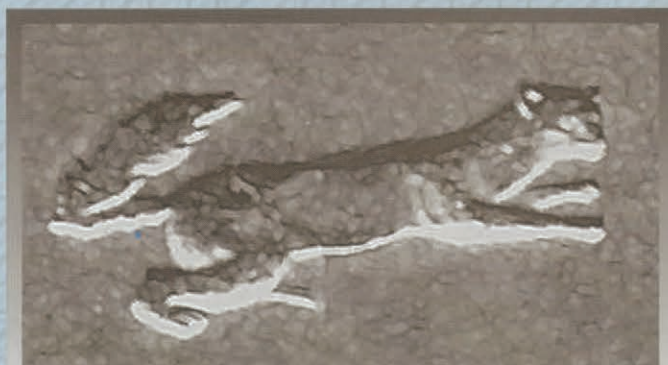


**CROATIAN  
NATIONAL  
BANK**

**1997**

**CNB**



**ANNUAL REPORT**



**CROATIAN NATIONAL BANK**  
**ANNUAL REPORT 1997**



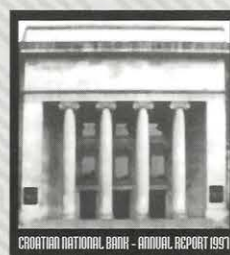
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# FOREWORD TO THE 1997 ANNUAL REPORT OF THE CROATIAN NATIONAL BANK



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



*It is my great honor and special privilege to submit the Annual Report of the Croatian National Bank (CNB) for 1997 to the Croatian State Parliament. This fulfills the Croatian National Bank's legal obligation (article 8 of the Law on the Croatian National Bank) to report to the Parliament on its activities. This report was approved by the Council of the Croatian National Bank at its May 13, 1998 session. At the beginning, I would like to say a few words about changes in the Council of the Croatian National Bank. In the late spring of 1998, the six-year mandates of three outside expert members of the Council ended: Marin Kružević, Borislav Škegro and Branko Vukmir. These individuals, through their conscientious and highly professional work, have made great contributions to the building of this institution and to the work of the Council. It should also be mentioned that the Croatian State Parliament, in its session of March 27, 1998, named Relja Martić to a new term as Vice Governor. Sadly, on May 11, 1998, after a short but intense illness, Vice Governor Dragutin Zaninović, who was in his second term, passed away. Vice Governor Zaninović's contribution to the work of the CNB and the Council, as well as his contribution to the construction of the whole Croatian financial system in recent years, was enormous.*

*Without a doubt, the most important event of 1997 was the complete integration of the Croatian Podunavlje in the economic and financial system of the Republic of Croatia. Through the introduction of the kuna as the legal means of payment, as well as the integration of the payments system in the whole territory of our country, our Croatian money has become the only legal currency. The whole task of financial integration was done rapidly and highly professionally. The Croatian National Bank, along with other institutions, made its not insignificant contribution to this historical event.*

*The sixth year of monetary independence, like the last five, will be remembered by several important events. In this introduction, I will discuss several fundamental characteristics of the year and identify the main tasks facing us in the future.*

## 1) Croatian Macroeconomic Stability

*We should remember that 1997 was the fourth consecutive year of macroeconomic stability. This is seen above all in very low inflation and rapid economic growth. Sometimes the difficulties we faced just a few years ago are forgotten. During the eighties, and again between 1990 and 1993, gross domestic product (GDP) fell constantly, ending up at two-thirds of its prewar level. From 1994, the yearly growth rate has ranged between 5.9 percent and 6.8 percent. During 1997, growth was estimated at about 6.5 percent. It is estimated that 1997 GDP was about 20 billion USD. Very likely, this is an underestimate. We should remember that until 1994, the macroeconomic situation could be described as one of low investment, falling wages, falling industrial production and galloping inflation. Inflation in the past had been a chronic disease. In the twenty-year period preceding independence (from 1971 to 1991) the average annual inflation rate in Croatia was 69 percent. In 1992 and 1993, the average rate of inflation was more than 1000 percent. It is clear that in such conditions, a disinflationary policy is the main priority. At the same time, war costs and transfers for refugees and displaced persons (whose numbers at one point reached 17 percent of the total population) made the fiscal adjustment necessary for stabilization significantly more difficult. After the implementation of the Stabilization Program, all of this is, however, behind us.*

1997 was the fourth consecutive year of rapid economic growth in conditions of macroeconomic stability. Retail prices grew by only 3.8 percent (measured at the end of the year), or 3.6 percent (measured by the annual average), in complete fulfillment of the publicly-announced goals for this year. Average net wages in 1997 were 2,349 kuna, 12.4 percent higher than the 1996 average in real terms. The central government budget deficit was only 1 percent of GDP.

Why has the Stabilization Program been so successful to date? Probably this is the result of various factors. First, the mixture of monetary and fiscal policy was good. Second, the initial situation was so bad that almost nothing could have made it worse. Third, the Stabilization Program had strong and broad political support, and the Government and Croatian National Bank received adequate authority to implement it decisively. I believe that we can say without dispute that there simply is no alternative to the policy of stability.

## 2) External Stability

Not only internal stability, but also external stability, was maintained. From the perspective of the central bank, we can look at foreign relations through: the exchange rate, the balance of payments and foreign exchange reserves, foreign debt, and relations with international institutions, especially with the International Monetary Fund (IMF).

Although Croatia does not have a fixed exchange rate, the stability of the exchange rate relative to the German mark was maintained in 1997. The average annual exchange rate against the mark was 3.56 HRK/DEM in 1997. This represents an appreciation of only 1.6 percent relative to the previous year. Every so often, from the introduction of the Stabilization Program to the present, "devaluation" has been forecast. This past year, as in the three years before, showed clearly that the current exchange rate policy has a firm foundation in real economic processes, and is not the result of "magic." It is often forgotten that the exchange rate is not only an instrument of economic policy that is used to achieve certain aims but also a variable dependent on specific factors.

