

**CROATIAN NATIONAL BANK**

**B U L L E T I N**

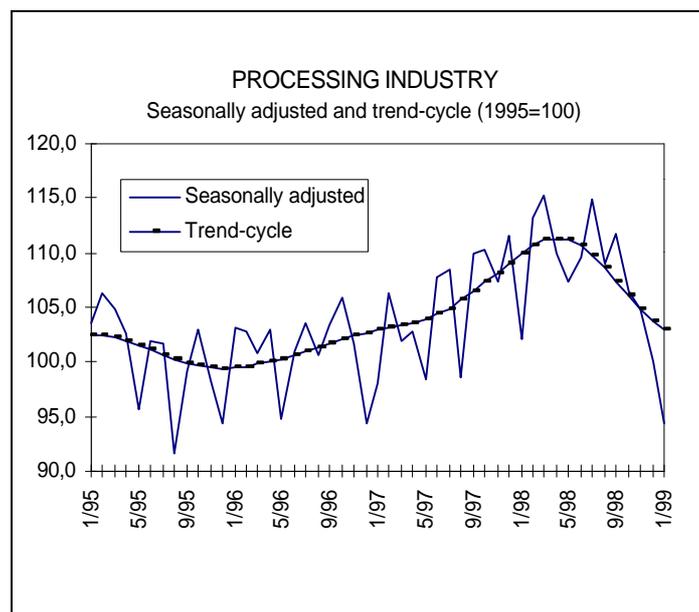
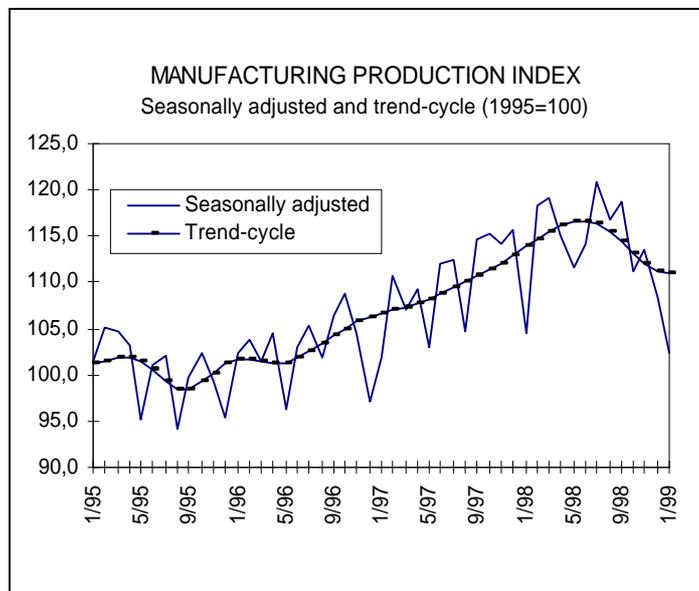
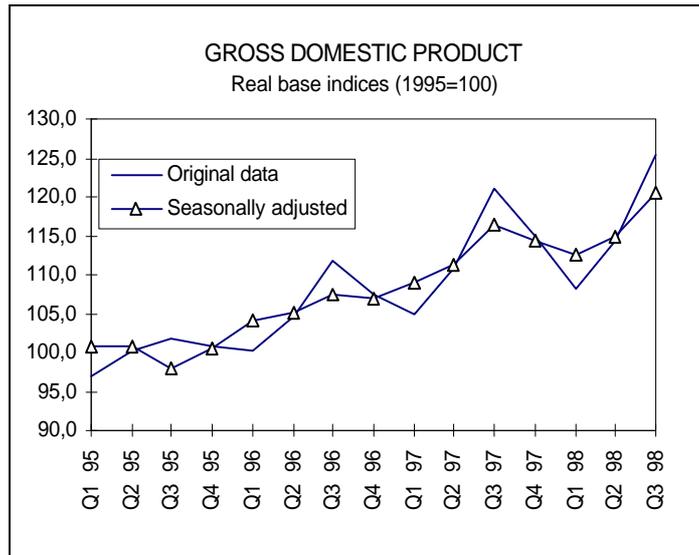
**No. 36 - MARCH 1999**

## REAL SECTOR

Final data on 1998 production in the branches that account for the majority of Gross Domestic Product show that it is realistic to expect Gross Domestic Product to decrease in the fourth quarter of the year compared to the same quarter of 1997. Industrial production decreased by 4.2 percent, the number of passengers transported decreased by 12.6 percent, the amount of goods transported decreased by 11.3 percent, while retail trade decreased by 6.8 percent. Positive developments were recorded in tourist overnights, which increased by 0.8 percent. The physical volume of construction works is also expected to increase by 1 percent.

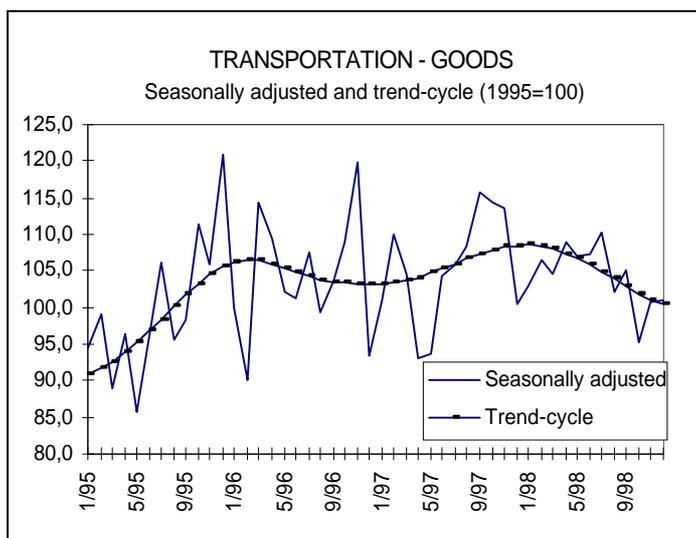
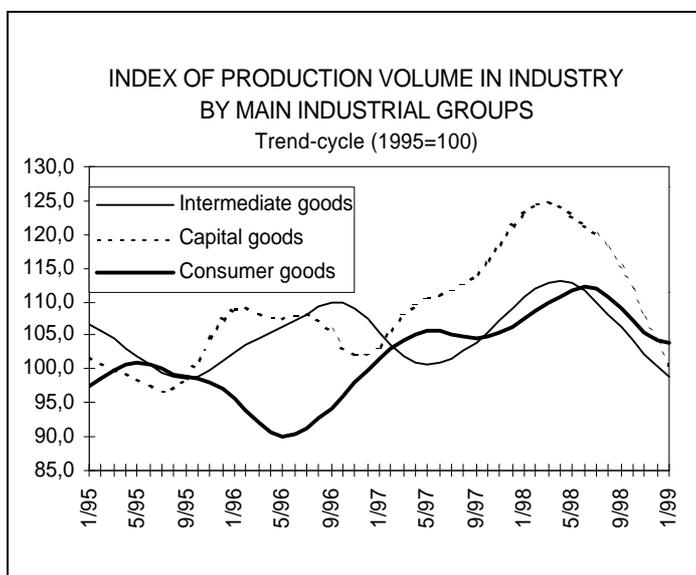
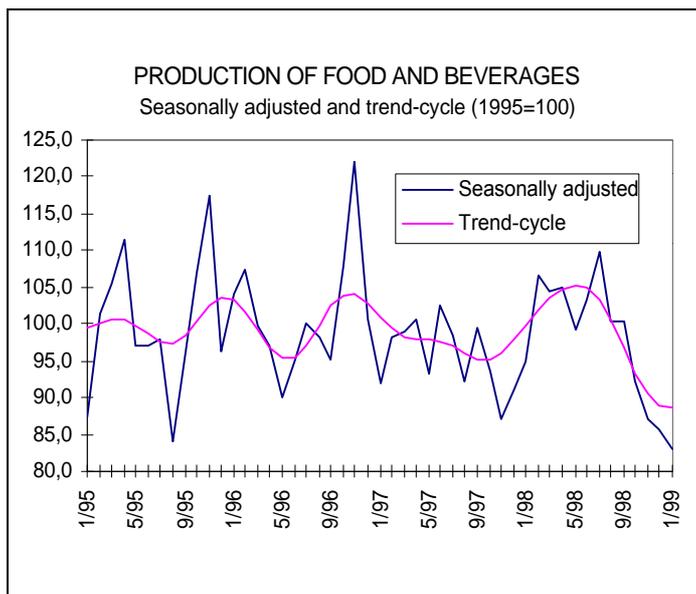
The downward trend of total industrial production continued in January 1999. Compared to January 1998, production decreased by 4.1 percent. This decrease was caused by a decrease in industrial production (by 8.8 percent), and a decrease of production in mining and extraction (by 14.6 percent). The supply of electric energy, gas and water continued to grow at an accelerated rate.

The structure of the branches of industrial production that will be used in 1999 is in fact the structure of Gross Domestic Product by branch (defined purely by activity) in 1998. The structure was calculated on the basis of the 1997 Annual Report of the Payments Institute, and the 1997 Annual Report of Industry, corrected by the 1998 index of physical volume of industrial production. Compared to 1997, the share of processing industry and mining and extraction decreased (by 1.1 and 0.3 percentage points respectively), while the share of supply of electric energy, gas and water increased correspondingly.

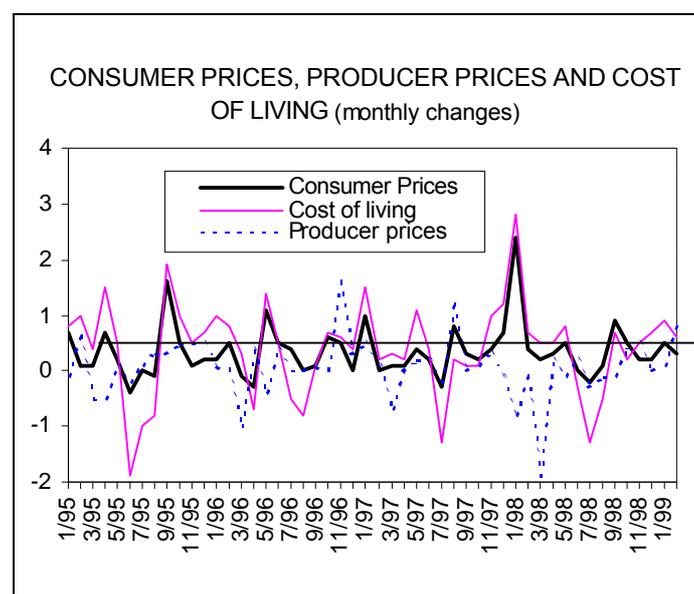
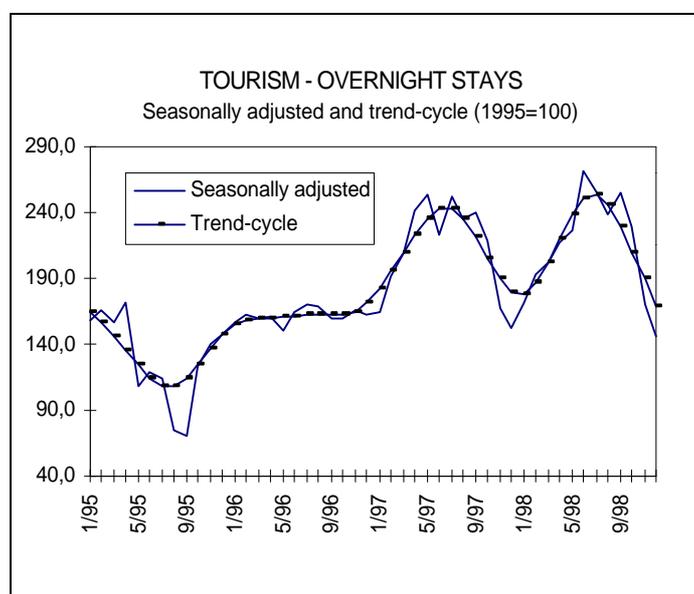
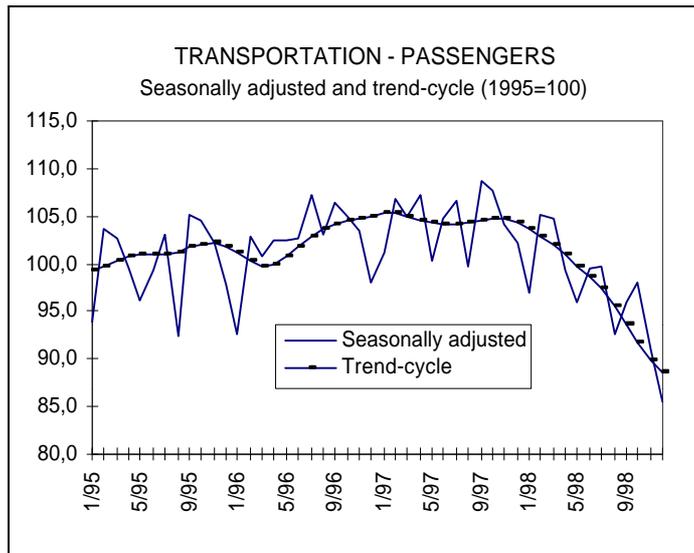


(Out of 23 branches of processing industry, 14 recorded a year-on-year decrease in production in the last quarter of 1998. The data from January 1999 indicate that production in 11 out of the 14 branches continued to decrease. If we sort the branches by size, it becomes obvious that such tendencies were present in the largest branches: production of food and beverages, and production of chemicals and chemical products. Coming down to the level of Groups in the National Classification of Activities (NKD), the decrease in production in foodstuffs industries is due to decreases in the production of plant and animal oils and fats, and the production of other foodstuffs (bread, pastry, pasta, tee and coffee, spices, ready-made food, diet food etc.) In the chemical industry, output decreased in the production of basic chemicals, production of pesticides and other agrochemical products, in the production of pharmaceutical products and other chemical products. The remaining nine branches with a continuous negative trend in production have small weights in total industry (seven out of nine have a share below 2 percent). Among those nine branches, we should stress the importance of the decrease in production of radio-television and communications devices and equipment.

