27.3	27.0	160.1	157.5	158.3	159.9	167.7
Money market instruments	0.0	8.7	17.4	9.5	27.4	4.9	4.9	4.9	0.0	0.0	0.0
5.2 Other investment	2,098.5	3,266.5	3,224.1	3,316.3	3,072.8	3,071.7	3,340.4	3,518.1	3,536.0	3,624.6	3,739.0
5.2.1 Trade credits	608.4	456.3	383.9	334.0	293.7	287.3	330.6	318.2	313.6	311.9	311.6
Long-term	442.8	353.9	298.5	269.5	239.9	237.9	269.9	262.2	257.3	258.0	262.1
Short-term	165.6	102.4	85.4	64.4	53.8	49.4	60.7	56.0	56.2	53.9	49.6
5.2.2 Credits	1,490.1	2,810.2	2,840.2	2,982.3	2,779.1	2,784.4	3,009.9	3,199.9	3,222.4	3,312.7	3,427.4
Long-term	1,260.9	2,523.4	2,611.6	2,838.0	2,691.6	2,677.8	2,880.7	3,024.2	3,081.5	3,162.7	3,258.3
Short-term	229.2	286.7	228.6	144.3	87.5	106.6	129.1	175.7	140.9	150.1	169.1
Total (1+2+3+4+5)	7,451.6	9,683.3	9,977.9	11,054.8	11,316.6	11,627.7	13,401.3	13,655.1	13,846.6	14,259.7	15,241.7

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

	1997	1998	1999	2000	2001	2002					
	Dec.	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Sep.*	Oct.*	Nov.*	Dec.
1. Portfolio investment	1,954.8	2,057.0	2,571.4	3,179.6	3,731.8	3,744.0	4,395.1	4,251.8	4,256.0	4,282.4	4,524.8
Bonds	1,954.8	2,048.3	2,554.0	3,170.1	3,704.4	3,739.1	4,390.2	4,246.9	4,256.0	4,282.4	4,524.8
o/w: London Club	1,428.4	1,404.7	1,380.9	1,255.4	1,106.0	1,031.4	1,031.4	956.7	956.7	956.7	956.7
Money market instruments	0.0	8.7	17.4	9.5	27.4	4.9	4.9	4.9	0.0	0.0	0.0
2. Other investment	5,496.8	7,626.3	7,406.5	7,875.2	7,584.8	7,883.7	9,006.2	9,403.2	9,590.6	9,977.3	10,716.9
2.1. Currency and deposits	789.9	614.6	537.7	432.8	633.5	798.6	1,186.7	1,366.0	1,450.3	1,649.6	1,975.7
2.2. Long-term	4,168.4	6,540.9	6,442.8	6,781.7	6,769.0	6,880.9	7,567.6	7,736.4	7,873.3	8,051.6	8,446.5
2.2.1. Public creditors	1,867.0	2,305.7	2,157.6	2,269.1	2,230.4	2,328.5	2,454.2	2,435.7	2,445.8	2,504.9	2,539.2
a) International financial organizations	851.0	1,066.7	1,032.8	1,128.6	1,166.1	1,301.4	1,328.3	1,326.5	1,343.8	1,386.7	1,345.1
– IMF	231.8	233.3	196.6	158.7	122.1	118.4	111.7	107.8	93.4	93.7	0.0
– IBRD	294.5	345.2	396.3	417.7	468.8	571.8	596.8	595.7	596.3	600.0	600.6
– IFC	0.0	30.8	28.6	71.9	85.6	90.0	90.5	89.0	89.1	112.2	111.5
– EBRD	171.2	250.8	219.1	296.8	318.7	346.8	316.6	329.3	328.0	342.1	374.3
– EUROFIMA	42.9	72.1	78.5	85.6	82.7	91.1	103.6	102.1	102.8	103.3	109.4
– EIB	108.3	133.2	98.2	74.0	52.2	46.9	53.6	47.2	72.9	73.7	84.8
– CEB	2.3	1.1	15.4	24.0	36.0	36.5	55.5	55.3	61.3	61.8	64.5
b) Governments and government agencies	1,016.0	1,239.0	1,124.9	1,140.5	1,064.3	1,027.0	1,125.9	1,109.2	1,102.0	1,118.3	1,194.2
– Paris Club	852.5	884.7	771.9	687.5	622.4	598.5	640.5	613.1	614.5	617.8	631.2
– Other	163.5	354.3	353.0	453.0	441.9	428.6	485.5	496.1	487.5	500.5	563.0
2.2.2. Private creditors	2,301.4	4,235.2	4,285.1	4,512.6	4,538.6	4,552.4	5,113.4	5,300.8	5,427.6	5,546.6	5,907.2
a) Banks	1,833.3	3,302.0	3,366.8	3,397.6	3,477.9	3,443.1	3,897.4	4,067.9	4,183.7	4,284.2	4,605.3
o/w: guaranteed by government agencies	167.0	198.4	441.2	634.6	733.9	746.0	796.0	779.2	784.2	794.2	681.7
b) Other sectors	468.1	933.2	918.3	1,115.0	1,060.6	1,109.3	1,216.0	1,232.8	1,243.9	1,262.4	1,302.0
o/w: guaranteed by government agencies	17.6	28.3	17.8	13.8	9.8	8.4	9.0	8.1	7.8	7.9	8.1
2.3. Short-term	538.5	470.8	426.1	660.8	182.3	204.2	251.9	300.8	266.9	276.2	294.8
2.3.1. Public creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Private creditors	538.5	470.8	426.1	660.8	182.3	204.2	251.9	300.8	266.9	276.2	294.8
a) Banks	370.1	289.1	246.5	486.5	62.5	74.6	82.7	123.6	104.3	107.0	117.1
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b) Other sectors	168.4	181.7	179.5	174.3	119.9	129.6	169.3	177.2	162.6	169.2	177.7
o/w: guaranteed by government agencies	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	7,451.6	9,683.3	9,977.9	11,054.8	11,316.6	11,627.7	13,401.3	13,655.1	13,846.6	14,259.7	15,241.7