The economic datum most often mentioned in 1997 certainly was the deficit on the current account. In 1997, the deficit was 2.28 billion USD, or 11.8 percent of estimated GDP. This is a very large number, especially in consideration of the rapid rise in the deficit relative to 1995 (6.8 percent) and 1996 (4.5 percent)<sup>1</sup>, and the consequences of the Asian crisis. The most important cause of the growth of the deficit was the substantial deficit on merchandise trade of about 5 billion USD. It is evident that such a deficit is unsustainable in the medium term. This is why various measures have been taken to decrease the deficit to an acceptable measure this year. However, despite the unquestionably unfavorable growth of the current account deficit, foreign exchange reserves continued to grow. During 1997, they grew by 225 million USD, measured at current exchange rates, or 444 million USD measured at constant exchange rates (the difference can be explained by the strengthening of the American dollar versus the German mark).

The main method of financing this large current account deficit was increased foreign indebtedness of all sectors of 1.85 billion USD net, along with net foreign di-

<sup>1</sup> It should be mentioned that there has been a change in the method of compilation of the balance of payments, so that these numbers are not comparable with those published in last year's Annual Report.

rect investment of 200 million USD. As a result of this, Croatia's total foreign debt at the end of 1997 was 6.7 billion USD, or approximately one-third of GDP. It should be remembered that more than half of this debt (about 3.7 billion USD) was inherited from former Yugoslavia, whether directly or through the assumption of part of the so-called non-allocated debt of former Yugoslavia to countries of the Paris Club and commercial banks of the London Club. However, there is no doubt that Croatia remained a country with low foreign debt. In the coming period, the debt service ratio is forecast to remain within an acceptable boundary of about 10 percent.

Croatia has been a full-fledged member of relevant international financial organizations for several years already. During 1997, the country found itself in the midst of implementation of structural economic reforms aimed at creating a market economy. In this context, a request was made to the IMF, and on March 1997 an Extended Fund Facility was granted for 476 million USD. Although by the middle of the year Croatia had fulfilled all of the agreed-on economic criteria, the IMF, due to political pressure, delayed the disbursement of the second tranche of the arrangement. In October, the Managing Board approved further disbursements. However, in view of the macroeconomic situation, the Republic of Croatia decided to not withdraw any further tranches of this credit. Relations with the European Bank for Reconstruction and Development and the World Bank Group are excellent.

The Croatian National Bank became a member of the Bank for International Settlements (BIS) in 1997. The Croatian National Bank did not become a member on the basis of succession to the membership of the former National Bank of Yugoslavia. Rather, it gained membership on the basis of an exceptional increase in capital. Unfortunately, this means that Croatia has not entirely finished the process of entering international financial institutions since, although a full-fledged member, Croatia has not yet obtained its share in the monetary gold, foreign exchange and shares of the former National Bank of Yugoslavia in the BIS. The total value of this property amounts to 600 million USD (in which Croatia would, according to the so-called IMF key, be entitled to about 170 million USD and 2000 shares). This work awaits us in the future.

During 1997, intensive negotiations continued with the World Trade Organization (WTO). The Croatian National Bank participated in negotiations on Croatia's accession to membership, and in questions relating to the banking and foreign exchange systems. Croatia hopes to become a member of the WTO at the end of 1998 or the beginning of 1999.

### 3) Monetary Developments

There were no significant changes in monetary policy in 1997 in comparison with the last few years. The fundamental means of creating new, base money was central bank intervention in the foreign exchange market. There were three crucial characteristics of monetary developments during the year: a slower rate of growth of all monetary aggregates, decreased net claims on central government coupled with very rapid growth of bank placements to other domestic sectors and decrease of net foreign assets, both because of decreased assets as well as because of growing liabilities.

First, total liquid assets grew by 37.6 percent in 1997. Although this rate of growth is high by international standards, it is significantly slower than the 50 percent growth seen in 1996. Other monetary aggregates showed similar trends. The

money supply M1 grew by 20.9 percent in nominal terms, which is almost twice as slow as in 1996 (37.9 percent). Similarly, base money grew by 18 percent in 1997, significantly slower than the 30 percent growth in 1996 or the 43 percent growth of 1995. Thus, there is no doubt that the growth rates of all the monetary aggregates, although still high, have fallen substantially, which is an expected and normal development in the period after a long period of high inflation.

Second, bank placements to all domestic sectors except the government (enterprises and households) grew very rapidly in 1997. The growth of bank placements was 44 percent, and placements to households grew 93 percent. It should be noted that the base level of credit to households was very low. Nonetheless, caution is indicated, since such rapid expansion is unsustainable. Net domestic assets of the banking sector grew slower than total placements, which means that a "crowding-in" effect occurred. That is, net claims on the government decreased. This is a very positive development, since it allows funds to be placed with enterprises and households instead of the government. Through decreased debt and increased deposits, central government allowed 6.4 billion kuna to be placed with other domestic sectors.

The third crucial characteristic of 1997 was the growth of foreign indebtedness of our banks. This certainly should be connected to Croatia's receipt of an investment-grade credit rating, which made international markets more accessible, that is, cheaper, both for financial intermediaries and government. This is directly connected to the growth in total foreign debt and the substantial current account deficit. Foreign borrowing allows banks to gain access to relatively cheap funding sources. However, caution should be exercised in future borrowing. We must not forget that every debt must be repaid with interest.

#### 4) *Problems of the Croatian Economy from the Point of View of the Central Bank*

Utopia has not yet been found (although many have sought for it), and thus not even the Croatian economy is exempt from problems. The main problems are: a growing current account deficit (we will not repeat the discussion here), a high rate of unemployment, a large share of government in GDP, shallow financial markets and an undeveloped banking sector, and a low level of financial discipline.