According to the basic indicators, realization in transportation, warehousing and communications was lower in 1998 than in the preceding year. Transportation of passengers decreased 6.7 percent. Road transportation decreased nine percent. Passenger transport increased in railroad (0.3 percent), maritime (by 3.1 percent) and air transport (by a high 6.2 percent). Transportation of goods decreased 1.2 percent in 1998 compared to 1997. Maritime and shore transportation decreased (by 6.1 percent) and transport



transportation of gas decreased (by 2.3 percent). Increased transportation of goods was seen in railroad transport (by 2.8 percent), road transport (by 14.1 percent), transport of oil (by 7 percent), transport by internal waterways (by 19.5 percent), as well as in air transport (by 11.1 percent). 5.4 million tourist arrivals were recorded in 1998. Three quarters of the total number of tourists were foreign tourists. 1998 recorded 31.3 million tourist night-stays. 83.1 percent of the total number of tourist night-stays in 1998 referred to foreign tourists. The average number of night-stays per foreign tourist arrival amounted to 6.3, while the average number of night-stays per domestic tourist arrival amounted to 4.0. The number of night-stays in 1998 compared to the preceding year increased for tourists from all countries except for the Czech Republic. Turnover in retail trade decreased at a 0.4 percent real annual rate in 1998. This was due to the decrease in turnover recorded in the last quarter of the year. However, total turnover in the retail trade, sales, maintenance and repair of motor vehicles owned by enterprises, which constitute the sample for monitoring trade activity, increased in real terms by 2.2 percent in 1998. The physical volume of construction works in the period January – November 1998 increased 1.9 percent on the annual level. The dynamics of construction works throughout the year was such that construction works grew on a year-on-year basis each of the first three quarters of the year.



## PRICES

Retail prices in February continued their January growth trend and, according to the Central Bureau of Statistics, increased 0.3 percent. Retail prices grew 3.4 percent compared to February 1998.

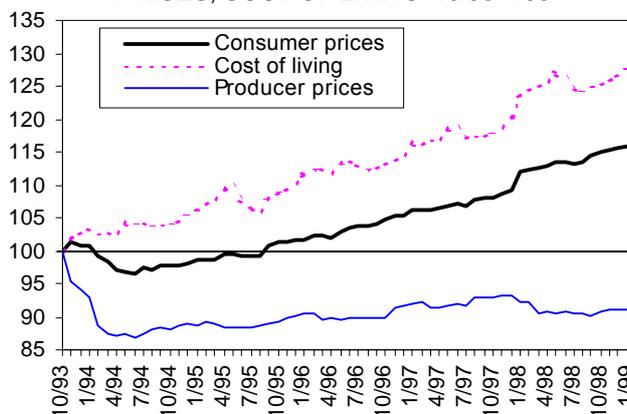
The increase in prices was mostly the result of a 0.4 percent increase in the prices of goods.

The prices of services increased 0.2 percent. The growth of prices of goods was mainly the result of movements in agricultural prices, which increased by 3.2 percent (including seasonal products) and 5.1 percent (excluding seasonal products), compared to January 1999. The prices of other goods increased at more moderate rates in the range of 0.0 to 0.5 percent.

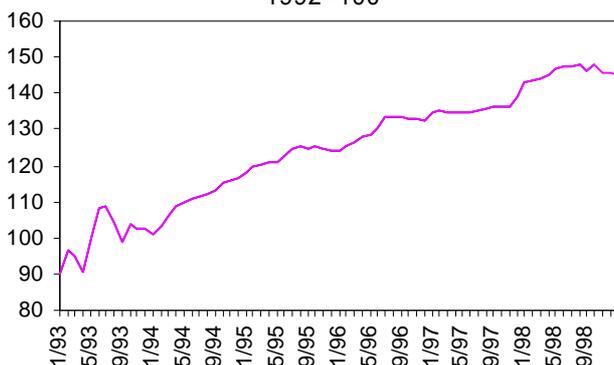
The cost of living increased 0.6 percent in February. On the annual level, the cost of living increased by 3.2 percent. That means that the increase in the cost of living was just a little below the increase in retail prices in the last twelve months. The cost of goods increased in February by 0.6 percent, while the cost of services increased by 0.5 percent. Within the cost of goods, the most significant increase was in the cost of foodstuffs and education, culture and entertainment: 0.7 percent. Among other costs, the most significant increase came in the cost of hygiene and health, 0.4 percent. It should be noted that, on the annual level, the most significant cost increase was in the cost of education, culture and entertainment and in the cost of traffic and postal services: 7.7 percent.

Producer's prices of industrial products increased 0.8 percent in February. The prices of capital goods increased by 1.0 percent, while intermediate products except energy decreased by 0.1 percent. The prices of durable and non-durable consumer goods remained the same.

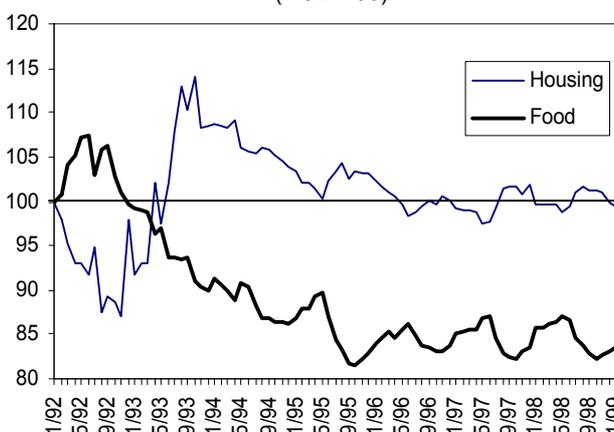
INDEX OF CONSUMER PRICES, PRODUCER PRICES, COST OF LIVING 10/93=100



RELATIVE PRICE INDEX FORM NON-TRADABLE GOODS (prices of services relative to good prices) 1992=100



INDEX OF REALTIVE PRICE OF FOOD AND HOUSING\* (1/92=100)



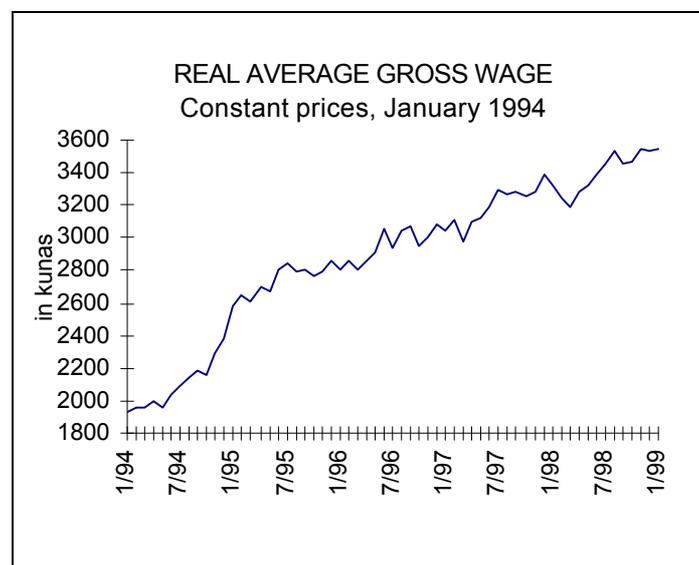
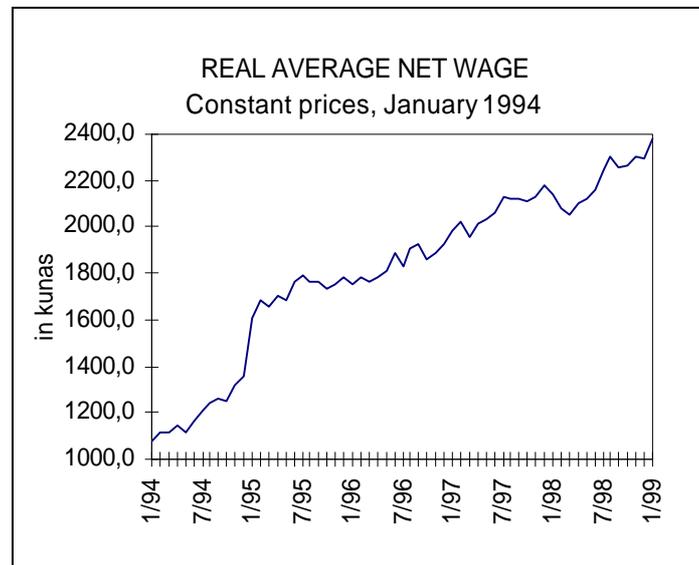
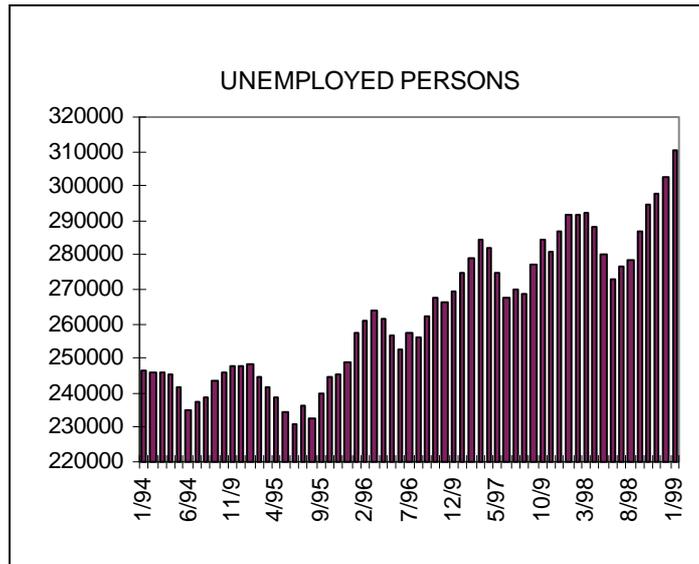
\*Index is calculated as ratio of food prices and housing prices to total cost of living index.

## EMPLOYMENT AND WAGES

Registered unemployment increased in January by 7,836 (i.e. 2.6 percent), which is more than the expected seasonal increase. At the end of January, registered unemployment reached 310,567. This increase was attained through 22,373 new entrants to unemployment (a 24 percent increase compared to January 1998), 5,973 exits from the Register to employment (14.5 percent less than in January 1998) and 8,564 deletions from the Register (34.7 percent more than in the same month last year). Compared to January last year, registered unemployment increased by 18,753, an increase of 6.4 percent.

Total employment decreased in January by 10,925 (-0.8 percent), falling to 1,315,987 at the end of the month (which is 46,854 or 3.4 percent less than in the same month of the preceding year). The workforce decreased slightly less, due to the increase in unemployment. It amounted to 3,089 in January 1999, i.e. 28,101 less than in January 1998. The rate of unemployment reached 19.1 percent at the end of January (compared to 17.6 percent in January 1998 and 18.6 percent at the end of 1998).

Net wages paid in January exceeded those paid in December 1998 by 4.6 percent in nominal terms and 3.7 percent in real terms, along with the simultaneous increase in gross wages by 1.1 percent in nominal terms and 0.2 percent in real terms. The decrease in labor taxes (due to an increase in the personal deduction as well as an increase in coefficient for dependent family members) is visible on the year-on-year level. Namely, on the year-on-year level, net wages grew 11.5 percent in real terms, while real gross wages grew 6.6 percent.