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 31/12/2002	Nonreported principal payments	Projected future principal payments												
			Q1/03	Q2/03	Q3/03	Q4/03	2003	2004	2005	2006	2007	2008	2009	2010	Other
1. Direct investment	1,008.7	118.4	24.7	38.8	18.8	54.5	136.9	103.9	107.3	267.8	174.1	36.8	11.5	14.1	38.0
2. Government	6,346.3	3.3	130.8	63.7	131.3	39.8	365.5	843.8	863.6	867.5	624.8	506.4	811.4	229.0	1,231.1
2.1. Portfolio investment	4,357.1	0.0	80.6	0.0	80.6	0.0	161.2	568.8	682.0	683.0	412.9	308.1	619.6	98.8	822.8
Bonds	4,357.1	0.0	80.6	0.0	80.6	0.0	161.2	568.8	682.0	683.0	412.9	308.1	619.6	98.8	822.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investment	1,989.2	3.3	50.2	63.7	50.7	39.8	204.3	275.0	181.6	184.5	212.0	198.3	191.9	130.2	408.3
2.2.1. Trade credits	1.3	0.0	0.2	0.1	0.2	0.1	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1.3	0.0	0.2	0.1	0.2	0.1	0.6	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	0.0	0.0
2.2.2. Credits	1,988.0	3.3	49.9	63.7	50.4	39.7	203.7	274.4	181.6	184.5	212.0	198.3	191.9	130.2	408.3
Long-term	1,988.0	3.3	49.9	63.7	50.4	39.7	203.7	274.4	181.6	184.5	212.0	198.3	191.9	130.2	408.3
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Banks	3,980.0	68.6	120.8	39.7	132.8	25.3	318.6	377.0	520.4	228.1	103.9	105.0	90.6	20.0	2,147.4
4.1. Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Other investment	3,980.0	68.6	120.8	39.7	132.8	25.3	318.6	377.0	520.4	228.1	103.9	105.0	90.6	20.0	2,147.4
4.2.1. Currency and deposits	1,975.7	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	1,975.7
4.2.2. Credits	2,004.3	68.6	120.8	39.7	132.8	25.3	318.6	377.0	520.4	228.1	103.9	105.0	90.6	20.0	171.7
Long-term	1,995.0	60.1	120.7	39.0	132.8	25.3	317.8	377.0	520.4	228.1	103.9	105.0	90.6	20.0	171.7
Short-term	9.3	8.4	0.2	0.7	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Other sectors	3,906.7	455.1	174.1	220.0	150.8	203.1	747.9	740.5	411.8	430.9	434.6	194.7	145.5	88.8	257.2
5.1. Portfolio investment	167.7	0.0	0.0	0.0	0.0	0.0	0.0	32.3	0.0	0.0	135.4	0.0	0.0	0.0	0.0
Bonds	167.7	0.0	0.0	0.0	0.0	0.0	0.0	32.3	0.0	0.0	135.4	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Other investment	3,739.0	455.1	174.1	220.0	150.8	203.1	747.9	708.2	411.8	430.9	299.2	194.7	145.5	88.8	257.2
5.2.1. Trade credits	311.6	99.9	37.0	36.7	24.7	30.9	129.2	45.5	22.0	9.1	3.1	1.2	0.8	0.4	0.3
Long-term	262.1	74.3	22.1	30.3	22.2	30.6	105.2	45.5	22.0	9.1	3.1	1.2	0.8	0.4	0.3
Short-term	49.6	25.6	14.9	6.4	2.4	0.2	23.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2.2. Credits	3,427.4	355.2	137.1	183.3	126.1	172.2	618.8	662.7	389.8	421.8	296.1	193.4	144.7	88.4	256.9
Long-term	3,258.3	281.3	98.1	148.1	121.2	156.0	523.5	662.7	389.8	421.8	296.1	193.4	144.7	88.4	256.9
Short-term	169.1	73.8	39.0	35.2	4.9	16.2	95.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	15,241.7	645.3	450.4	362.2	433.7	322.6	1,568.9	2,065.2	1,903.1	1,794.2	1,337.5	842.9	1,059.0	351.9	3,673.7
Supplement: Projected interest payments		65.5	255.5	113.0	134.8	110.4	613.8	582.5	475.2	362.6	274.3	202.3	168.3	114.5	160.7
Note:															
Publicly guaranteed debt	1,997.3														
o/w: Banks and other sectors	1,069.2														