First of all, the rate of unemployment (measured by the methods of the International Labor Organization) reached 10 percent at the beginning of 1998. However, in some regions, the rate is substantially higher. The southern and eastern regions of Croatia (the areas most affected by the war) have significantly higher rates of unemployment which, along with other economic problems, create social tensions. Although the share of private sector employment has risen from 10 percent in 1991 (yearly average) to more than 50 percent in the middle of 1997, double-digit unemployment is not only the main economic problem but also a social and political problem of the Croatian economy.

Second, the share of the government in the economy is very large. The share of consolidated general government (including all revenues) in GDP was almost 50 percent in 1997 (including central government and extrabudgetary funds). It is certainly positive that the government budget deficit was minimal in 1996 and 1997. However, the government's large share is a burden for the whole economy. One of the main long-term strategic goals must be to decrease the government's share in

GDP. Given the demands placed on the government budget, this will certainly not be easy to achieve, but it is necessary to strengthen the competitiveness of the Croatian economy.

Third, the shallowness of the financial system and the structure of the banking industry. The financial structures of Croatia, in comparison with market economies, and even developed transition economies, are inadequately developed. The banking sector in Croatia is the most important segment of financial intermediation, while other segments (money market, stock exchange, insurance market, other financial products) are in the process of creation. At the end of 1997, total liquid assets (M4) amounted to 45 percent, and the balance sum of commercial banks to about 75 percent of GDP. The banking system of Croatia included 61 commercial banks and 33 savings banks at the end of 1997. However, concentration in banking is high. Somewhat less than half of total bank capital is held by the two largest banks. According to data from the end of 1997, the five large banks controlled 58 percent of total assets. This indicates an oligopolistic structure of banking. Savings banks are mainly local in character, and their range of activities is smaller than that of commercial banks; their total balance sum is less than 1 percent of that of banks.

At the end of 1997, nine banks were majority foreign-owned. These banks, however, covered less than 4 percent of total banking assets, so that their presence in Croatia remains significantly smaller than in the majority of advanced transition countries. A number of new private banks, unburdened by operations from the socialist period, have opened. However their market share and their significance for the whole financial system is relatively small.

Fourth, the question of financial discipline (or simply the fulfillment of contractual obligations in full and on time) remains one of the crucial determinants of the speed of the further development of financial markets. Without a clear and effective institutional framework for honoring contractual obligations (with defined sanctions for failure to honor these obligations), no system of decentralized decision-making, and thus, no market economy can function. We should understand that market economies are founded on written and unwritten (but customary) rules for regular repayment of obligations. Non-payment, as well as inflation, appeals only to those who want to earn without working and without market competition based on well-defined rule, that is, to speculators. All government organs (including the Croatian National Bank) must protect the rights of creditors ever more decisively, and not allow borrowers to avoid repaying their debts, whether through inflation, or through debt socialization. Without decisively and rapidly abandoning the "debtor mentality," which unfortunately remains present, all other reforms and accomplishments will not have a lasting effect.

## 5) Future Goals of the Croatian National Bank

In the coming period, the Croatian National Bank will continue to build a contemporary, well-organized, independent and responsible institution along the models provided by central banks around the world, with clear goals and a defined role in Croatia's overall economic development.

The brief economic history of independent Croatia up to now shows very clearly that macroeconomic stability is a necessary precondition for economic growth. For this reason, in the future, maintaining stability, above all price stability, will be the

*primary task of the central monetary institution. The often-repeated fact that inflation is never dead, but only temporarily in hiding, cannot be forgotten. Therefore caution is indicated even in the future.*

*There is not doubt that the fundamental task and challenge in the short and medium term will be increasing the stability of the financial system, especially the banking system.<sup>2</sup> The rehabilitation, regulation and supervision of banks, and especially strict compliance with existing laws and regulations, are a vital part of the general reform of the financial sector in Croatia. In order to ensure effective financial intermediation, without which economic growth is impossible, it is necessary to have a healthy banking system. Until the rehabilitation of the banking sector was begun (starting in 1991), effective reform of monetary policy was significantly limited since failed banks continued to function, disturbing the money market and especially the credit market. Banks must be completely freed from the influence of non-economic, social and political factors and decision-making within them must be in accordance with technical and economic criteria. As part of the overall system of stronger regulation and supervision of the whole financial system, the Croatian National Bank must make further efforts towards effective and timely detection of possible problems in the banking sector. It should be openly said that there are problems in the banking sector and there will be problems in the banking sector in the future. However, the Croatian banking sector as a whole is healthy, and individual cases can be resolved.*

*Furthermore, changes in the world financial markets are exceptionally rapid. Our banks will have to constantly adjust, or they will soon cease to be. We must know where we want to go, and what paths we intend to take to get there. These questions go beyond the competency of the central bank itself. We will give an example. From 1995 to the beginning of 1998, great efforts were made to rehabilitate five large banks that accounted for about 45 percent of the banking industry. In the process, they came under the near-complete ownership of the government. Their further development is one of the most important strategic questions facing the government. It will be necessary to determine how to privatize these banks, having in mind the desires of the owner (government), as well as the need to continue reforms to increase the effectiveness of the banking system. Since by European standards our "large" banks are small, a reasonable solution would seem to be a combination of recapitalization, perhaps with foreign strategic partners (to transfer business knowledge), merger of existing banks and sale of share capital. Also, the Croatian National Bank will in the future continue to refine the instruments of monetary policy. However, it should be kept in mind that the speed of changes will depend greatly on the development of the financial markets as a whole.*

*Reform of the payments system remains one of the priorities of the Croatian National Bank. During 1997, efforts to remodel the payments system in keeping with best-contemporary practice continued. We repeat that in the development concept of the payments system, deposit institutions will be responsible for payments: the central bank and commercial banks. Interbank clearance will be conducted via the Large Payments System, which will be completely compatible with the TARGET system of the European Monetary Union. This system will be operational at the beginning of 1999.*

<sup>2</sup> A Report on the State of the Banking System was presented to the Croatian State Parliament in May 1998. In that document, the state of the Croatian banking system was discussed in detail, along with measures taken by the Croatian National Bank to improve the situation. This discussion will not be repeated here.