## MONETARY DEVELOPMENTS

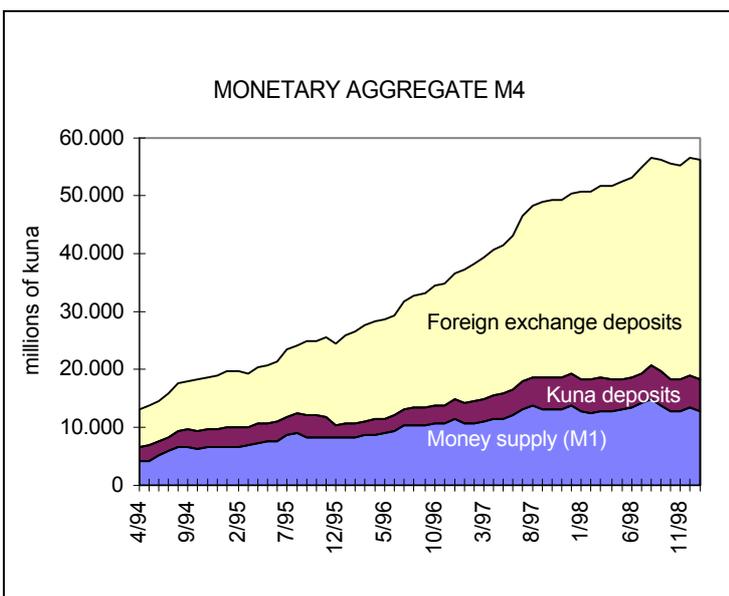
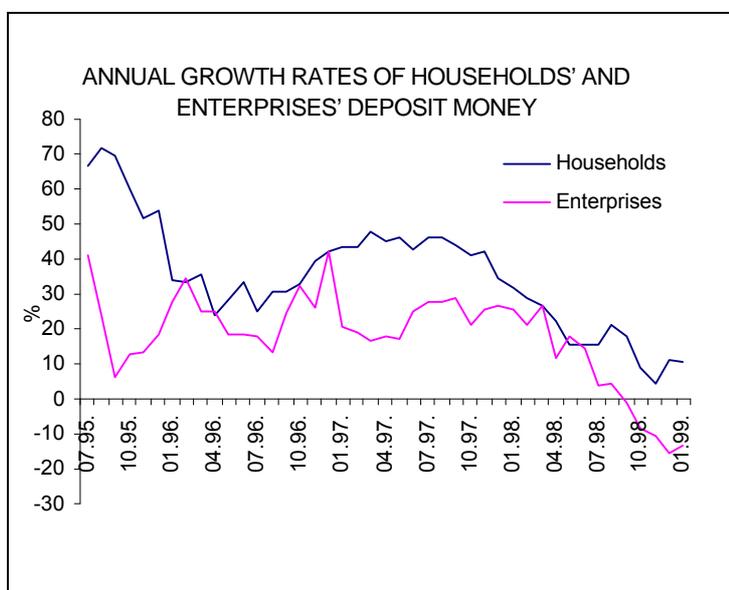
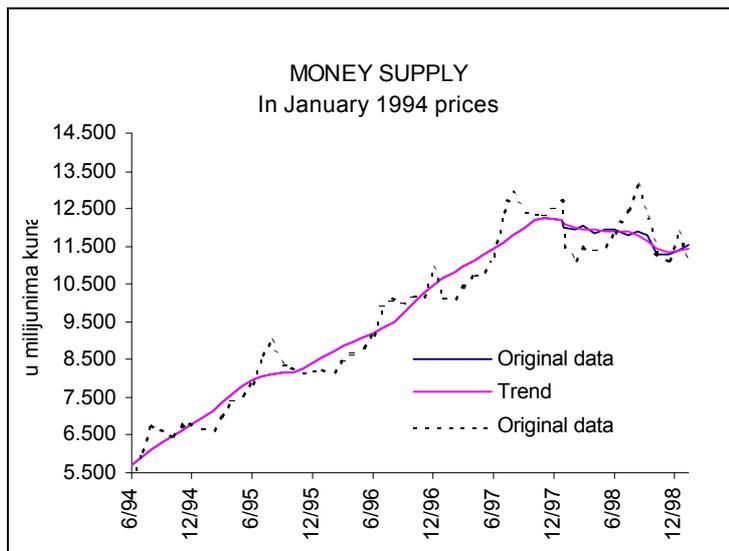
Total liquid assets decreased in January by 0.2 billion kuna due to a decrease in the money supply. Total credit grew moderately, while net foreign assets continued to decrease. The money supply decreased compared to December 1998 by 0.9 billion kuna, reaching 12.7 billion kuna. In the total amount of decrease in money supply, decrease in deposit money amounted to 0.6 billion kuna, reaching 7.3 billion kuna. This decrease in deposit money referred almost exclusively to enterprises, while the deposit money of the household sector stagnated. Currency in circulation decreased by 0.3 billion kuna.

One of the usual seasonal characteristics of the month of January is a prominent decrease in liquidity. Therefore, both the seasonally adjusted and the trend value of money supply indicate a turnaround of the decreasing trend that marked the whole of 1998.

Foreign currency deposits increased in January by 0.7 billion kuna (nominally), reaching 38.1 billion kuna. In the total increase in foreign currency deposits, the increase in deposits by the household sector amounted to 0.8 billion kuna. The substitution of assets in the household sector (decrease in kuna assets and their transformation into foreign exchange assets) partially reflects the mild depreciation of the kuna in relation to the German mark. Foreign currency deposits of the enterprise sector decreased by 0.1 billion kuna.

Elimination of the effects of the depreciation of the exchange rate in relation to the German mark results in the very encouraging real growth of total foreign currency deposits of (approximately) 0.4 billion kuna. This growth was, however, created by unfreezing of the portion of "old foreign currency savings" which came due. This is even more so because, with the zero-growth of credit to the household sector, the above increase in deposits cannot be linked to compulsory credit deposits. With such developments in foreign currency savings and a total stagnation of kuna deposits, total liquid assets decreased slightly in January compared to December by 56.4 billion kuna.

Total bank credit increased by a (moderate) 0.6 billion kuna (i.e. 1.1 percent), currently amounting to 59.6 billion kuna. In the total increase in credit, credit to the enterprise sector increased by 0.3 billion kuna, while credit to the household sector stagnated.



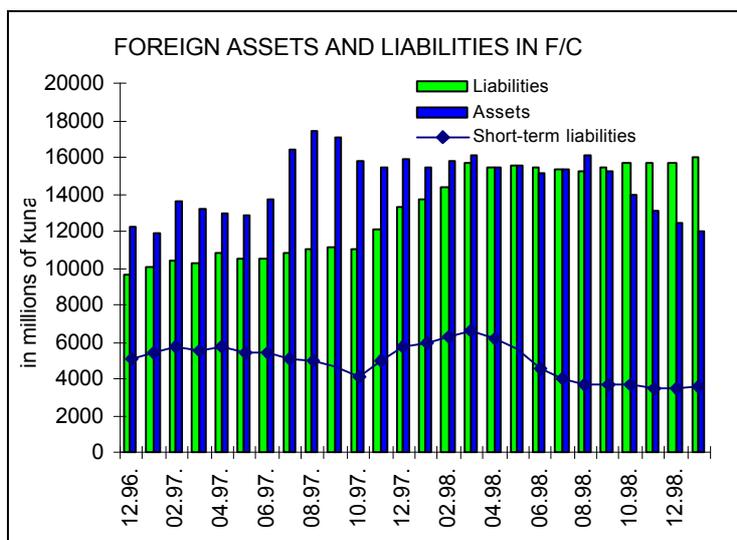
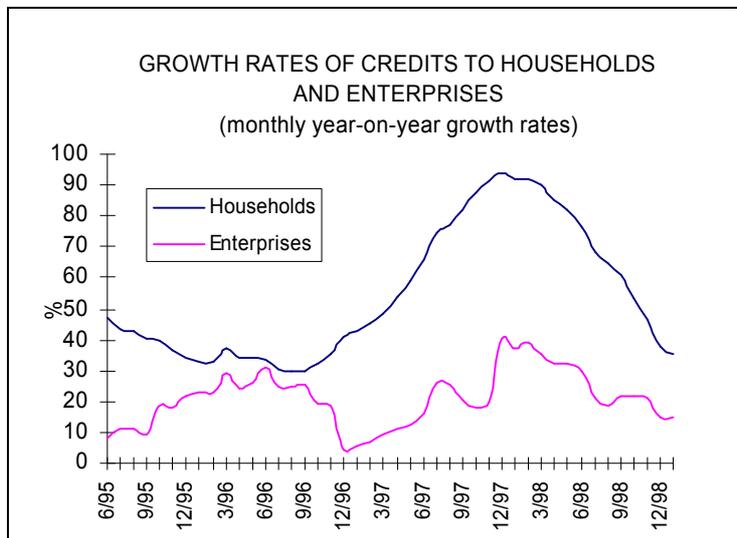
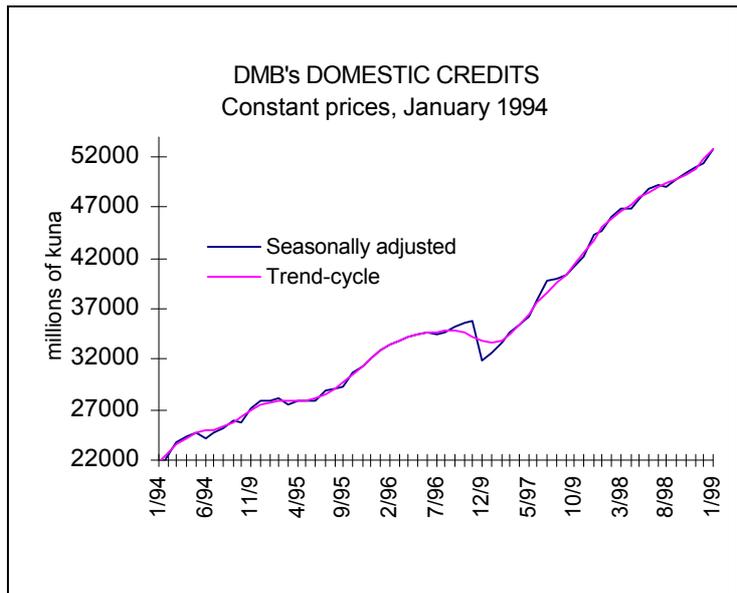
completely. The rate of growth of credit to the household sector amounted to 35 percent compared to January last year. At the same time, the rate of growth of credit to the enterprise sector amounted to 15 percent in the same period. Total credit grew by 22 percent in the period January 1998 – January 1999.

Claims on the central government increased in January from 9.9 billion kuna to 11.0 billion kuna. This was in major part due to the liquidity loan granted to the government by the central bank. Relations between commercial banks and the central government were unfolding at the standard pace. Claims on the basis of bonds for “old foreign currency savings” decreased in January by 0.4 billion kuna. The remaining amount of claims of these bonds amounts to 5.4 billion kuna. Banks’ claims on the basis of bills of the Ministry of Finance amounted to 0.37 billion kuna at the end of January.