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

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
1. International investment position (net)	-5,169.8	-6,310.5	-6,837.5	-5,794.1	-7,548.6	-7,630.0	-6,967.2	-5,794.1	-7,503.4	-8,113.0	-8,704.2
2. Assets	6,162.8	5,900.9	7,210.9	9,983.3	6,918.4	6,919.6	8,282.9	9,983.3	9,149.3	9,847.6	9,907.6
2.1. Direct investment abroad	1,002.4	881.7	875.1	969.1	687.4	763.4	807.8	969.1	937.8	1,039.2	869.2
2.2. Portfolio investment	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	47.8	24.2
2.2.1. Equity securities	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	47.8	24.2
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	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
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
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	2,314.9	1,968.2	2,799.3	4,287.6	2,709.2	2,351.9	3,040.2	4,287.6	3,280.7	3,158.9	3,309.0
2.4.1. Trade credits	200.1	194.4	186.3	181.8	177.5	172.8	176.0	181.8	183.5	179.3	188.6
2.4.2. Loans	165.3	164.9	154.7	107.3	104.9	97.1	107.5	107.3	111.6	130.6	134.1
2.4.3. Currency and deposits	1,949.4	1,608.9	2,458.2	3,998.5	2,426.8	2,082.0	2,756.7	3,998.5	2,985.6	2,849.0	2,986.4
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	0.0
2.5. Reserve assets (CNB)	2,815.8	3,025.0	3,522.2	4,704.2	3,514.1	3,798.6	4,416.3	4,704.2	4,885.4	5,601.7	5,705.2
3. Liabilities	11,332.6	12,211.4	14,048.4	15,777.4	14,467.0	14,549.6	15,250.1	15,777.4	16,652.7	17,960.5	18,611.8
3.1. Direct investment in Croatia	1,902.6	2,517.7	3,560.3	5,048.7	3,739.1	3,868.2	4,028.0	5,048.7	5,712.0	5,434.9	5,878.1
3.2. Portfolio investment	2,145.3	2,699.6	3,288.4	3,898.5	3,750.1	3,719.1	4,012.0	3,898.5	3,959.6	4,565.5	4,486.7
3.2.1. Equity securities	87.3	128.3	108.8	160.7	146.9	140.3	139.4	160.7	215.6	170.4	234.8
3.2.2. Debt securities	2,058.0	2,571.4	3,179.6	3,737.9	3,603.3	3,578.8	3,872.6	3,737.9	3,744.0	4,395.1	4,251.8
Bonds	2,049.3	2,554.0	3,170.1	3,710.4	3,589.3	3,543.2	3,836.3	3,710.4	3,739.1	4,390.2	4,246.9
Money market instruments	8.7	17.4	9.5	27.4	14.0	35.6	36.3	27.4	4.9	4.9	4.9
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	7,284.7	6,994.1	7,199.6	6,830.2	6,977.7	6,962.4	7,210.1	6,830.2	6,981.1	7,960.2	8,247.0
3.4.1. Trade credits	443.8	377.2	342.3	294.4	321.4	325.4	331.6	294.4	288.7	318.1	315.5
3.4.2. Loans	6,226.3	6,079.2	6,424.6	5,902.3	6,146.9	6,079.6	6,323.5	5,902.3	5,893.8	6,455.4	6,565.5
3.4.3. Currency and deposits	614.6	537.7	432.8	633.5	509.5	557.4	554.9	633.5	798.6	1,186.7	1,366.0
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	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

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
Direct investment (net)	-900.2	-1,636.0	-2,685.2	-4,079.6	-3,051.7	-3,104.8	-3,220.2	-4,079.6	-4,774.2	-4,395.8	-5,008.9
1. Abroad	1,002.4	881.7	875.1	969.1	687.4	763.4	807.8	969.1	937.8	1,039.2	869.2
1.1. Equity capital and reinvested earnings	960.2	839.7	824.1	928.8	645.0	720.8	763.6	928.8	896.8	997.4	827.1
Claims	960.2	839.7	824.1	928.8	645.0	720.8	763.6	928.8	896.8	997.4	827.1
Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	42.2	42.0	51.0	40.3	42.3	42.6	44.2	40.3	41.0	41.8	42.1
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	0.0
2. In Croatia	1,902.6	2,517.7	3,560.3	5,048.7	3,739.1	3,868.2	4,028.0	5,048.7	5,712.0	5,434.9	5,878.1
2.1. Equity capital and reinvested earnings	1,659.1	2,205.5	2,904.1	4,089.8	3,005.6	3,091.0	3,065.3	4,089.8	4,750.4	4,236.4	4,620.1
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	1,659.1	2,205.5	2,904.1	4,089.8	3,005.6	3,091.0	3,065.3	4,089.8	4,750.4	4,236.4	4,620.1
2.2. Other capital	243.5	312.1	656.2	958.9	733.5	777.3	962.7	958.9	961.5	1,198.5	1,258.0
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	0.0

^a Preliminary data.