*With several years of experience in economic policy in conditions of economic transition, we can conclude that the process of transition is much more than simple textbook principles of economic management. The transition is an interdisciplinary, complex process demanding knowledge, effort and persistence in making changes. I believe strongly that there is no substitute for rapid and decisive transition to market economy. This does not mean that the transition process can occur overnight, nor that rapid-growing market economy without inflation is the natural state of every society. There are many obstacles on the way to market economy, and we must not be disturbed if success in transition is not linear. As someone said a long time ago: "An obstacle is merely something you see when you take your eyes off the final goal."*



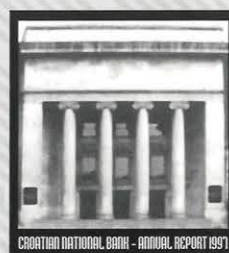
*Professor Marko Škreb, Ph.D.  
Governor of the Croatian National Bank  
President of the Council of the Croatian National Bank*

*Zagreb, May 28, 1998*



# MACROECONOMIC DEVELOPMENTS IN 1997

I



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



## I.I

## International Environment

## 1.1.1

## Growth

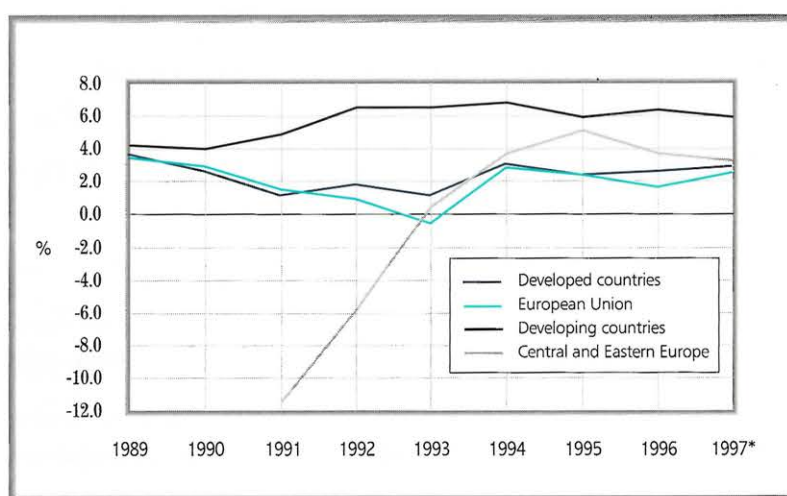
In 1997, economic growth in the European Union finally accelerated. The growth rate increased from 1.6 percent in 1996 to 2.7 percent in 1997. This growth was mainly the result of the growth of exports (although in the United Kingdom, which is in a different phase of the business cycle, growth was based on the growth of private consumption and investment). Towards the end of the year, domestic final demand began to grow rapidly as a result of increased business investment. This investment, in turn, was the result of the increased competitiveness of European economies. This trend is of course favorable for Croatia, since the EU is Croatia's main trade partner, accounting for 60 percent of Croatia's foreign trade.

Figure I.I  
REAL GROSS DOMESTIC  
PRODUCT,  
annual percentage change

Note: Belarus and Ukraine are not included in Central and Eastern Europe

\* Projection

Source: WEO, Interim Assessment, December 1997, IMF

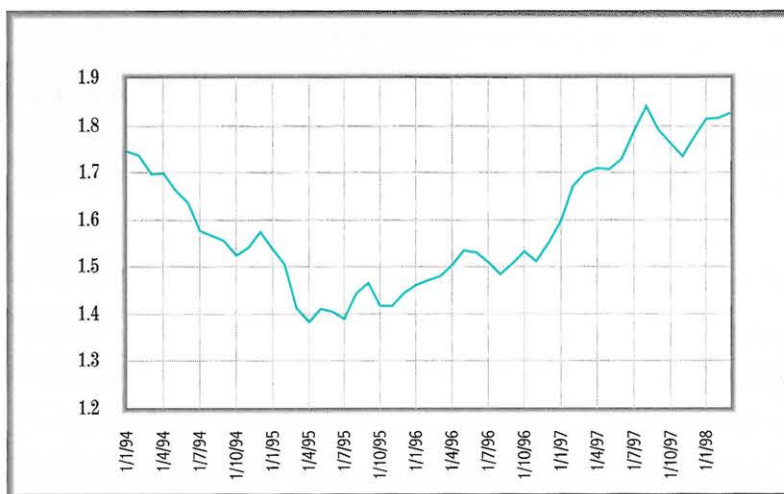


The recovery of growth in the EU during 1997 and of final domestic demand at the end of the year were to a great extent the result of Europe's improved export competitiveness following the strengthening of the US dollar. The appreciation of the dollar against the German mark, which began in the middle of 1995, accelerated in 1997. It resulted in an increase of the US current account deficit from 1.9 to 2.1 percent of GDP and in increases in the current account surplus of the EU from 1.1 to 1.4 percent and of Japan from 1.4 to 2.2 percent of GDP. In the fall of 1997, the dollar's appreciation ended. However, uncertainty about the future direction of exchange rate changes remains high, and possibly increasing, as the starting date of the European Monetary Union approaches. Greater volatility of the dollar and mark near the start of the monetary union is to be expected for two reasons. First, because of investors' initial portfolio adjustment, and second because of the likelihood that the European Central Bank will follow a policy of "benign neglect" of exchange rates, given that the majority of current foreign trade of the majority of EU members will become internal trade at the beginning of 1999.

The United States experienced another year of rapid growth, continuing the longest post-war expansion of the American economy. In 1997, the American economy grew at the fastest rate in the last 10 years, 3.8 percent, a full percentage point more than in 1996. This expansion continues to unfold in conditions of very low inflation and moderate wage increases, in contrast to previous periods. Because of this, the Federal Reserve has not felt a great need to intervene, except for a quarter-point increase of interest rates in March. The Fed was greatly aided by the consistent

implementation of restrictive fiscal policies, which resulted in a practically balanced budget in 1997 and which, even with further tax cuts, is planned to produce a surplus by 2002. The relatively large current account deficit of the largest economy in the world, however, continues to engage a large part of the savings of the "rest of the world."