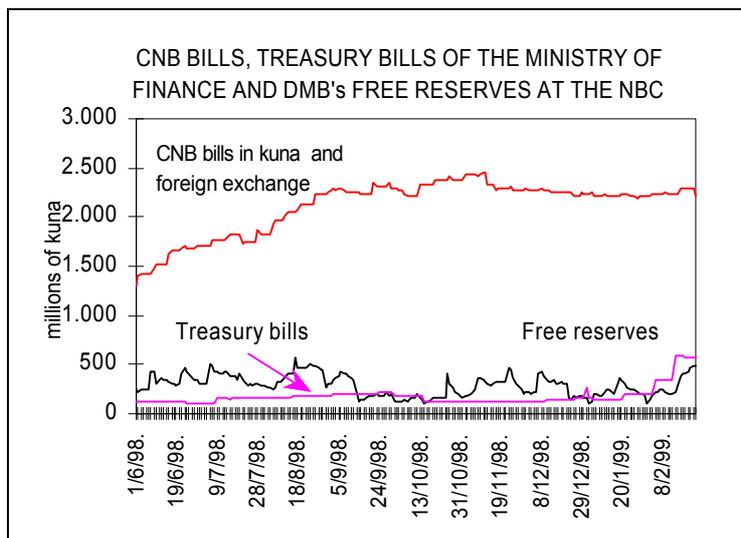
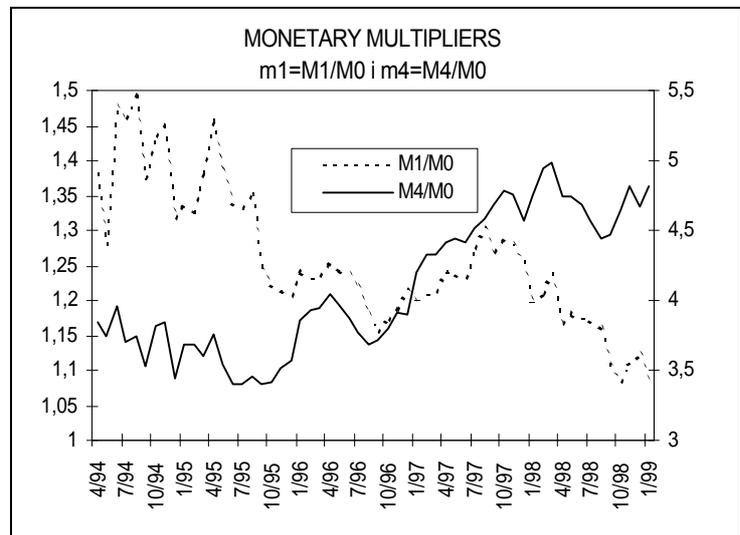
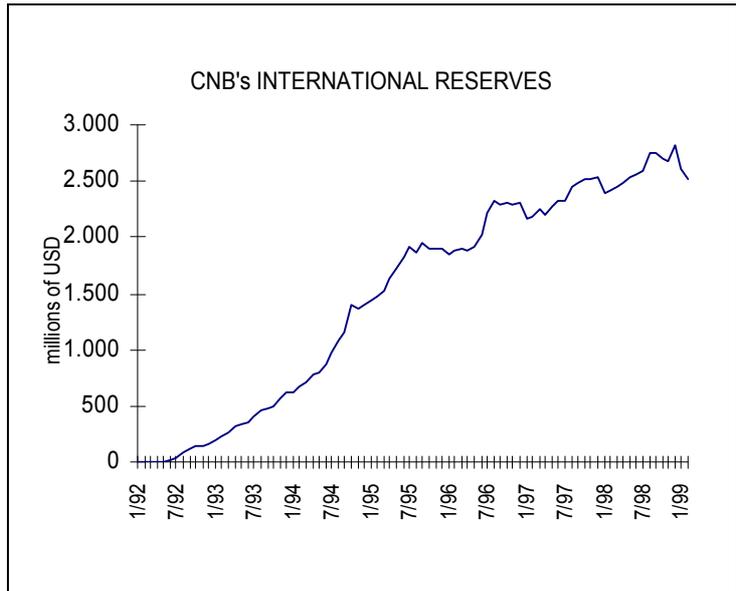
Therefore, a smaller portion of the total of 2 billion kuna of bills issued by the Ministry of Finance is currently being held by commercial banks. Foreign currency deposits of the central government with commercial banks on the basis of refinanced loans of the Republic of Croatia also decreased slightly (0.1 billion kuna). Apart from these developments, relations between the central government and commercial banks were stagnant.

Foreign exchange claims on the central bank on the basis of required reserves in foreign currency increased in January by 0.5 billion kuna, reaching 2.1 billion kuna. The decrease in commercial banks’ foreign exchange assets was approximately the same. Therefore, in January (as opposed to preceding months) commercial banks did not withdraw assets from foreign accounts in excess of what they were legally obliged to transfer to the central bank in the form of reserve requirements. The decreasing trend in foreign exchange assets was stopped, leaving the level of foreign exchange assets at 12 billion kuna at the end of January.

At the same time, commercial banks’ foreign exchange liabilities increased very slightly. Therefore we can say that they continued to stagnate. Such developments in commercial banks’ transactions are encouraging.



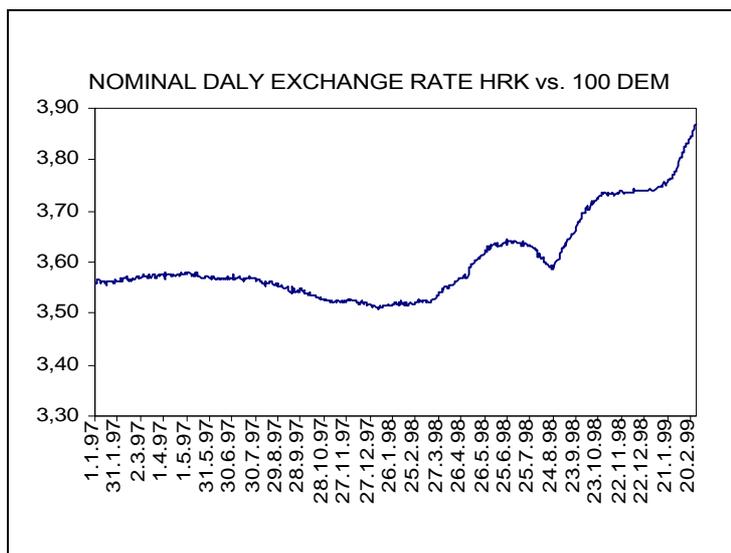
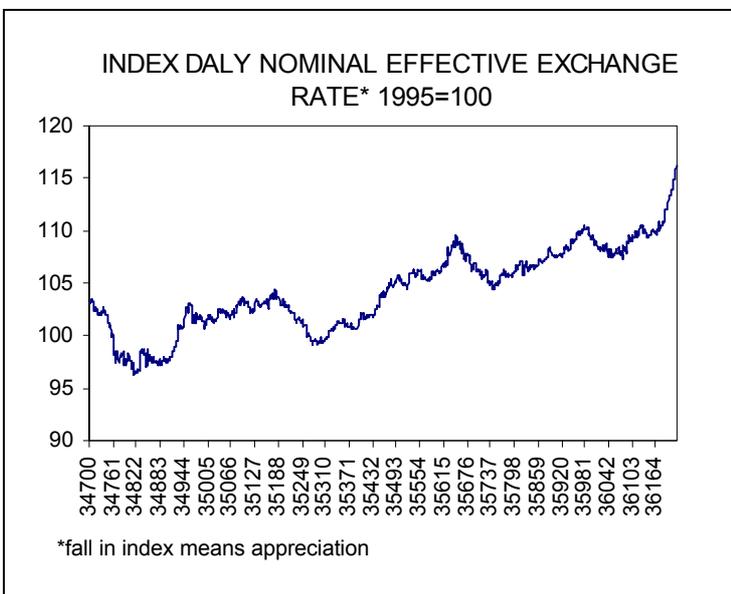
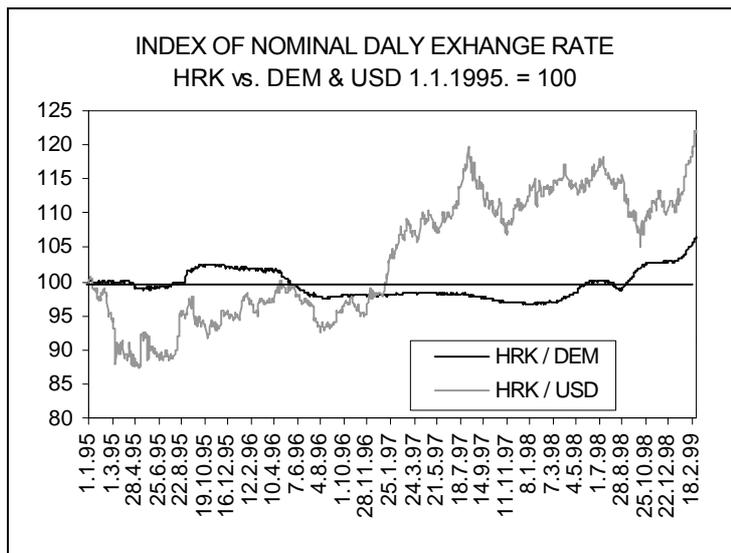
With the end of February, the second of the three (according to the Monetary Policy Expectations for 1999) most difficult months for the central bank is over. In February, just as in January, the Croatian National Bank acted in accordance with its legal obligations to maintain the two basic objectives. By selling foreign exchange in the value of USD 182 million (in two auctions), the Croatian National Bank attempted to dampen the existing pressure on the depreciation of the kuna and to mediate in maintaining liquidity in foreign payments. Consequently, the Croatian National Bank decided to sell to a certain bank, currently in the process of reconstruction, an additional 24 million US dollars to be used to settle the bank's obligations toward foreign creditors. Since the beginning of the year, the central bank's net foreign exchange reserves decrease by USD 0.4 billion, with a negative net monetary effect of 2.9 billion kuna (out of which 1.4 billion kuna referred to February alone). By loosening the terms and conditions for the use of secondary sources of liquidity, the Croatian National Bank enabled a simpler compensation for the significant outflow of kuna from banks' giro accounts (for the purpose of purchase of foreign exchange and maintaining the required level of liquidity) throughout February. The average daily balance in banks' giro accounts amounted to 0.6 billion kuna in February. This is almost 20 percent higher than in January. However, reserve money remained at the level of 9.6 billion kuna, due to the fact that the mandatory reserve on kuna deposits decreased by approximately 100 million kuna in February. Banks were using a daily average of approximately 800 million kuna with the central bank, or merely 7 percent more than in January. Nevertheless, the number of banks which used the new short-term liquidity loan in February increased to five, while the average daily use of that loan reached 0.3 billion kuna. Along with the five banks with liquidity problems, the central government also solved its short-term liquidity problems by increasing its indebtedness with the central bank.



## EXCHANGE RATE

The kuna depreciated faster in February against the German mark than in any month so far. Throughout the month, the kuna depreciated against the German mark, i.e. against the euro, by 2.4 percent. The last occasion the kuna depreciated so rapidly was in September 1995, and the depreciation was (only) two percent. The Croatian National Bank intervened through foreign exchange auctions aimed at slowing down the depreciation of the kuna on two separate occasions during the month of February. On those two occasions, the central bank sold a total of 156.08 million euros and 7.05 million US dollars to commercial banks. The two auctions held in February were not enough to stop the depreciation of the kuna. However, they helped slow down the depreciation. Consequently, the exchange rate of the German mark was growing slightly slower by the end of February. In the first week of February, the kuna depreciated 0.9 percent, while in the last week of February, it depreciated 0.6 percent. Thanks to the rapid increase in the value of the US dollar against the German mark and therefore the euro, the daily nominal effective exchange rate depreciated by 3.73 percent in February. In the same period, the US dollar appreciated by 6.0 percent against the kuna, the Swiss franc appreciated by 4.1 percent, and the British pound appreciated by 3.1 percent.

Depreciation of the kuna was a result of the (still) high demand for foreign exchange by commercial banks, to be used mainly for repayment of loans due, as well as for the build-up of long foreign exchange positions. Therefore, the foreign exchange inflow from euro-bonds, which were successfully introduced to foreign investors in mid-February, will most likely be enough to cover the time period until the beginning of the tourist season. An additional consequence of the fact that the depreciation of the kuna was greater than the increase in prices was the depreciation of the real effective exchange rate deflated by retail prices and by producers' prices.

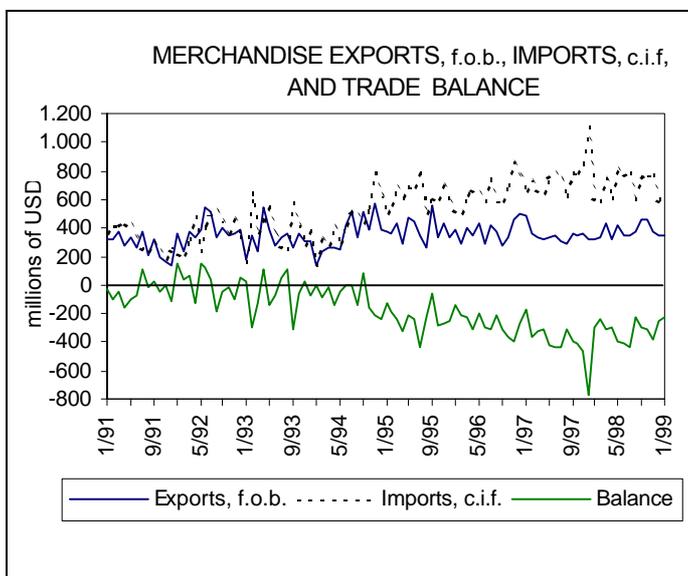
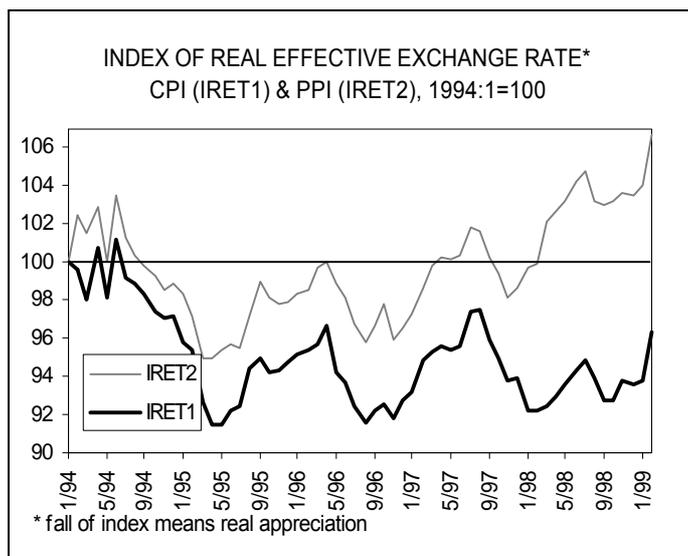


## BALANCE OF PAYMENTS

The current account deficit was USD 1,553.8 million in 1998, which represents a 36.2 percent decrease compared to 1997. The current account deficit decreased by about five percent of Gross Domestic Product. The decrease was to a large extent caused by a decrease in the merchandise trade deficit (-20.2 percent), an increase in exports (by 9.5 percent) and a decrease in imports (-7.0 percent). At the same time, a slight increase in income from services (2.4 percent), as well as a decrease in income from current transfers (-16.9 percent) occurred. Income account, which is negative, almost doubled in quantity (97.0 percent), as a result of interest on the increased indebtedness of the Croatian enterprise and government sector.