Table H16: International Investment Position – Portfolio Investment

Million US dollars

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
Portfolio investment (net)	-2,115.6	-2,673.7	-3,274.1	-3,876.1	-3,742.4	-3,713.3	-3,993.5	-3,876.1	-3,914.1	-4,517.7	-4,462.5
1. Assets	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	47.8	24.2
1.1. Equity capital and reinvested earnings	29.7	26.0	14.3	22.4	7.7	5.8	18.5	22.4	45.4	47.8	24.2
Banks	2.3	0.7	7.2	7.1	5.7	4.2	5.9	7.1	6.5	8.1	6.5
Other sectors	27.4	25.3	7.1	15.3	2.0	1.6	12.7	15.3	36.3	37.0	15.7
1.2. Debt securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,145.3	2,699.6	3,288.4	3,898.5	3,750.1	3,719.1	4,012.0	3,898.5	3,959.6	4,565.5	4,486.7
2.1. Equity capital and reinvested earnings	87.3	128.3	108.8	160.7	146.9	140.3	139.4	160.7	215.6	170.4	234.8
Banks	36.5	61.5	36.5	40.5	40.7	42.0	41.9	40.5	70.8	49.6	108.6
Other sectors	50.8	66.8	72.3	120.2	106.2	98.3	97.5	120.2	144.8	120.8	126.2
2.2. Debt securities	2,058.0	2,571.4	3,179.6	3,737.9	3,603.3	3,578.8	3,872.6	3,737.9	3,744.0	4,395.1	4,251.8
Bonds	2,049.3	2,554.0	3,170.1	3,710.4	3,589.3	3,543.2	3,836.3	3,710.4	3,739.1	4,390.2	4,246.9
General government	2,049.3	2,522.9	3,141.2	3,683.1	3,562.0	3,516.9	3,807.9	3,683.1	3,712.1	4,230.0	4,089.4
Other sectors	0.0	31.1	28.9	27.3	27.3	26.2	28.4	27.3	27.0	160.1	157.5
Money market instruments	8.7	17.4	9.5	27.4	14.0	35.6	36.3	27.4	4.9	4.9	4.9
Other sectors	8.7	17.4	9.5	27.4	14.0	35.6	36.3	27.4	4.9	4.9	4.9

^a Preliminary data.