Figure 1.2  
AVERAGE MONTHLY EXCHANGE  
RATE OF THE GERMAN MARK  
VS. THE US DOLLAR



On the other hand, Japan, after a brief recovery in 1996, during which GDP grew by 3.5 percent, experienced a drastic fall in growth to 0.5 percent in 1997. This drastic fall was first of all the result of internal weaknesses in Japan: the inability of economic policy to stimulate domestic demand, as well as weaknesses in the corporate sector and financial system that came to light at the end of the year. The Asian crisis came on top of these internal weaknesses, further harming the already shaky economic outlook. Japan's role as the key economy in Asia remains unquestioned, so that hopes for recovery in the whole region to a great extent depend on whether Japan manages to return to growth in the next period. And this will have an important effect on the world economy. In this sense, the further development of the economic situation in Japan now has broader global implications than it would have if the Asian crisis had not occurred.

The transition countries experienced slower growth in 1997 again. Growth rates are very disparate and range from the high rates of growth in Croatia (6.5%), Poland (5.7%), and Estonia (5.3%) to decreases in GDP in Albania (-13%), Bulgaria (-6.3%) and Romania (-1.9%).<sup>1</sup> These large differences in growth rates are the result of strong shocks, such as political crises and financial crises. Such shocks can have major effects on the growth rates of individual countries. All the countries whose GDP fell last year went through such a crisis (including advanced transition countries such as the Czech Republic, which will show very modest growth instead of the rapid growth planned for 1997).

### 1.1.2

#### Inflation

The inflation rate in Central and East European countries rose in 1997 after falling every year from 1992 to 1996. This was mainly the result of significant increases in inflation in three countries faced with economic crises: Albania, Romania and Bulgaria. In the other transition countries, inflation either slightly decreased or remained at approximately the same level as in 1996. The slowdown in the rate of de-

<sup>1</sup> Except for Croatia, these figures are the averages of forecasts from the EBRD Transition Report 1997, page 135.

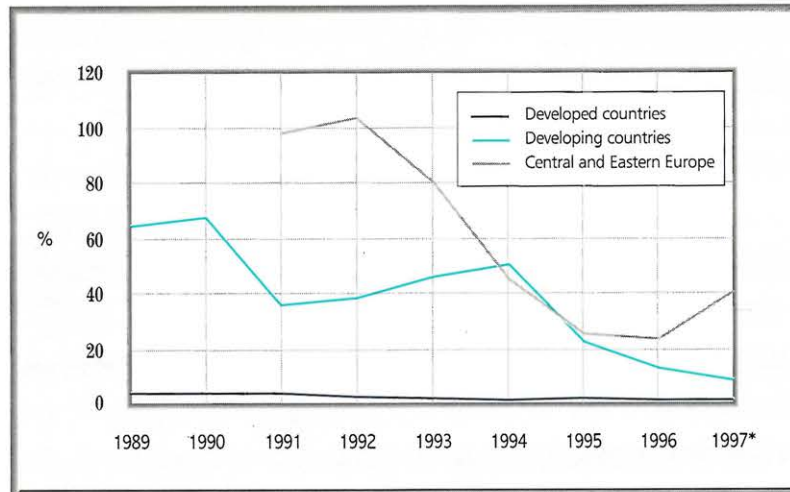
crease in inflation is a normal consequence of past success in bringing inflation down to a low range, between 3.6 percent in Croatia and 18 percent in Hungary. Along with the successful implementation of stabilization programs in the three crisis countries, the consensus forecast is that inflation will be about 15 percent in the Central and East European countries in 1998 (EBRD, Transition Report).

Figure 1.3  
INFLATION, percent

Note: Belarus and Ukraine and not included in Central and East Europe

\* Projection

Source: WEO, Interim Assessment, December 1997, IMF



Inflation remained very low and stable in the OECD countries. In the EU and Japan, the inflation rate in 1997 was only 1.7 percent, while it was 2.3 percent in the US. No short-term increases in inflation are expected in these countries. It can also be expected that in the majority of transition countries the domestic currency will continue to appreciate, especially in those countries whose currency is linked to a hard currency or a basket of hard currencies.

### 1.1.3

### External Position of the Transition Countries

It is projected that the external position of Central and East European countries will further worsen in 1997. The growth in the current account deficit is the most important cause for concern in a number of Central and East European countries. Probably the main reason for this development is the fact that rapidly-growing domestic demand, in combination with constant appreciation of the domestic currency, is stimulating imports and holding back exports in a majority of transition countries. On the other hand, weak export performance has also been partly the result of weak demand on the EU market and weaknesses in restructuring the industrial sector in transition countries. The domestic export sector is unable to offer high-quality products to the market. Nor is it able to rapidly adjust to changes in demand. This is understandable, since a large technology gap remains between these countries and developed countries, as well as a large gap in the development of human capital. This is confirmed by the fact that, on average, the most successful export enterprises in transition countries are those enterprises that have attracted foreign capital through some form of foreign direct investment. The best example is Hungary, which has received far and away the most foreign direct investment during the transition (80% of Hungary's exports come from foreign investments). Hungary, in contrast to other transition countries, achieved a surplus in trade with the EU for the first time in 1997. It is likely that in the near future the competitiveness of the transition countries of Central and East Europe, especially in the production of high-quality consumer and investment goods, will be determined to a great extent by the amount of foreign direct investment.