Changes in the current account deficit were accompanied by changes in the financial account, which amounted to USD 1,773.5 million (i.e. 37.6 percent less than in 1997). There was a significant change in the structure of financing. Direct investment, which amounted to USD 763.1 million (230.1 percent more than in 1997), became the most significant form of financing of the current account deficit. The most significant form of financing in the preceding year, increase in liabilities to foreign creditors, amounted to USD 677.4 million (primarily due to the increase in indebtedness in the fourth quarter), which represents a 69.9 percent decrease. Repatriation of foreign exchange of other sectors also ceased. At the same time, banks increased their foreign assets. The increase in foreign exchange reserves in 1998 amounted to USD 276.5 million (a 22.9 percent increase compared to 1997).

The expected continuation of the trend of decrease in the current account deficit throughout 1999 is also indicated by January data on merchandise trade, published by the State Bureau of Statistics. The merchandise trade deficit in January was USD -226.1 million, a 22.1 percent decrease compared to January 1998. Merchandise exports f.o.b. were USD 349.0 million in January, a 10.3 percent increase compared to January 1998. Merchandise imports, c.i.f. were USD 575.1 million a 5.2 percent decrease compared to January 1998.



## BALANCE OF PAYMENTS

in millions of USD (preliminary data)

|                               | I-XII 98 | I-XII 97 | indices<br>I-XII 98/<br>I-XII 97 |
|-------------------------------|----------|----------|----------------------------------|
| Current account               | -1.553,8 | -2.434,0 | 63,8                             |
| Capital and financial account | 1.773,5  | 2.841,4  | 62,4                             |
| CNB international reserves    | - 276,5  | - 225,0  | 122,9                            |
| Net errors and omissions      | 56,9     | - 182,4  | ---                              |

Source: CNB

## MERCHANDISE EXPORTS AND IMPORTS

in millions of USD

|                 | I 1999  | I 1998  |
|-----------------|---------|---------|
| Exports, f.o.b. | 349,0   | 316,4   |
| Imports, c.i.f. | 575,1   | 606,5   |
| Balance         | - 226,1 | - 290,1 |

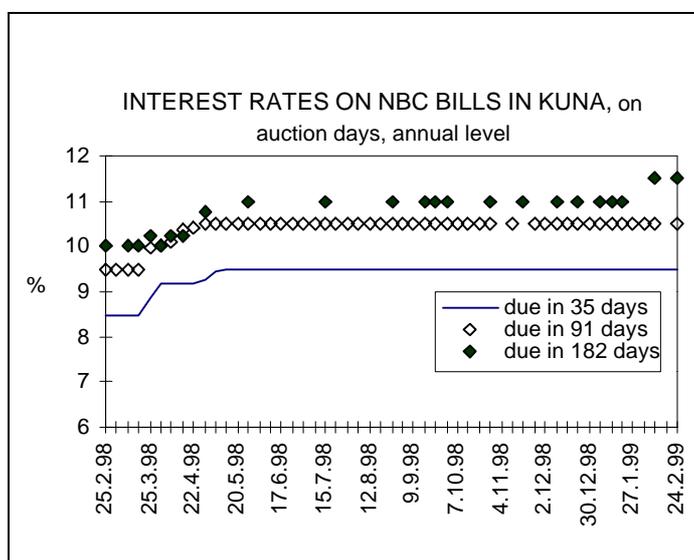
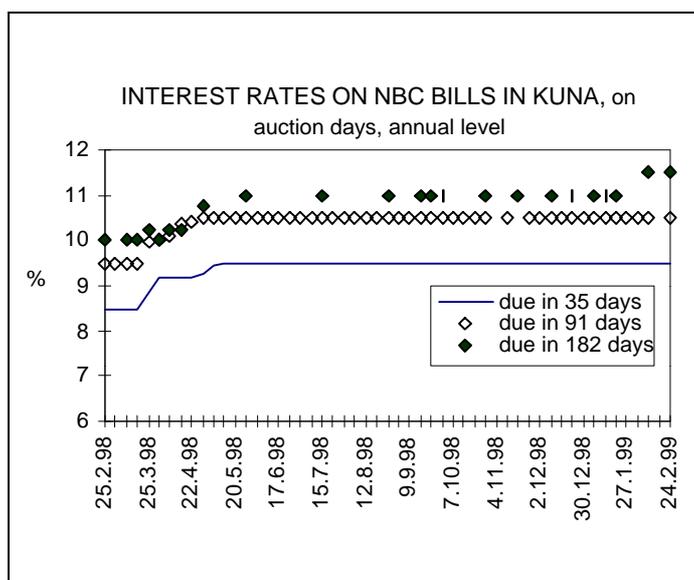
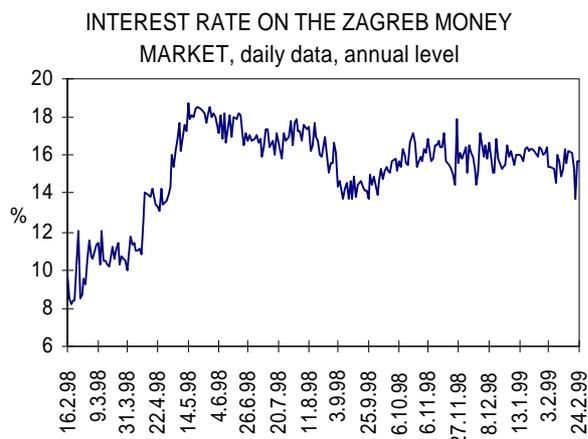
Source: Bureau of Statistics

## MONEY MARKET AND INTEREST RATES

The average daily interest rate on the Money Market Zagreb decreased in February compared to January by 0.6 percentage points, reaching 15.5 percent. Daily turnover also decreased, along with decreases in both supply and demand, as a consequence of banks' decreased liquidity. Overnight turnover, on the other hand, increased by approximately 23 percent. The average daily interest rates dropped even below 15 percent. As opposed to the previous month, all different interest rates decreased. They are currently oscillating between 15 and 18 percent, growing proportionately with the maturity period. Interest rates on callable loans dropped as low as 13.5 percent.

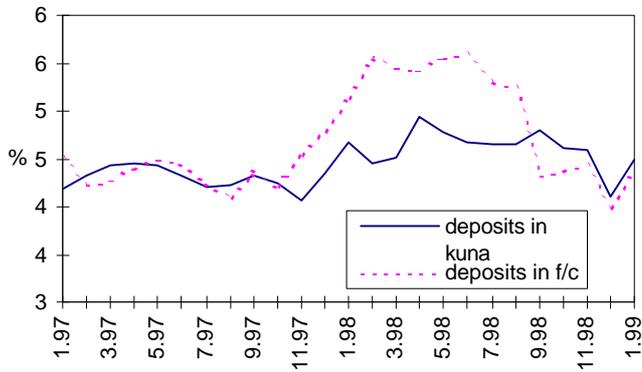
The short-term securities market was marked by a slight increase in interest rates on securities. Purchases of the kuna bills of the Croatian National Bank decreased. Interest rates on CNB bills with shorter maturity periods (35 and 91 days) remained unchanged (9.5 percent and 10.5 percent, respectively), while the interest rates on CNB bills with 182 day maturity increased from 11 percent to 11.5 percent. On the other hand, purchases of CNB bills in foreign currency remained very high. However, almost all purchases were purchases of the shortest maturity period of 63 days. In the last auction, the interest rate on CNB bills denominated in EUR was 2.9 percent and the interest rate on CNB bills denominated in US dollars was 4.78 percent. After almost four months absence, treasury bills of the Ministry of Finance were sold with a 91-day maturity, with an interest rate of 11.5 percent. Another interesting piece of information refers to an additional auction held around the middle of the month, in which an extremely large amount of 42-day treasury bills were purchased. The last registered interest rate on treasury bills with a 42-day maturity period amounted to 10.6 percent.

Exceptional interest in Pliva corporate bonds should also be noted. These bills have been traded at the Zagreb Stock Exchange, yielding more than comparable securities such as 35-day CNB bills or 42-day treasury bills of the Ministry of Finance.

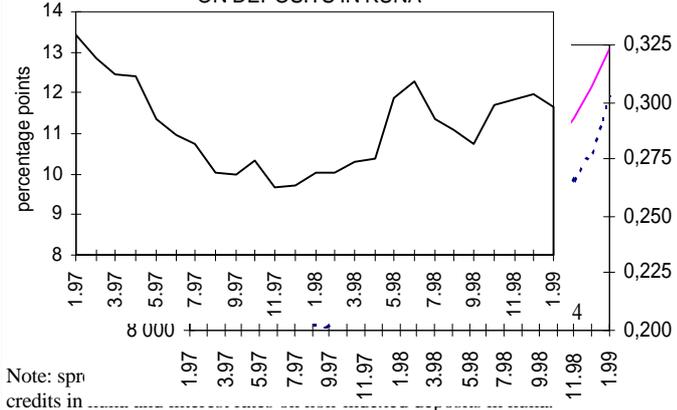


The only security that can match the yield on Pliva corporate bonds (discounted at the rate of around 16 percent) is the bill of exchange of the Ministry of Finance. However, the bill of exchange of the Ministry of Finance is not a security traded on the money market, but primarily represents a means of payment in regular business operations. The market for banking services saw a slight increase in lending interest rates, and a slightly more significant increase in deposit rates in January. Consequently, the interest rate spread shrunk. The average interest rate on kuna loans without the currency clause increased very slightly, by 0.07 percentage points, reaching 16.1 percent. The average interest rate on kuna loans with the currency clause increased by almost 0.9 percentage points, reaching 13.9 percent. This increase was due to the increase in the average interest rate on the short-term component of these loans, and came under conditions of a significant decrease in the amount of newly granted loans. The average interest rate on kuna deposits increased to 4.5 percent, which is only 0.1 percentage points below the November 1998 level. It is important to note that the average interest rate on the time deposits increased by almost one full percentage point. It is currently at 8.7 percent. The average interest rate on foreign currency deposits increased by 0.4 percentage points, reaching 4.3 percent. The increase in interest rates on foreign currency deposits was in large part due to the increase in the average interest rates on time deposits, which increased to 5.4 percent. Unsettled payment orders registered with the Payments Institute continued to grow at an accelerated rate, reaching nearly 17 billion kuna in January.