Table H17: International Investment Position – Other Investment

Million US dollars

	1998	1999	2000	2001	2001				2002		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^a
Other investment (net)	-4,969.8	-5,025.9	-4,400.4	-2,542.6	-4,268.5	-4,610.5	-4,169.9	-2,542.6	-3,700.5	-4,801.3	-4,938.0
1. Assets	2,314.9	1,968.2	2,799.3	4,287.6	2,709.2	2,351.9	3,040.2	4,287.6	3,280.7	3,158.9	3,309.0
1.1. Trade credits	200.1	194.4	186.3	181.8	177.5	172.8	176.0	181.8	183.5	179.3	188.6
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	0.0
Long-term	0.0	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	200.1	194.4	186.3	181.8	177.4	172.8	176.0	181.8	183.5	179.2	188.5
Long-term	181.3	182.4	154.4	158.9	163.0	159.0	160.0	158.9	165.5	166.6	176.6
Short-term	18.9	12.0	31.9	22.9	14.5	13.8	16.0	22.9	18.0	12.7	11.9
1.2. Loans	165.3	164.9	154.7	107.3	104.9	97.1	107.5	107.3	111.6	130.6	134.1
1.2.1. General government	5.8	3.7	3.5	5.4	6.1	6.1	6.2	5.4	5.3	5.6	5.8
Long-term	5.8	3.7	3.5	5.4	6.1	6.1	6.2	5.4	5.3	5.6	5.8
1.2.2. Banks	93.4	94.8	121.7	73.0	69.8	61.8	72.2	73.0	76.7	95.2	97.5
Long-term	55.0	60.0	83.6	41.4	36.5	31.9	42.4	41.4	42.5	60.2	62.7
Short-term	38.4	34.8	38.1	31.6	33.3	30.0	29.8	31.6	34.2	35.1	34.8
1.2.3. Other sectors	66.1	66.4	29.6	28.9	29.0	29.2	29.0	28.9	29.5	29.8	30.7
Long-term	66.1	66.4	29.6	28.9	29.0	29.2	29.0	28.9	29.5	29.8	30.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
1.3. Currency and deposits	1,949.4	1,608.9	2,458.2	3,998.5	2,426.8	2,082.0	2,756.7	3,998.5	2,985.6	2,849.0	2,986.4
1.3.2. General government	64.2	46.0	69.0	83.5	131.6	118.8	71.0	83.5	79.3	11.4	55.4
1.3.3. Banks	1,885.2	1,562.9	2,389.2	3,915.0	2,295.2	1,963.2	2,685.7	3,915.0	2,906.3	2,837.6	2,931.0
1.3.4. Other sectors	....	....	....	....	....	....	....	....	....	....	....
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	7,284.7	6,994.1	7,199.6	6,830.2	6,977.7	6,962.4	7,210.1	6,830.2	6,981.1	7,960.2	8,247.0
2.1. Trade credits	443.8	377.2	342.3	294.4	321.4	325.4	331.6	294.4	288.7	318.1	315.5
2.1.1. General government	2.7	3.4	0.1	1.1	0.1	1.2	1.1	1.1	1.5	1.6	1.3
Long-term	1.8	0.7	0.1	1.1	0.1	1.2	1.1	1.1	1.5	1.6	1.3
Short-term	0.8	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	441.1	373.8	342.2	293.3	321.3	324.2	330.5	293.3	287.2	316.5	314.2
Long-term	323.4	274.3	277.3	238.6	256.9	257.3	258.8	238.6	239.0	257.5	258.6
Short-term	117.7	99.5	64.9	54.7	64.4	66.9	71.7	54.7	48.2	59.0	55.5
2.2. Loans	6,226.3	6,079.2	6,424.6	5,902.3	6,146.9	6,079.6	6,323.5	5,902.3	5,893.8	6,455.4	6,565.5
2.2.1. Croatian National Bank	233.9	196.6	158.7	122.1	151.7	136.4	138.4	122.1	118.4	111.7	107.8
o/w: IMF	233.9	196.6	158.7	122.1	151.7	136.4	138.4	122.1	118.4	111.7	107.8
2.2.2. General government	1,343.3	1,446.8	1,654.5	1,327.6	1,642.6	1,609.2	1,622.1	1,327.6	1,398.8	1,535.8	1,663.6
Long-term	1,293.3	1,371.5	1,294.5	1,327.6	1,282.6	1,249.2	1,262.1	1,327.6	1,398.8	1,535.8	1,663.6
Short-term	50.0	75.3	360.0	0.0	360.0	360.0	360.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,884.0	1,649.8	1,655.1	1,671.1	1,553.6	1,618.5	1,711.8	1,671.1	1,635.2	1,803.7	1,566.6
Long-term	1,835.7	1,618.6	1,640.9	1,662.4	1,541.6	1,602.0	1,694.2	1,662.4	1,627.5	1,792.9	1,557.1
Short-term	48.3	31.2	14.2	8.7	12.0	16.5	17.6	8.7	7.7	10.8	9.5
2.2.4. Other sectors	2,765.1	2,786.0	2,956.3	2,781.5	2,799.0	2,715.4	2,851.2	2,781.5	2,741.4	3,004.2	3,227.4
Long-term	2,373.1	2,535.7	2,810.4	2,696.4	2,710.4	2,656.3	2,798.8	2,696.4	2,636.5	2,877.0	3,078.1
Short-term	392.0	250.3	145.9	85.1	88.6	59.1	52.4	85.1	104.9	127.2	149.3
2.3. Currency and deposits	614.6	537.7	432.8	633.5	509.5	557.4	554.9	633.5	798.6	1,186.7	1,366.0
2.3.1. Banks	614.6	537.7	432.8	633.5	509.5	557.4	554.9	633.5	798.6	1,186.7	1,366.0
2.4. Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data.