Figure 1.4  
CURRENT ACCOUNT,  
as % of exports of goods  
and services

Note: Belarus and Ukraine and not included in Central and East Europe

\* Projection

Source: WEO, Interim Assessment,  
December 1997, IMF

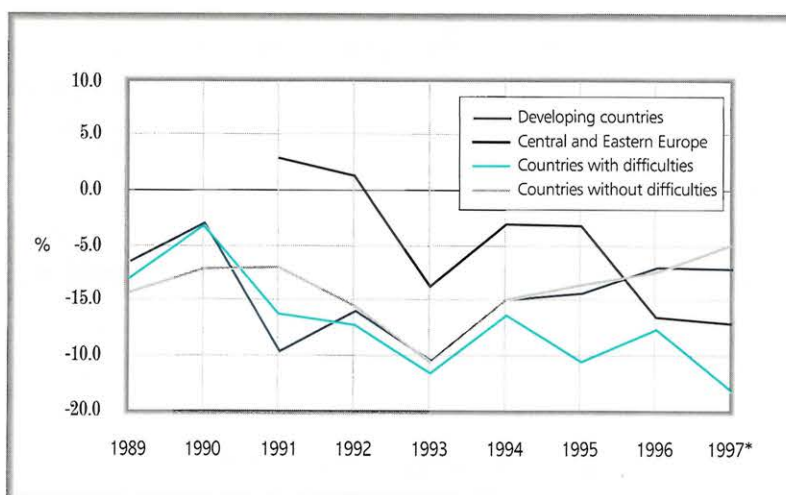
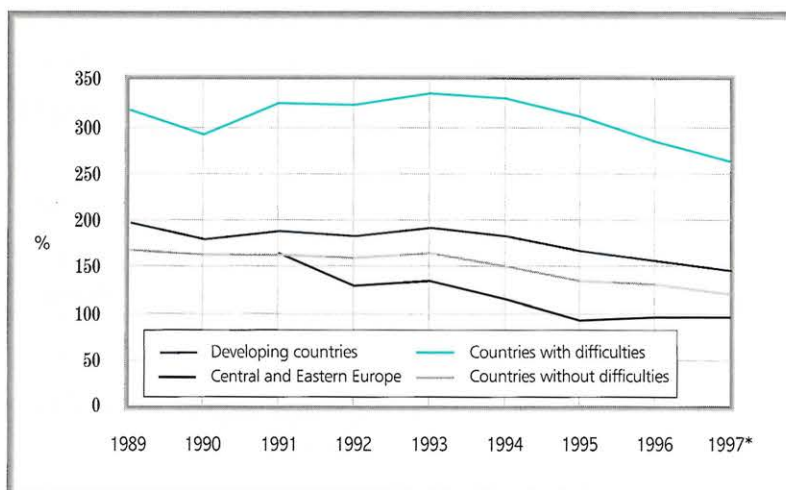


Figure 1.5  
FOREIGN DEBT,  
as % of exports of goods  
and services

Note: Belarus and Ukraine and not included in Central and East Europe

\* Projection

Source: WEO, Interim Assessment,  
December 1997, IMF



Financing the increased current account deficit has not been a problem in 1997 in the majority of transition countries. The majority of the transition countries of Central and Eastern Europe had investment-grade credit ratings, which allowed them relatively easy and favorable access to world capital markets. The move away from official lending to private lending continues in the advanced transition countries; official lenders are focusing more to the east, to CIS countries or the crisis countries of Central and Eastern Europe. However, access to capital markets has been significantly more difficult since the fall of 1997, as a result of the Asian crisis.

#### 1.1.4

#### Asian Crisis

The Asian crisis gave 1997 unique features. The crisis will have long-term consequences for all developing countries, and for the transition countries of Central and Eastern Europe. The Southeast Asian countries found their currencies under speculative attack and faced strong capital flight in the middle of the year, as a result of the appreciation of the US dollar to which they had pegged their currencies, growing current account deficits and the bursting of speculative "bubbles" in stock and real estate markets. Unable to defend themselves from the speculative attacks, these countries were forced to abandon their traditional fixed exchange rate policy. As they devalued the currency, share and real estate prices fell dramatically, causing major problems in the banking system and significantly retarding economic growth.

In some of these countries, the crisis grew into a social-political crisis. It is interesting that, contrary to the majority of forecasts made during the outbreak of the crisis in Thailand, the crisis spread from countries already considered to be in poor economic condition to other countries in the regions that had been considered very successful and resistant to possible market pressures such as South Korea. The sensitivity of investors to risk increased, and their moves to return their capital to G-7 countries greatly increased the price of capital for developing countries. The enormous 13.6 percent fall in share prices in Hong Kong on the 24th of October resulted in falls of share prices on other exchanges around the world. Price volatility increased, and shares eventually stabilized at a lower level. In this process, markets in developing countries suffered greater losses than markets in developed countries.

The Asian crisis did not have a direct influence on the transition countries of Central and Eastern Europe. However, its effects on international markets were felt and will be felt even here. Above all, increased risk sensitivity and the return of capital to developed countries has resulted in decreases in foreign capital flows in transition countries and increases in the price of foreign capital for transition enterprises and governments. The spread of the Asian crisis also showed that when a crisis hits a region, it can easily have a "contamination effect", spreading to neighboring countries, decreasing the effectiveness of economic policy measures. The Asian crisis also re-emphasized the importance of the financial system, and especially the banking system, for overall economic stability in developing countries. Finally, it can be expected that investors and credit rating agencies will be more strict in assessing the credit ratings of transition countries in the coming period.

#### 1.1.5

#### Preparations for the EMU and the Expansion of the EU

The past year was a crucial year for EMU candidates. It appears that the majority of the candidate countries have succeeded in meeting the Maastricht criteria. The convergence of inflation rates and long-term interest rates continued. Except for Greece, no country had serious problems meeting the criteria. Besides from Greece, Sweden and Great Britain, which in any case have chosen not to join the EMU at the moment, the long-term interest rates of all EU countries were within a narrow range of 40 basis points around the German level. Also, with the exception of the Irish currency, the currencies of the other members of the ERM stayed within a very narrow corridor around the central parity, regardless of the fact that the corridors was widened after the 1993 crisis.