DMBs INTEREST RATES ON DEPOSITS  
(annual level)

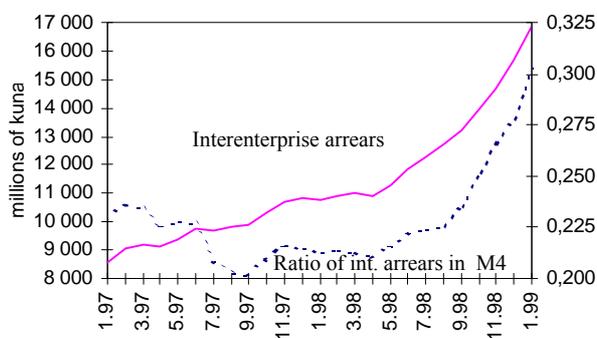


DIFFERENCE BETWEEN INTEREST RATES ON CREDITS IN KUNA AND INTEREST RATES ON DEPOSITS IN KUNA



Note: spr credits in

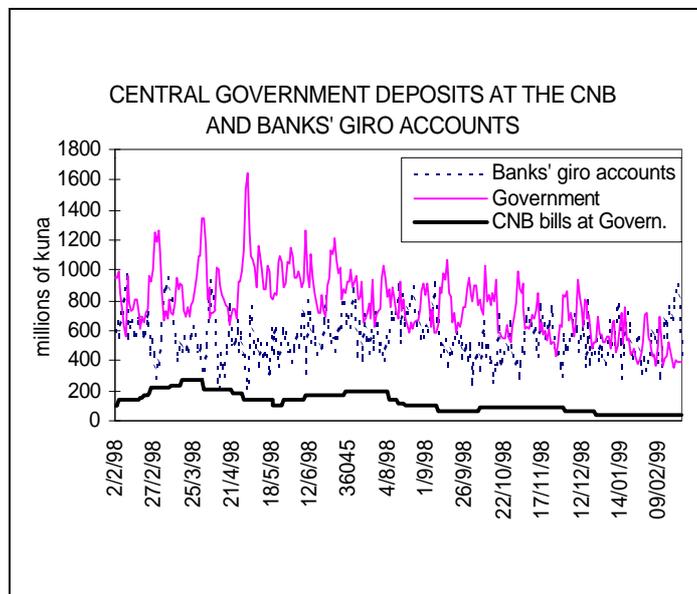
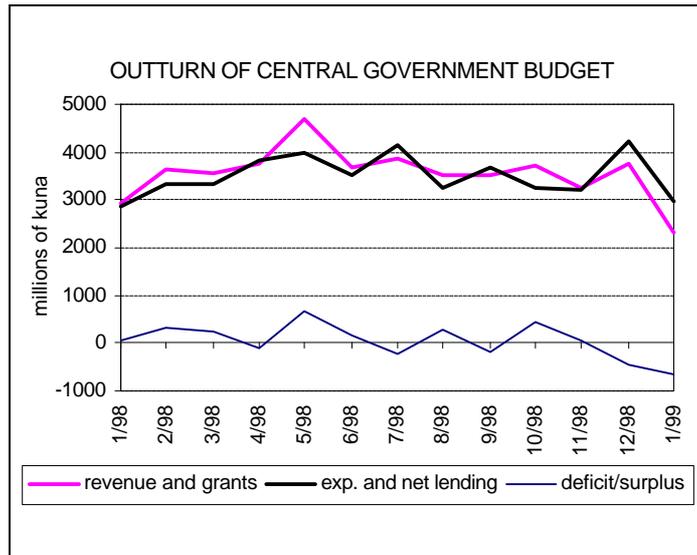
INTERENTERPRISE ARREARS REPORTED TO PAYMENTS INSTITUTE



## GOVERNMENT BUDGET

In January 1999, Government budgetary expenditures exceeded revenues collected by 649 million kuna. This represents the highest monthly budget deficit since the introduction of the value added tax at the beginning of 1998. The January budget deficit, together with domestic debt payments on the basis of "old currency savings" and foreign debt (Paris and London Club), was financed in its entirety by an increase in short-term indebtedness with the monetary authorities. It should be noted here that, according to the law, the central government may borrow from the monetary authorities only in the short-term, and that the amount of debt cannot exceed 5 percent of the total amount of the Government Budget. Since the projected Government Budget for 1999 amounts to 49 billion kuna, the Central Government is allowed to ask for a short-term loan from monetary authorities up to a maximum amount of 2,45 billion kuna.

The collection of budgetary revenues was not satisfactory in January. A rule of thumb says that revenues are the scarcest in November and January. However, this year's January revenues were more than 20 percent lower than those in January last year (i.e. 610 million kuna less were collected in January 1999 than in January 1998). Such disappointing results in collection of budgetary revenues were in large part due to a decrease in revenues from value added tax collection. The main reason for that decrease should be looked for in the extension of the period for calculation of value added tax from 15 to 30 days. This had a negative influence on revenues. However, it should have a positive influence on the liquidity of the real sector. January expenditures amounted to 2,936 million kuna, which is slightly greater than three percent (93 million kuna) more than in January 1998.



### FINANCING OF CENTRAL BUDGET DEFICIT (in millions of kuna)

|                               | Jan. 1999 | 1999 Budget |
|-------------------------------|-----------|-------------|
| <b>TOTAL FINANCING</b>        | 649       | 0           |
| <b>DOMESTIC FINANCING</b>     | 799       | -2 326      |
| From other general govern.    | 0         | 0           |
| From monetary authorities     | 1107      | 0           |
| From deposit money banks      | -308      | -1 952      |
| Other domestic financing      | 0         | - 374       |
| <b>FINANCING ABROAD</b>       | -150      | 2 326       |
| From internat. develop. inst. | 0         | 875         |
| From foreign governments      | -121      | - 385       |
| Other borrowing abroad        | -29       | 1 835       |

# 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 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 granted, by the Croatian National Bank, the permission to perform banking business services in accordance with the Law on Banks and Savings Banks. Data on DMBs does not include claims and liabilities of former branches of banks with their headquarters in the former Yugoslavia. Other banking institutions comprise savings banks and housing savings banks. Since July 1995 savings banks have been under auspices, and have operated with the permission of the CNB. Other financial institutions are financial institutions not classified as banks or other banking institutions (insurance companies, investment funds, savings cooperatives etc.)

The central government and funds comprises government institutions including Croatian Roads Authority, State Agency for Deposit Insurance and Bank rehabilitation and Bank and Croatian Guarantee Agency, and following central government funds: Croatian Health Insurance Institute, Republic Fund for Pension and Disability Insurance of Workers in Croatia, Croatian Employment Service, Croatian Privatization Fund, Public Water Management Fund and Croatian Bank for Reconstruction and Development. Other domestic sectors are other central government funds (those not classified under the central government and funds sector), local government authorities and local funds, public and private companies and households, including craftsmen and non-profit institutions. In some tables other domestic sectors are divided into following sub-sectors: local governments and funds (including other republic funds, local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal entities and individuals.

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

The table shows data on some basic monetary and credit aggregates, including their monthly growth rates.

*Reserve money* has been 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 cash outside banks, deposits with 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 above components 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.

### Table B1: Monetary Survey

The monetary survey shows consolidated data from the Monetary Authorities Accounts (Table C1) and DMB's 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 DMB's accounts. Claims on central government and funds are reported on the net basis, i.e. decreased by central government and funds' deposits with the CNB and DMBs.

*The 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 DMB's demand deposits (item *Demand deposits* in DMB's 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 DMB's Accounts, while item *Restricted and blocked deposits* represent the sum of correspondent items from Monetary Authorities Accounts (excluding DMBs blocked deposits with the CNB) and DMBs Accounts. *Other items (net)* are unclassified liabilities decreased by unclassified assets.

**Table B2: Number of Reporting Deposit Money Banks and Savings Banks and Their Classification by Size**

The table shows the total number of DMBs and savings banks which report monthly to the CNB. Their operation is shown in the DMB's/savings banks' accounts.

Due to the fact that savings banks were not legally obliged to report their operation to the CNB until June 1995, the total number of savings banks refers only to those savings banks which reported voluntarily to the CNB. In July 1995, coordination of the registration of savings banks with the Law on Banks and Savings Banks, and reporting to the CNB became compulsory. Since July 1995, total number of savings banks reporting to the CNB has corresponded with the total number of registered savings banks. The table also shows the classification of reporting DMBs and savings banks according to their total assets.

**Table C1: Monetary Authorities Accounts**

The table reports data on claims and liabilities by monetary authorities. *Foreign assets* include the following forms of foreign currency and kuna claims on foreign legal entities and individuals: monetary gold, holdings of special drawing rights, foreign cash in vaults, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits in 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* are short-term loans granted for the purpose of overcoming the incoordination 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 State Budget for liabilities to the IMF and foreign banks. *Claims in foreign currency* was a counter-entry to the liability to the IMF based on the succession of membership in that institution.

*Claims on other domestic sectors* are loans and overdue claims on other domestic sectors.

*Claims on DMBs* are credit to DMBs, deposits by the CNB with DMBs and overdue claims on DMBs. *Credit to DMBs* is split according to the type of financial instruments. *Refinancing of DMBs* include loans granted within general and selective quotas up to the end of 1993, as well as advances to DMBs for performing currency exchanges. Refinancing loans granted within the general and selective quotas were paid back in their entirety by the end of April 1994. In July 1994, they were formally revoked. 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. Overdue claims on DMBs comprise loans due, giro account overdrafts and banks' undiscipline in allocation and maintenance of statutory reserve requirements.

*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: giro account balances, statutory reserves deposited on a special account with the CNB as well as CNB bills on obligatory basis. *Deposits by other banking institutions* are: giro account balances of savings banks as well as statutory reserves of savings banks' deposited on a special accounts with the CNB. *Deposits by other domestic sectors* are: other domestic sectors' giro account balances (this refers to accounts opened with the CNB by October 1994, since when they have been in the process of transition into deposits with the DMBs).

*Restricted and blocked deposits* include required foreign exchange reserves, 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. Blocked deposits are mainly kuna funds set aside on the basis of court order or legal regulation. 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 and liabilities to international financial institutions.

*Central government and funds deposits* are demand deposits and foreign currency deposits of the central government and funds with the CNB, and CNB bills voluntary subscribed by the Croatian Bank for Reconstruction and Development and State Agency for Deposit Insurance and Bank Rehabilitation.

*CNB bills* are CNB bills on voluntary basis in kuna and in f/c excluding CNB bills voluntary subscribed by the Croatian Bank for Reconstruction and Development and State Agency for Deposit Insurance and Bank Rehabilitation.

*Capital accounts* include reserves, funds, undistributed profit and f/c revaluation adjustment (net).

*Other items (net)* are unclassified liabilities decreased by unclassified assets of the CNB's accounts.

#### **Table D1: Deposit Money Banks' Accounts**

DMBs accounts include data on Croatian DMBs' claims and liabilities. DMBs' mutual claims and liabilities are consolidated.

*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 entities and individuals: foreign cash in vaults, nostro letters of credit and other collateral's with foreign banks, deposits with foreign banks, securities, loans, equities and arrears. Unregulated claims on institutions of former Yugoslavia are shown separately.

*Claims on central government and funds* are the following forms of claims in kuna and foreign currency: securities, loans, equities and arrears (including claims for interest charged and due 30 and more days prior to the reporting date). Main forms of claims on the central government are shown separately: bonds issued in accordance with the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks 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: securities, loans (including acceptances), equities and claims due.

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 other transferable deposits, decreased by 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.

*Foreign liabilities* comprise the following forms of kuna and foreign currency liabilities to foreign legal entities and individuals: giro and current accounts, loro letters of credit and other collateral's, savings and time deposits, loans received and liabilities due. Unregulated liabilities to institutions in former Yugoslavia are shown separately within foreign liabilities.

*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 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 entities and individuals; households' blocked foreign currency deposits, regulated by the Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia and foreign currency deposits by domestic sectors to cover outstanding liabilities due to foreign creditors.

*Capital accounts* are share capital, reserves, provisions, current profit or loss, undistributed profits and f/c revaluation adjustments (net).

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

#### 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 Bank's Foreign Assets

This table shows DMBs' claims on foreign legal entities and individuals.

*Foreign assets* of the DMBs comprise foreign assets in kuna and foreign currency as well as DMBs' claims on the former Yugoslavia and the adjustment for former branches. Item *Claims on former Yugoslavia*.

*Claims on foreign banks* and *Claims on foreign nonbanks* (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency. Within *Claims on former Yugoslavia*, those in kuna and in foreign currency are shown separately.

#### 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 Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks 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, equities, postponed interest arrears (claims for interest due but not payable before relations with foreign creditors are regulated) and arrears (including claims for interest due 30 and more days prior to the reporting date).

*Adjustment for former branch banks* refers entirely to other central government's bonds.

#### Table D4: Deposit Money Bank's Claims on Other Domestic Sectors

The table shows DMBs' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments: bills of exchange, commercial bills, bonds, other short-term securities, loans and advances (including acceptances and commodity futures), equities and arrears.

By October 1994, foreign currency loans were granted only when counterparted by DMB's loan abroad, in bank's name and on behalf of the final beneficiary of the loan. Due to the fact that foreign debts are still not entirely regulated, there is an item *Postponed interest arrears*. It refers to claims on interest due at the original due date, but the obligation to pay is postponed until relations with foreign creditors are regulated.

#### 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 and commodity futures.

**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, as well as other transferable deposits, decreased by currency in the payment system, i.e. by amount of checks in banks' vaults and checks in collection.

**Table D7: Time and Savings Deposits with Deposit Money Banks**

The table shows *Savings deposits of households* in kuna as well as *Time and notice deposits* in kuna by other domestic sectors, other banking institutions and other financial institutions with DMBs.

**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, while foreign currency time deposits also include foreign currency notice deposits.

**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.

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

**Table D10: Deposit Money Banks' Foreign Liabilities**

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

DMBs' foreign liabilities comprise foreign currency liabilities, foreign kuna liabilities and DMBs' liabilities to the former Yugoslavia.

Within foreign kuna and foreign currency liabilities, liabilities to foreign banks are reported separately from liabilities to foreign nonbanks (total and by financial instruments). Within liabilities to the former Yugoslavia, liabilities in foreign currency are reported separately from kuna liabilities.

Item *Postponed interest arrears* on foreign currency loans showing within foreign currency liabilities refers to liabilities for interest due on the original due date, but payable after the regulation of relations with foreign creditors.

**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 Republic of Croatia and republic funds are shown separately. Kuna deposits comprise demand 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 foreign currency time and notice deposits.