Table I1: Consolidated Central Government

Million kuna

	1997	1998	1999	2000	2001	2002 ^a	2002				2003
							Mar.	Jun.	Sep.	Dec. ^a	Jan.
TOTAL REVENUE AND GRANTS											
1. Budgetary central government	33,846.1	43,808.6	46,355.5	44,635.7	52,747.4	66,930.6	4,908.2	4,892.6	5,842.4	6,243.1	4,933.0
2. Extrabudgetary funds	19,499.1	21,302.1	21,185.5	22,099.3	18,098.2	3,998.3	75.3	283.6	196.2	1,028.9	399.4
2.1. Pension Fund	11,022.2	10,713.4	10,799.8	11,254.2	5,806.8	128.8	3.1	7.9	9.4	27.0	5.8
2.2. Health Insurance Fund	5,824.2	8,269.0	8,686.4	8,967.4	10,314.5	451.5	18.6	39.2	48.8	78.9	43.0
2.3. Employment Fund	638.3	718.2	760.6	822.4	910.9	25.4	2.3	3.7	3.0	3.2	2.5
2.4. Child Benefit Fund	976.7	542.8	9.1	7.1	5.1	–	–	–	–	–	–
2.5. Croatian Waters	1,037.7	1,058.6	929.6	1,048.2	1,060.9	1,094.0	51.4	60.7	102.5	138.3	113.9
2.6. Development and Employment Fund	–	–	–	–	–	1,797.8	–	99.3	32.5	463.2	–
2.7. Regional Development Fund	–	–	–	–	–	500.9	–	72.9	–	318.3	–
2.8. Croatian Highways	–	–	–	–	–	–	–	–	–	–	128.3
2.9. Croatian Roads	–	–	–	–	–	–	–	–	–	–	91.1
2.10. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	–	–	–	–	–	–	–	8.5
2.11. Croatian Privatization Fund	–	–	–	–	–	–	–	–	–	–	6.3
A. Total (1+2)	53,345.3	65,110.7	67,541.0	66,735.0	70,845.6	70,929.0	4,983.5	5,176.2	6,038.6	7,272.0	5,332.4
TOTAL EXPENDITURE AND NET LENDING (minus repayments)											
3. Budgetary central government	29,409.4	34,125.4	35,979.1	36,730.8	44,844.5	67,882.2	6,526.1	5,145.3	6,012.5	6,740.7	5,419.7
4. Extrabudgetary funds	25,522.5	30,103.1	34,363.9	37,701.4	30,044.6	7,057.3	229.0	453.4	339.8	1,285.8	602.2
4.1. Pension Fund	13,795.1	16,170.4	18,998.5	20,180.8	12,125.3	1,557.8	121.7	136.6	130.1	161.8	129.4
4.2. Health Insurance Fund	8,742.8	10,776.0	11,919.6	13,918.1	13,192.7	1,281.5	19.6	13.3	31.9	110.8	22.5
4.3. Employment Fund	714.1	571.2	824.9	995.5	983.4	236.7	24.2	24.2	18.0	16.0	13.2
4.4. Child Benefit Fund	1,003.7	1,032.1	1,136.2	1,250.6	2,467.0	–	–	–	–	–	–
4.5. Croatian Waters	1,266.8	1,553.3	1,484.8	1,356.4	1,276.1	1,416.6	63.5	99.5	103.5	300.9	225.1
4.6. Development and Employment Fund	–	–	–	–	–	2,288.0	–	149.7	56.1	518.0	–
4.7. Regional Development Fund	–	–	–	–	–	276.6	–	30.1	0.1	178.3	–
4.8. Croatian Motorways	–	–	–	–	–	–	–	–	–	–	84.3
4.9. Croatian Roads	–	–	–	–	–	–	–	–	–	–	122.0
4.10. State Agency for Deposit Insurance and Bank Rehabilitation	–	–	–	–	–	–	–	–	–	–	1.6
4.11. Croatian Privatization Fund	–	–	–	–	–	–	–	–	–	–	4.0
B. Total (3+4)	54,931.9	64,228.6	70,343.0	74,432.3	74,889.1	74,939.5	6,755.2	5,598.7	6,352.3	8,026.5	6,021.9
C. Overall surplus/deficit (A-B)	–1,586.7	882.1	–2,802.1	–7,697.3	–4,043.5	–4,010.5	–1,771.6	–422.5	–313.7	–754.5	–689.5
5. Budgetary central government (1-3)	4,436.7	9,683.1	10,376.4	7,904.8	7,902.9	–951.6	–1,617.9	–252.7	–170.1	–497.6	–486.7
6. Extrabudgetary funds (2-4)	–6,023.4	–8,801.1	–13,178.4	–15,602.1	–11,946.4	–3,059.0	–153.7	–169.7	–143.6	–256.9	–202.7

^a Preliminary data. Source: Ministry of Finance.