The largest problems, as expected, were in the fiscal sphere. The budget deficits of the two countries most important to the beginning of monetary union, Germany and France, were just below the upper bound of the Maastricht criteria. This was only achieved by certain government measures that can be characterized as one-time moves. Italy had similar problems, and employed special fiscal measures to satisfy the criteria. However, the sustainability of these measures is unclear. In the long-term, perhaps more important than the budget deficit problem is the fact that some countries were able to enter into the monetary union with very large public debt to GDP ratios, in some cases as much as twice as high as the limit set in the Maastricht criteria. Furthermore, in some cases, there is no discernible tendency for the debt/GDP ratio to decrease.

Although these problems created some uncertainty about whether the monetary union would get off to a smooth start, there was virtually no question that the project would ultimately begin on time. The reactions of the market confirm this. Monetary union is certainly an important event not only for Europe, which stands to benefit

significantly if monetary union turns out well, but also for the whole business world. It will be especially important for the transition countries trying to join the EU, which entails accepting the obligation to join the EMU and to meet the Maastricht criteria.

The entry process to the EU also took clearer form this year. The EU will begin to negotiate with five transition countries in the first round (Estonia, Poland, Czech Republic, Hungary and Slovenia) as well as Cyprus. The other five transition countries with Association Agreements are left to wait while they improve their political and/or economic situation. Parallel with these negotiations with the transition countries, the EU has the enormous task of reforming the structural and CAP funds, as well as resolving the question of political representation (the weighting of votes in an expanded EU). Until these questions are settled, expansion will be impossible.

## 1.2

### General Features of the Croatian Economy in 1997

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The two fundamental features of the Croatian economy in 1997 were: the continuation of rapid growth of economic activity in conditions of low inflation, and the growth of the current account deficit.

According to data supplied by the Central Bureau of Statistics, the gross domestic product grew by 6.5 percent in 1997. Also, the CBS recently revised data on the growth of GDP in recent years. The new data indicate that GDP grew 5.9% in 1994, 6.8% in 1995 and 6.0% in 1996. These new data for 1996 are much closer to the estimates of the Croatian National Bank published in last year's annual report. Last year, therefore, was the fourth consecutive year of rapid economic growth after a period of deep recession in the early 1990's caused by war and transition. Last year's growth was mainly the result of strongly increased activity in tourism and construction, along with the continuation of the growth of trade. In addition to this, industry, the most important sector of the economy, finally achieved rapid growth in 1997 (6.8%), mainly due to exceptionally rapid growth in the energy sector (above all electric energy) of 24.2 percent. It should be mentioned that statistics on industrial production still use volume indicators, and not value-added.

The rate of inflation remains the lowest among transition countries - in 1997 it was 3.6 percent. The nominal exchange rate of the kuna against the German mark was also very stable, fluctuating with a very narrow range. The December-to-December annual index of the real effective exchange rate showed a slight depreciation.

The fiscal deficit, although still relatively small, increased during the year. The deficit of consolidated central government rose from 0.4 percent in 1996 to 1.3 percent in 1997. The deficit was financed entirely from external sources, while the government paid down some of its debt to domestic sectors. The "fiscal bite" continues to rise as a share of GDP. The government allocates almost half of GDP. The main problem in fiscal affairs remains the extrabudgetary funds. Their deficit has grown from year to year, and amounted to 5.1 percent of GDP last year. This points to two fundamental directions for fiscal policy in the future. The first is the reform of the pension system and the continued reform of the financing of the health system, and the second, in the medium and long term, is to significantly decrease of the share of government in gross domestic product.

The monetary sphere was characterized by slower growth of total liquid assets, first of all because of lower growth rates of foreign exchange deposits, significantly decreased net claims on government and very rapid growth of banks' placements to non-government sectors. In the second half of the year, decreases in net foreign assets, both because of decreases in foreign assets and because of increases in foreign indebtedness contributed to slower growth of total liquid assets.

The money supply rose 20.9%, significantly slower than in 1996, when it rose 37.9%. Similarly, total liquid assets rose 37.6 percent in comparison with 49.1 percent in 1996. The decelerating growth of M4 suggests that the population may have exhausted its stocks of foreign exchange held outside of the banking system. If this is true, what has been the main source of net inflow of foreign exchange to the economy cannot be counted on to provide foreign exchange in the same intensity as in the past. Banks' total placements to the private sector grew by 44.4 percent or 14.9 billion kuna. The growth of placements to households was especially strong at 93 percent. This rapid growth of placements to households was based on banks' need for diversification and on banks' assessment that placements to households would be less risky than placements to enterprises. This assessment is based on the relatively low level of household indebtedness, or, to put it differently, banks' relatively low level of exposure to households. This leaves open the question of how households will behave when their debt burden is increased, especially if and when interest rates rise (usually interest rates specified in loan contracts are variable). Also, the question of exchange rate risk remains open.

Interest rate developments in 1997 can also be summarized in three dominant trends. First, interest rates on the money market continued to decrease, as they have for some time, until the very end of the year. A lowpoint of 8.5 percent was reached in December, and then rates rose before the end of the year. In addition, the fall of lending rates, combined with the stagnation of deposit rates resulted in a decrease in the interest rate spread. Nonetheless, the spread remains relatively high at 10 percentage points. Finally, the third trend of the past year was the convergence of interest rates on short-term National Bank bills and Ministry of Finance Treasury bills, mainly due to the fall of interest rates on Ministry of Finance bills from 12 to 9.9 percent. The spread between the two kinds of paper fell to 0.9 percentage points.

All of these factors generated the rapid increase in the current account deficit during the year. The deficit rose from 4.6 percent to 11.8 percent. These data stem from a revision of the compilation method of the balance of payments. The old methodology suffered from large and evident shortcomings, which were visible in very high net errors and omissions. After the revision of the compilation methodology, the majority of these shortcomings were corrected, and net errors and omissions were substantially decreased.