**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 entities and individuals 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 Decree Law on the Transformation of Household Foreign Exchange Savings Deposits with Banks into the Public Debt of the Republic of Croatia, as well as domestic sectors' deposits regulated by the Decree Law on the Settlement of Arrears to External Creditors.

#### **Table E1: Savings Banks' Accounts**

Savings banks' accounts include the data on savings banks' claims and liabilities. Savings banks' mutual claims and liabilities are consolidated.

*Reserves* are savings banks' kuna cash in vaults and kuna deposits with the CNB.

*Foreign assets* refer to foreign currency in savings banks' possession within arrangements with DMBs regarding performing currency exchange transactions.

*Claims on central government and funds* are all kuna and foreign currency claims on the Republic of Croatia and central government funds.

*Claims on other domestic sectors* are the following forms of kuna and foreign currency claims: securities, loans, equities and claims due. Claims on local governments and funds, enterprises and households, are shown separately within this item.

*Claims on DMBs* include the following forms of kuna and foreign currency claims on DMBs: savings and time deposits, securities, loans, equities and arrears. Item *Claims on other financial institutions* comprises the same forms of kuna and foreign currency claims.

*Demand deposits* comprises other domestic sectors' and other financial institutions' kuna giro and current accounts balances as well as other transferable deposits.

*Savings and time deposits* are households' savings deposits in kuna as well as time and notice deposits by other domestic sectors,

domestic deposit money banks and other financial institutions.

*Foreign currency deposits* are households' foreign currency savings and time deposits.

*Bonds* are liabilities by other banking institutions for securities issued (net), as well as loans received from other domestic sectors, domestic DMBs and other financial institutions.

*Foreign liabilities* are foreign savings and time deposits in foreign currency.

*Central government deposits* are kuna time and notice deposits by the Republic of Croatia and central government funds.

*Credit from central bank* comprise kuna loans obtained from the Croatian National Bank.

*Capital accounts* are: share capital, reserves, provisions, current profit or loss, undistributed profit and f/c revaluation adjustment (net).

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

#### **Table F1 - Credit Rates of Croatian National Bank**

The table shows interest rates used by the CNB to calculate and charge interest on loans and on all other claims.

Lending CNB interest rates are being set by special decrees of the Council of the Croatian National Bank, on annual basis. Exceptionally, from June 1995 to September 11, 1996 interest rate charged by CNB on lombard credits has been 1.5 percentage point higher than the weighted average interest rate on CNB bills on 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 weighted average of interest rate applied in 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 breaches, 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 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 which are collateralized by CNB bills. Since December 16, 1998 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 illiquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures.

Interest rates reported in column 8 refer to the use of statutory reserves, which was being used by the 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 form of financial undiscipline, 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 was 21%, and since October 1994 the same interest rates have been applied as for other forms of financial undiscipline, shown in column 10.

#### **Table F2: Deposit Rates of 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, CNB was setting different exchange rates for statutory reserve funds based on savings and time deposits. Therefore, for that period the table reports weighted average interest rate on appropriated statutory reserve funds (column 3). From 8 October 1993 until the end of February 1994, 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 obligatory basis are set by the Council of the CNB.

Until October 1993, interest rates on CNB bills on 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 in auctions of the CNB bills.

Until October 1994, interest rates on CNB bills on voluntary basis due in 30 and 90 days are reported in columns 6 and 7 respectively.

Since April 1998 column 9, 10, 11 report weighted average interest rates of the CNB bills on voluntary basis in EUR and USD (until December 1998 in DEM and USD), due in 63, 91, 182 and 365 days attained in CNB bill's auctions as a weighted average of subscribed amounts in those two currencies.

#### **Table F3: Deposit Money Banks' Reserves on Obligatory Basis**

This table shows data on monthly averages of day-to-day balances of reserves on obligatory basis by DMBs with the CNB.

*Reserve requirement* (column 3) represents the prescribed amount of funds banks are required to deposit on a special statutory reserve account with the CNB, or to maintain (in average) on their giro accounts or in vaults. This amount corresponds with the statutory reserve instrument of January 1995, 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 voluntary basis).

Column 4 shows weighted average reserve requirement ratio as a percentage of the reserve requirement (column 3) in the reserve base (CNB

prescribes different reserve requirement ratios for different categories of deposit).

Column 5 shows the portion of the reserve requirement banks are required to deposit on a special statutory reserves account with the CNB (until December 1994 this amount corresponds with the statutory reserves instrument, while since January 1995 until May 1998, banks have been required to deposit at least 75% of the total reserve requirement on a special account with the CNB and since May 1998 at least 60% of the amount).

Column 6 shows the percentage of the statutory reserves deposited with the CNB in the total reserve requirement.

Column 7 shows the total amount of other deposits with the CNB on obligatory basis, which comprises CNB bills on obligatory basis, part of CNB bills on voluntary basis used by the 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 guaranties und f/c credits from foreign banks.

Column 8 shows the total reserve requirement as a sum of reserve requirement and other deposits with the CNB on obligatory basis. Column 9 shows the percentage of total reserve requirement in the reserve base.

Column 10 shows weighted average remuneration rate for all forms of immobilized funds (i.e. for all components of total reserve requirement).

Column 11 shows the use of obligatory reserves, which includes use of appropriated statutory reserve funds (authorized and unauthorized), inaccurately calculated statutory reserves, non-maintenance of the prescribed minimal liquidity, i.e. (since January 1995) non-maintenance of the minimal average giro account and vault balance (determined in accordance with the calculation of statutory reserves), unregistered amount of the CNB bills on obligatory basis and inaccurately calculated special statutory reserves (until July 1995) and inaccurately calculated statutory reserves on f/c deposits, f/c credits from foreign banks and guaranties und f/c credits from foreign banks.

**Table F4: Deposit Money Banks' Liquidity Indicators**

The table reports monthly averages of day-to-day balances of some indicators of DMBs' liquidity.

Column 3 shows free reserves, defined as bank's total reserves (on giro accounts and in vaults) decreased by the minimal average giro account and treasury balance, as prescribed by instruments of the CNB (until December 1994 by the requirement for banks' minimal liquidity, and since January 1995 by statutory reserve requirement).

Column 4 shows the primary liquidity ratio as a percentage of monthly day-to-day free reserves averages in monthly day-to-day averages of deposits which constitute the reserve base.

Column 5 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 on the bank's giro account (until October 1994), special credits for overcoming illiquidity problems (initial credits, credits for overcoming illiquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures), lombard credits (since December 1994), intervention credits for overcoming illiquidity (since October 1994), as well as outstanding liabilities due to the CNB.

Column 6 reports monthly average of day-to-day balances of CNB bills on voluntary basis in kuna (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 7 reports monthly average of day-to-day balances on CNB bills on voluntary basis in foreign currency (DEM and USD).

**Table G1: Deposit Money Banks' Credit Rates**

The table contains weighted averages of DMBs' monthly interest rates on kuna and foreign currency loans, reported on a yearly basis.

Columns 3 and 4 show interest rates on the interbank daily and overnight money markets, according to information received from Money Market Zagreb. Data on DMBs' interest rates on kuna and foreign currency credits are based on DMBs' periodic reports. Basis for calculation of weighted averages are amounts of

credits bearing corresponding interest rates, which were disbursed during the reported month, with the exception of interest rates on giro and current accounts credit lines, for which weighted averages were calculated based on the balance of these loans at the end of the reported month.

Column 5 shows interest rates on total (short-term and long-term) kuna credits not indexed to foreign currency. Interest rates on short-term kuna credits (shown in column 6) also include interest rates on discounted short-term securities (not indexed to foreign currency), weighted based on their face value.

Columns 8, 9, 10 shows interest rates on total (short-term and long-term) kuna credits indexed to foreign currency, including interest rates on discounted short-term securities indexed to foreign currency.

Interest rates on foreign currency credits (columns 11, 12 and 13) refer to credits released in Deutsche Mark or US dollars in a reported month, 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 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' Deposit Rates**

The table shows weighted averages of monthly DMBs' interest rates on kuna and foreign currency deposits, reported on a yearly basis.

Data on interest rates on DMBs' deposits are obtained from DMBs' periodic reports.

Column 3 reports weighted averages of monthly interest rates on total kuna deposits (sight deposits, savings and time deposits) not indexed to foreign currency. Weighted averages of monthly interest rates on total kuna deposits indexed to foreign currency are reported in column 6.

Interest rates on foreign currency deposits refer to deposits received in Deutsche Mark or US dollars, while weighted averages are calculated based on their kuna equivalent using

current exchange rate. Deposits received in other foreign currencies are not included in the data reported in this table.

Basis for calculation of weighted averages are end-of-month balances of deposits. Exceptions are kuna and foreign currency time and savings deposits for which weighted averages are calculated (since July 1995) based on amounts of those deposits received during the reported month. Weighted averages of interest rates on total kuna and foreign currency deposits (columns 3 and 7) are weighted by the end-of-month balances of all categories included in the calculation.

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

#### **Table G3: 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 entities or individuals, 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 Deutsche Mark, converted from other foreign currencies using the CNB's midpoint exchange rate (reporting period average).

#### **Table H1-H4: 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 Health Insurance Institute, the Payments Institute, Commercial banks, enterprises and the Croatian national Bank, as well as research by the Tourism Institute and the Croatian National Bank.

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's 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 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 importers, and the resulting value of f.o.b. imports is adjusted on the basis of foreign payments for repairs of ships as well as supply purchases in foreign ports, as well as estimates of the purchases of individual Croatian citizens abroad, obtained via a research study of the CNB. For the 1993 to 1996 period, merchandise imports from the merchandise trade statistics are modified by estimates of imports in duty-free zones (prepared by the CNB), while from 1997 on, data on these imports are included in the merchandise trade statistics.

Income from transport services is recorded on the basis of research by the Croatian National Bank. This research was based on data provided by Croatian transport enterprises to the CNB. The data from this project are added to data from the statistics on international payments and income from pipelines and road transport, which were not included in the research project.

Expenditures on transport services include part of the difference between c.i.f. and f.o.b. imports, which pertain to services provided by non-residents, as well as estimates of the operating costs of Croatian transport companies in international transport. This estimate was performed by the Croatian National Bank, and amounts to 40% of the income of Croatian transport companies shown in the Croatian National Bank's research.

Income from travel and tourism is calculated as the total value of foreign exchange cash and checks purchased from nonresidents, the purchase of foreign checks from residents, foreign transfers of funds to the accounts of enterprises engaged in tourism, the sale of local currency and travelers checks abroad, health services provided to non-residents, receipts for scholarships and specialized study by non-residents in the Republic of Croatia, estimates of

tourist expenditures of non-residents in registered lodging and accommodations and estimates of other forms of tourist expenditures of non-residents. The estimate of tourist expenditure in registered lodging and accommodations is based on research by the Institute of Tourism, and the estimate of other forms of tourist expenditure is based on econometric analysis of the Croatian National Bank. The other categories mentioned are based on data from foreign payments statistics.

Expenditures for travel and tourism are calculated as the total value of outflows for official travel, stipends and specialized study, foreign exchange expenditures of the Croatian Health Insurance Institute, outflows for tourism organized by domestic tourism enterprises and estimates of the foreign tourist expenditures of residents. These estimates are based on research by the CNB, while the other categories mentioned are based on data on foreign payments.

Other services includes data from the foreign payments statistics which related to investment projects abroad, customs clearing services, representation fees, insurance 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 of the expenditures of international peacekeeping and humanitarian missions for goods and services in the Republic of Croatia, based on research by the Croatian National Bank.

The income account includes data from the foreign payments statistics on payments on the basis of interest, data from CNB research on income paid from foreign direct and portfolio investment of the private sector, Croatian National Bank data and Payments Institute data on income paid from foreign portfolio investment in the official sector and estimates of the factor income of resident peacekeeping and humanitarian missions in the Republic of Croatia, based on 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 for unregistered transfers. This estimate is seen as 15% of the difference between the unexplained foreign exchange inflows and outflows of the household sector.

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. The total inflow is decreased by: estimate of tourist income and estimates of 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 by exchange offices and withdrawals of foreign cash from households' foreign exchange accounts at domestic banks. The total outflow is decreased by: individuals' expenditures for goods abroad and expenditures for foreign tourism by residents.

Expenditures on transfers of other sectors is based on foreign payments data on the total value of foreign exchange transfers abroad.

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 Payments Institute. In the 1993 to 1996 period, data on foreign direct investment of the private sector (banks and other sectors) do not include direct foreign debt investment, nor retained profit of the investor.

Other investment is classified according to the following institutional sectors: Croatian National Bank, Government, Banks and Other. The Government sector comprises central government, local government and local funds. The Banking Sector comprises commercial banks.

Funds--foreign exchange and deposits--banks shows the change in the total liquid foreign exchange of banks authorized to do business abroad. Funds--foreign exchange and deposits--other sectors 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.