Table I2: Budgetary Central Government Operations

Million kuna

	1997	1998	1999	2000	2001	2002 ^c	2002				2003
							Mar.	Jun.	Sep.	Dec. ^c	Jan.
1. Total revenue	33,846.1	43,808.6	46,355.5	44,635.7	53,503.6	69,870.2	5,163.1	5,136.2	6,097.9	6,422.7	5,221.1
1.1. Current revenue	33,385.0	42,019.4	40,044.6	41,535.0	48,906.3	69,651.1	5,145.1	5,121.5	6,079.7	6,397.7	5,204.8
1.1.1. Tax revenue	31,338.2	39,899.7	38,317.6	39,939.0	47,274.0	67,965.5	5,063.5	5,015.2	5,982.9	6,246.5	5,070.6
1.1.2. Nontax revenue	2,046.8	2,119.7	1,727.0	1,595.9	1,632.3	1,685.6	81.6	106.3	96.9	151.2	134.2
1.2. Capital revenue	461.1	1,789.2	6,310.9	3,100.7	4,597.3	219.1	17.9	14.7	18.2	25.0	16.2
2. Grants	0.0	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	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	0.0
A. Total revenue and grants (1+2)	33,846.1	43,808.6	46,355.5	44,635.7	53,503.6	69,870.2	5,163.1	5,136.2	6,097.9	6,422.7	5,221.1
3. Total expenditure	34,395.2	41,390.4	47,379.6	49,567.5	56,723.3	72,186.1	6,907.0	5,495.7	6,223.7	7,321.0	5,833.2
3.1. Current expenditure	29,579.7	34,883.0	38,476.1	44,237.4	52,819.2	68,805.5	6,654.5	5,333.3	5,991.5	6,376.5	5,739.1
3.2. Capital expenditure	4,815.5	6,507.3	8,903.5	5,330.1	3,904.1	3,380.6	252.5	162.4	232.2	944.5	94.2
4. Lending minus repayments	611.1	1,161.5	1,499.2	1,176.1	1,089.5	1,556.0	31.4	-264.9	252.8	250.1	37.3
B. Total expenditure and net lending (3+4)	35,006.3	42,551.9	48,878.8	50,743.5	57,812.8	73,742.1	6,938.4	5,230.8	6,476.5	7,571.1	5,870.5
5. Current account surplus without grants (1.1.-3.1.)	3,805.3	7,136.4	1,568.5	-2,702.4	-3,912.9	845.5	-1,509.4	-211.8	88.3	21.2	-534.2
6. Current account surplus with current grants (5+2.1.)	3,805.3	7,136.4	1,568.5	-2,702.4	-3,912.9	845.5	-1,509.4	-211.8	88.3	21.2	-534.2
7. Gross fixed capital formation ^a	1,516.4	976.1	-2,216.9	-395.4	-3,101.4	1,167.0	80.2	51.5	60.3	355.9	39.6
8. Gross capital formation ^b	1,516.4	976.1	-2,216.9	-395.4	-3,101.4	1,167.0	80.2	51.5	60.3	355.9	39.6
C. Overall surplus/deficit (A-B)	-1,160.2	1,256.7	-2,523.3	-6,107.9	-4,309.1	-3,871.9	-1,775.6	-94.6	-378.6	-1,148.5	-649.4
9. Foreign financing	2,985.9	-9.1	4,615.1	6,921.5	2,299.6	2,274.3	981.8	1,419.4	-698.5	-262.5	-573.1
10. Domestic financing	-1,825.7	-1,247.6	-2,091.8	-813.6	2,009.6	1,597.7	793.5	-1,324.8	1,077.1	1,411.0	1,222.5
10.1. From other government	0.0	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	-354.8	112.4	2.0	-12.5	-389.1	241.7	62.5	257.4	-553.6	922.5	-177.1
10.3. From deposit money banks	-1,357.3	-1,638.6	-1,859.4	-288.8	2,559.1	1,365.2	596.8	-1,584.2	1,678.5	554.3	1,356.6
10.4. Other domestic financing	-113.6	88.7	-147.4	-420.3	-149.4	-9.3	134.2	2.0	-47.9	-65.8	43.1
D. Total financing (9+10)	1,160.2	-1,256.7	2,523.3	6,107.9	4,309.1	3,871.9	1,775.3	94.6	378.6	1,148.5	649.4

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

Table I3: Central Government Debt

End of period, million kuna

	1998	1999	2000	2001	2002					
	Dec.*	Dec.*	Dec.*	Dec.*	Mar.*	Jun.*	Sep.*	Oct.*	Nov.*	Dec.*
1. Domestic debt of central government	15,047.8	16,754.6	21,324.2	24,907.3	26,265.1	26,759.2	27,153.2	28,197.3	28,139.2	28,746.7
1.1. Domestic debt of the Republic of Croatia	14,582.9	16,012.1	18,509.7	21,467.9	22,820.2	23,614.7	23,551.9	24,256.5	24,130.3	24,735.0
Treasury bills	565.8	776.7	2,564.6	4,892.3	5,672.2	5,778.8	5,544.1	5,778.2	5,724.8	5,632.7
Money market instruments	96.8	153.3	14.2	7.4	0.1	0.1	0.1	0.1	0.1	0.1
Bonds	13,035.8	13,720.7	14,082.5	15,415.8	14,777.4	15,633.1	16,096.8	16,379.7	16,118.9	16,021.7
Credits from the CNB	–	24.1	0.0	–	–	2.4	–	2.0	2.3	0.5
Credits from DMBs	884.4	1,337.3	1,848.4	1,152.4	2,370.5	2,200.2	1,910.8	2,096.5	2,284.2	3,080.0
1.2. Domestic debt of central government funds	465.0	742.5	2,814.4	3,439.4	3,444.9	3,144.5	3,601.3	3,940.8	4,008.9	4,011.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	1,686.8	1,636.1	1,643.4	1,625.2	1,629.8	1,664.7	1,649.7	1,652.2
Credits from DMBs	465.0	742.5	1,127.6	1,803.3	1,801.5	1,519.3	1,971.6	2,276.1	2,359.2	2,359.6
2. External debt of central government	21,155.8	29,981.4	38,927.2	42,413.4	44,269.6	43,065.2	43,833.0	45,120.5	44,699.9	44,951.3
2.1. External debt of the Republic of Croatia	20,031.0	28,617.0	36,845.7	39,656.8	41,500.7	40,684.7	40,843.8	42,060.1	41,660.2	41,192.0
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	12,425.8	18,903.3	25,231.2	30,029.0	30,830.5	30,848.5	30,402.1	30,961.2	30,560.1	30,115.3
Credits	7,605.2	9,713.7	11,614.5	9,627.8	10,670.2	9,836.3	10,441.8	11,098.9	11,100.1	11,076.8
2.2. External debt of central government funds	1,124.7	1,364.3	2,081.5	2,756.7	2,768.9	2,380.4	2,989.2	3,060.4	3,039.7	3,759.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	371.0	390.6	386.5	696.6	703.6	283.3	288.9	293.7	288.1	1,019.3
Credits	753.8	973.7	1,695.0	2,060.0	2,065.3	2,097.1	2,700.3	2,766.7	2,751.6	2,739.9
3. Total (1+2)	36,203.6	46,735.9	60,251.4	67,320.8	70,534.7	69,824.4	70,986.2	73,317.8	72,839.1	73,698.1
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	....	....	4,104.5	7,418.0	7,862.7	7,644.7	9,045.8	9,349.7	9,642.6	9,687.6
– guarantees for external debt	9,825.2	11,492.9	12,913.9	12,378.8	12,357.1	11,440.6	12,465.3	13,256.0	13,291.1	14,272.1

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	October	99.9	99.5	100.2	103.2	102.5	102.1	105.3	105.2	104.8
	November	99.8	100.1	99.5	102.8	102.4	98.0	105.1	104.9	104.2
	December	99.8	100.6	99.0	102.6	102.5	96.9	104.9	104.8	103.6
2002	January	100.8	101.1	99.9	103.3	103.2	97.4	103.3	103.2	97.4
	February	100.1	100.0	100.6	102.8	102.9	97.2	103.0	103.0	97.3
	March	100.4	100.1	98.9	103.2	102.9	97.7	103.2	103.0	97.4
	April	100.4	100.5	100.9	102.2	102.0	98.6	102.9	102.8	97.7
	May	100.2	100.7	100.2	101.8	101.5	98.8	102.6	102.5	97.9
	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

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	October	100.0	100.0	100.2	102.1	101.7	104.9
	November	100.0	99.9	100.2	102.0	101.5	104.8
	December	99.8	99.7	100.8	101.7	101.1	105.6
2002	January	100.2	100.0	101.1	101.9	101.0	106.6
	February	100.1	100.2	100.1	101.8	101.0	106.7
	March	100.3	100.3	100.1	101.8	101.2	105.8
	April	100.1	100.1	100.0	101.4	100.8	105.2
	May	100.0	100.0	100.1	101.0	100.5	104.1
	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

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	October	3,538.0	103.1	105.0	107.0
	November	3,707.0	104.8	105.8	106.9
	December	3,582.0	96.6	102.4	106.5
2002	January	3,597.0	100.4	101.4	101.4
	February	3,500.0	97.3	103.1	102.3
	March	3,622.0	103.5	102.5	102.3
	April	3,696.0	102.0	105.2	103.1
	May	3,800.0	102.8	104.9	103.4
	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
	December	3,839.0	98.0	107.2	105.0

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 88 goods and services are excluded and their share in the retail price basket stands at 22.06% in 2001 (of which: agricultural products account for 2.28 percentage points, and administrative prices for 19.78 percentage points). The zero weighting method is used to exclude prices and goods.

List of Deposit Money Banks & Savings Banks

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

Licensed Savings Banks

1. Međimurska štedionica d.d., Čakovec²

Licensed Housing Savings Banks

1. Prva stambena štedionica d.d., Zagreb
2. Raiffeisen stambena štedionica d.d., Zagreb
3. 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. Gradska banka d.d., Osijek	03/05/1999
8. Građanska štedionica d.o.o., Karlovac	03/11/1998
9. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
10. Ilirija banka d.d., Zagreb	06/04/1999
11. Invest štedionica d.o.o., Zagreb	30/06/1999
12. Kaptol banka d.d., Zagreb	25/11/2002
13. Komercijalna banka d.d., Zagreb	30/04/1999
14. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
15. Promdei banka d.d., Zagreb	22/12/1999
16. Razvojna banka "Dalmacija" d.o.o., Split	24/09/2001
17. Slavonska štedionica d.d., Zagreb	04/12/2002
18. Štedionica Dugi pogled d.o.o., Zagreb	19/01/2001
19. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
20. Štedionica Mediteran d.o.o., Split	5/12/2001
21. Štedionica za razvoj i obnovu d.o.o, Zagreb	02/07/2001
22. Trgovačko-turistička banka d.d., Split	08/09/2000

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. Vukovarska banka d.d., Vukovar	25/02/1998	4. Štedionica SA-GA d.d., Zagreb	31/12/2001
24. Županijska banka d.d., Županja	03/05/1999	5. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001
		6. 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. Gospodarska štedionica d.d., Vrbovec	06/04/2002
2. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
3. 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 March 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
Organization Planning and Information Technology Area	Petar Ćurković
Legal, Human Resources, General Support and Administrative Services Area	

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
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
GDP	– gross domestic product
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