Data on credits and arrears 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.

Changes in the operational state of the foreign exchange reserves of the Croatian National Bank are calculated using current exchange rates of the currencies comprising the reserves, and are shown according to the exchange rate of the US dollar on the last day of the reporting period (end of the quarter or year).

#### **Table H5: 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, foreign currency, and deposits at foreign banks, as well as bonds and debt instruments.

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

#### **Table H8: External Debt**

The table shows the balance of external debt at the end of the period, in millions of US dollars, according to the CNB's midpoint foreign currency rate at the end of the period.

External debt is defined as total value of following liabilities for foreign credits: outstanding debt (including principal in arrears) and projection of principal payments.

Data are formed following the criteria of the final user, i.e. these include foreign credits used by the final users from the Republic of Croatia (and also those for which the debtor to

foreign country is a bank from the former Yugoslavia).

Principle arrears include principle payments which should have been paid, but for which no statistical information regarding payment has been received.

Interest arrears are estimated by using originally agreed interest rates and do not include late interest.

Short-term credits do not include the use of interbank line of credits.

**Table H9: Structure of foreign debt and repayment projection**

The table shows the structure of foreign debt by domestic institutional sectors, as well as the debt stock and a repayment projection for medium-term and long-term borrowing. All data are shown at the midpoint exchange rate of the Croatian National Bank at the end of the period.

Also, the tables show interest-payment projections for medium-term and long-term borrowing.

# LICENSED BANKS WITH FULL AUTHORIZATION

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1. AGROOBRTNIČKA BANKA d.d. Zagreb
2. ALPE JADRAN BANKA d.d. Split
3. BANK AUSTRIA CREDITANSTALT CROATIA d.d. Zagreb
4. BJELOVARSKA BANKA d.d. Bjelovar
5. BNP - DRESDNER BANK (CROATIA) d.d. Zagreb
6. BRODSKO-POSAVSKA BANKA d.d. Slavonski Brod
7. CASSA DI RISPARMIO DI TRIESTE - BANCA d.d. TRŠĆANSKA ŠTEDIONICA - BANKA d.d. Zagreb
8. CENTAR BANKA d.d. Zagreb
9. CIBALAE BANKA d.d. Vinkovci
10. CONVEST BANKA d.d. Zagreb
11. CREDO BANKA d.d. Split
12. CROATIA BANKA d.d. Zagreb
13. ČAKOVEČKA BANKA d.d. Čakovec
14. DALMATINSKA BANKA d.d. Zadar
15. DUBROVAČKA BANKA d.d. Dubrovnik
16. GLUMINA BANKA d.d. Zagreb
17. GOSPODARSKO KREDITNA BANKA d.d. Zagreb
18. GRADSKA BANKA d.d. Osijek
19. HRVATSKA GOSPODARSKA BANKA d.d. Zagreb
20. HRVATSKA POŠTANSKA BANKA d.d. Zagreb
21. HYPO BANKA CROATIA d.d. Zagreb
22. IMEX BANKA d.o.o. Split
23. ISTARSKA BANKA d.d. Pula
24. ISTARSKA KREDITNA BANKA UMAG d.d. Umag
25. JADRANSKA BANKA d.d. Šibenik
26. KAPTOL BANKA d.d. Zagreb
27. KARLOVAČKA BANKA d.d. Karlovac
28. KOMERCIJALNA BANKA ZAGREB d.d. Zagreb
29. KRAPINSKO ZAGORSKA BANKA d.d. Krapina
30. KREDITNA BANKA ZAGREB d.d. Zagreb
31. KVARNER BANKA d.d. Rijeka
32. MEĐIMURSKA BANKA d.d. Čakovec
33. PARTNER BANKA d.d. Zagreb
34. PODRAVSKA BANKA d.d. Koprivnica
35. POŽEŠKA BANKA d.d. Požega
36. PRIVREDNA BANKA ZAGREB d.d. Zagreb
37. PRIVREDNA BANKA – LAGUNA BANKA d.d. Poreč
38. PROMDEI BANKA d.d. Zagreb
39. RAIFFEISENBANK AUSTRIA d.d. Zagreb
40. RIADRIA BANKA d.d. Rijeka

41. RIJEČKA BANKA d.d. Rijeka
42. SISAČKA BANKA d.d. Sisak
43. SLATINSKA BANKA d.d. Slatina
44. SLAVONSKA BANKA d.d. Osijek
45. SPLITSKA BANKA d.d. Split
46. ŠTEDBANKA d.o.o. Zagreb
47. TRGOVAČKA BANKA d.d. Zagreb
48. VARAŽDINSKA BANKA d.d. Varaždin
49. VOLKSBANK d.d. Zagreb
50. VUKOVARSKA BANKA d.d. Zagreb - *in bankruptcy*
51. ZAGREBAČKA BANKA d.d. Zagreb
52. ZAGREBAČKA BANKA - POMORSKA BANKA SPLIT d.d. Split
53. ŽUPANJSKA BANKA d.d. Županja

## **LICENSED BANKS WITH LIMITED AUTHORIZATION**

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1. HYPOBANKA d.o.o. Zagreb
2. ILIRIJA BANKA d.d. Zagreb
3. NAVA BANKA d.d. Zagreb
4. NERETVANSKA GOSPODARSKA BANKA d.d. Ploče
5. RAZVOJNA BANKA "DALMACIJA" d.o.o. Split
6. SAMOBORSKA BANKA d.d. Samobor
7. TRGOVAČKO-TURISTIČKA BANKA d.d. Split

## **LICENSED BRANCHES OF FOREIGN BANKS <sup>2)</sup>**

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1. Branch of SOCIETE GENERALE d.d. PARIS, Zagreb

## **REPRESENTATIVE OFFICES OF FOREIGN BANKS**

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1. ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG,  
Zagreb
2. STEIERMARKISCHE BANK UND SPARKASSEN AG, Zagreb
3. LHB INTERNATIONALE HANDELSBANK AG, Zagreb

4. KREDITNA BANKA d.d. TUZLA, Zagreb
5. MARKET BANKA, Split
6. PRIVREDNA BANKA BIHAĆ, Zagreb
7. DEUTSCHE BANK AG, Zagreb
8. CASSA DI RISPARMIO DI UDINE E PORDENONE SPA, Zagreb
9. CREDIT SCHWEIZER BANK d.o.o. SARAJEVO, Zagreb
10. BANK FÜR KÄRNTEN UND STEIERMARK AG, Zagreb
11. COMMERZ BANK AKTIENGESELLSCHAFT, Zagreb

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<sup>1)</sup> Licensed bank not yet operative.

<sup>2)</sup> Branches of foreign banks with full authorization.

Note:

*Full authorization is authorization for money transfers and credit transactions with foreign countries.*

*Limited authorization comprise f/c transfers in Croatia.*

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## LICENSED SAVINGS BANKS

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1. ADRIA ŠTEDIONICA d.o.o. Zagreb
2. BANICA Credo ŠTEDIONICA d.o.o. Split
3. GOLD ŠTEDIONICA d.o.o. Split
4. GOSPODARSKA ŠTEDIONICA ADRIATIC d.o.o. Vrbovec <sup>1)</sup>
5. GRAĐANSKA ŠTEDIONICA d.o.o. Karlovac - *in bankrupcy*
6. HIBIS ŠTEDIONICA d.o.o. Zagreb
7. INVEST ŠTEDIONICA d.o.o. Zagreb
8. INVESTICIJSKO - KOMERCIJALNA ŠTEDIONICA d.d. Zagreb
9. KRAPINSKA ŠTEDIONICA d.d. Krapina
10. MARVIL ŠTEDIONICA d.o.o. Zagreb
11. MEĐIMURSKA ŠTEDIONICA d.d. Čakovec
12. NAVA ŠTEDIONICA d.d. Zagreb
13. PRIMORSKA ŠTEDIONICA d.d. Rijeka
14. PRVA OBRTNIČKA ŠTEDIONICA d.o.o. Zagreb <sup>1)</sup>
15. SLAVONSKA ŠTEDIONICA d.d. Zagreb
16. ŠTEDIONICA BANAK d.o.o. Pula
17. ŠTEDIONICA BROD d.o.o. Slavonski Brod
18. ŠTEDIONICA DORA d.d. Zagreb
19. ŠTEDIONICA DUGI POGLED d.o.o. Zagreb
20. ŠTEDIONICA ISTRANOVA d.d. Pula
21. ŠTEDIONICA KOVANICA d.d. Varaždin
22. ŠTEDIONICA MEDITERAN d.o.o. Split

23. ŠTEDIONICA MORE d.o.o. Zagreb
24. ŠTEDIONICA SA-GA d.o.o. Zagreb
25. ŠTEDIONICA SONIC d.d. Zagreb <sup>1)</sup>
26. ŠTEDIONICA SPLITSKO DALMATINSKA d.o.o. Split <sup>1)</sup>
27. ŠTEDIONICA ZA RAZVOJ I OBNOVU d.o.o. Zagreb
28. ŠTEDIONICA ZAGIŠTED d.o.o. Zagreb
29. ŠTEDIONICA ZLATICA d.o.o. Zagreb
30. ŠTEDIONICA ZLATNI VRUTAK d.d. Zagreb
31. TRGOVAČKA ŠTEDIONICA d.o.o. Zagreb
32. ViD ŠTEDIONICA d.o.o. Zagreb
33. ZAGREBAČKA ŠTEDIONICA d.d. Zagreb

## **LICENSED HOUSING SAVINGS BANKS**

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1. PRVA STAMBENA ŠTEDIONICA d.d. Zagreb
2. WÜSTENROT STAMBENA ŠTEDIONICA d.d. Zagreb
3. HRVATSKA STAMBENA ŠTEDIONICA d.d. Varaždin

## **OTHER LICENSED INSTITUTIONS WITH FULL AUTHORIZATION**

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1. HRVATSKA BANKA ZA OBNOVU I RAZVITAK Zagreb

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<sup>1)</sup> Authorization includes raising households' f/c deposits and operating exchange offices.

<sup>2)</sup> Licensed savings bank not yet operative.

# MEMBERS OF THE COUNCIL OF THE CROATIAN NATIONAL BANK

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Chairman of the Council

**Marko Škreb**

**Zdravko Rogić**

**Relja Martić**

**Pero Jurković**

**Ivan Milas**

**Gorazd Nikić**

**Mate Babić**

**Vlado Leko**

## ABBREVIATIONS FOR CURRENCY

### MANAGEMENT OF THE CNB

**Marko Škreb**, Governor

**Zdravko Rogić**, Deputy Governor

**Relja Martić**, Vice Governor

### BOARD OF EXECUTIVE DIRECTORS

Research and statistics area - **Velimir Šonje**

Area of central banking operation - **Adolf Matejka**

International financial relations area - **Jadranka Granić**

Area of control and supervision - **Čedo Maletić**

Accounting, treasury and payment operations area - **Durđica Haramija**

Area of organization planning and information processing - **Petar Ćurković**

Area of legal affairs and general services -

## LIST OF ABBREVIATIONS & SYMBOLS

|                    |                                |
|--------------------|--------------------------------|
| <b>CNB</b>         | - Croatian National Bank       |
| <b>GDP</b>         | - gross domestic product       |
| <b>DMB</b>         | - deposit money bank           |
| <b>dep.</b>        | - deposits                     |
| <b>Q</b>           | - quarterly                    |
| <b>CBS</b>         | - Central Bureau of Statistics |
| <b>manufactur.</b> | - manufacturer                 |
| <b>mil.</b>        | - million                      |
| <b>bil</b>         | - billion                      |
| <b>o.w.</b>        | - of which                     |
| <b>IMF</b>         | - International Monetary Fund  |
| <b>res.</b>        | - reserve                      |
| <b>SNA</b>         | - System of National Accounts  |
| <b>prod.</b>       | - producers                    |
| <b>RR</b>          | - reserve requirement          |

### ABBREVIATIONS FOR CURRENCIES:

|            |                      |
|------------|----------------------|
| <b>HRK</b> | - Croatian kuna      |
| <b>ATS</b> | - Austrian schilling |
| <b>FRF</b> | - French franc       |
| <b>DEM</b> | - German mark        |
| <b>CHF</b> | - Swiss franc        |
| <b>GBP</b> | - British pound      |
| <b>ITL</b> | - Italian lira       |
| <b>USD</b> | - US dollar          |
| <b>EUR</b> | - Euro               |
| <b>SIT</b> | - Slovenian tolar    |

### SYMBOLS:

|     |  |
|-----|--|
| -   | no entry   |
| ... | data not available                                       |
| 0   | value is less than 0.5 of the unit of measure being used |
| Ø   | average  |
| 1)  | indicates note beneath table                             |
| *   | corrected data   |
| ()  | incomplete or insufficiently verified data               |

Due to rounding figures may not add to 100