Several factors caused the rapid growth of the current account deficit. On the one hand, the deficit was stimulated by the import of investment and intermediate goods required for rapid growth in economic activity. On the other hand, imports of consumer goods were substantial, aided, in contrast to previous years, by rapid expansion of bank credit to households. Finally, in 1997, three one-time economic measures stimulated the trade deficit. The first was the granting of tariff and tax relief for the import of cars, machines and equipment for some of those citizens who had participated in the war. The second was the introduction of the value-added tax in January 1998, which resulted in a burst of import stockpiling in the last two months of 1997. Third, the government's announcement that, at the end of 1997, all special import privileges for Croatian citizens who have lived two or more years abroad would be withdrawn, led a part of the population to hurry to use these privileges before the end of the year.

## 1.2.1

## Economic Activity

The real growth rate of total economic activity in the last year was 6.5 percent. According to revised data made available by the Central Bureau of Statistics, this was the fourth consecutive year of rapid economic growth. The lowest growth rate during these years was 5.9 percent in 1994, and the highest was 6.8 percent in 1995. Activity sped up gradually during the year; in the first quarter growth was 4.6 percent, and in the second 5.9 percent. The highest growth rate was achieved in the third quarter, 8.3 percent, while growth in the fourth quarter was 7.0 percent.

Table I.1

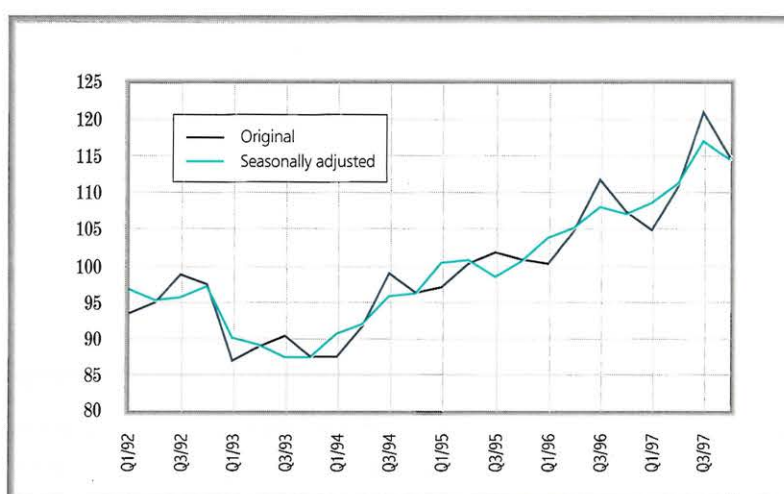
BASIC INDICATORS OF THE REAL SECTOR, real indices

	1994 1993	1995 1994	1996 1995	1997 1996
Gross domestic product	105.9	106.8	106.0	106.5
Industrial production	97.3	100.3	103.1	106.8
Processing industry	97.6	99.7	101.3	103.9
Supply of energy, gas and water	92.3	104.9	125.4	124.2
Construction	99.5	102.4	128.2	...
Effective hours worked	95.5	96.1	109.0	116.9
Value of completed works	198.4	119.5	145.3	133.2
Transportation and communications	100.1	102.8	105.2	...
Passengers transported	100.0	102.9	102.5	102.0
Goods transported	118.7	120.2	100.0	101.5
Trade	102.9	107.5	104.7	...
Retail trade turnover	111.7	114.1	102.3	113.8
Catering and tourism	131.9	89.8	131.9	...
Tourist night-stays	154.8	64.5	166.5	141.3
Domestic	140.3	98.8	112.3	116.8
Foreign	159.4	54.7	194.3	148.6

Source: Central Bureau of Statistics

Preliminary data on the expenditure side of gross domestic product are available for 1996. The structure of consumption in that year was: household consumption amounted to 59.0 percent of total gross domestic product, government consumption 28.5 percent, investment 22.1 percent, and the value of net exports was -9.7 percent.

Figure I.6,  
GROSS DOMESTIC PRODUCT,  
real indices (1995=100)



Domestic demand continued to increase in 1997. The excess of demand over supply was met by foreign goods and services, so that imports were significantly greater than exports. The constantly increasing availability of foreign credit, foreign in-

vestment, transfers and the surplus in the services account provided the financing for the excess of imports over exports.

In the absence of data based on the system of national accounts, alternative sources can be used for an approximation of the trends in the components of demand. The demand side is usually analyzed via analysis of the consumption decisions of the most important economic subjects.

Rapid growth of household consumption in 1997 is indicated by the growth in gross earnings of the population (8.3 % in real terms), the growth in retail turnover (13.8% in real terms) and the growth in consumption goods imports (40.6 percent in domestic currency terms). The share of consumption goods imports in total imports was 29.3 percent. The 93 percent growth of bank placements to households is an important part of the growth of household consumption and is also an indicator of its substantial growth. However, the completion of a survey on household consumption will give a more complete picture of current and investment consumption of this, the largest sector of the economy.

Investment figures have been systematically calculated for 1996. The research methodology was partly in keeping with international statistical standards (the SAN system of national accounts from 1993). Investment is defined as completed investment in fixed assets of legal entities. From the standpoint of technical structure, 56.3 percent of total investment was construction works, and the rest was equipment. The value of investment in equipment was equally divided between domestic and imported equipment. The largest amounts of completed investment in new fixed assets came in the processing industries (19.2%), followed by the supply of electrical energy, gas and water (15.7%), transport, warehousing and communications (14.2%) etc. The growth of production of capital goods (6.6%) and especially the growth of the import of capital goods (53.9% in domestic currency terms), as well as intensive construction activity indirectly point to the growth of investment activity in the country.

Government consumption is determined by the priorities placed by economic policy on fiscal consolidation and control of public consumption. Expenditures on goods and services decreased by 4.4 percent in real terms relative to 1996. Their share in the current expenditures of government was 31.2 percent. In 1996, the share of government consumption in GDP was 28.5 percent. Government investment in 1997 was smaller than in the previous year by 4.5 percent in nominal terms.

In the last few years, the sources of growth on the supply side have been industrial production, construction, trade and tourism.

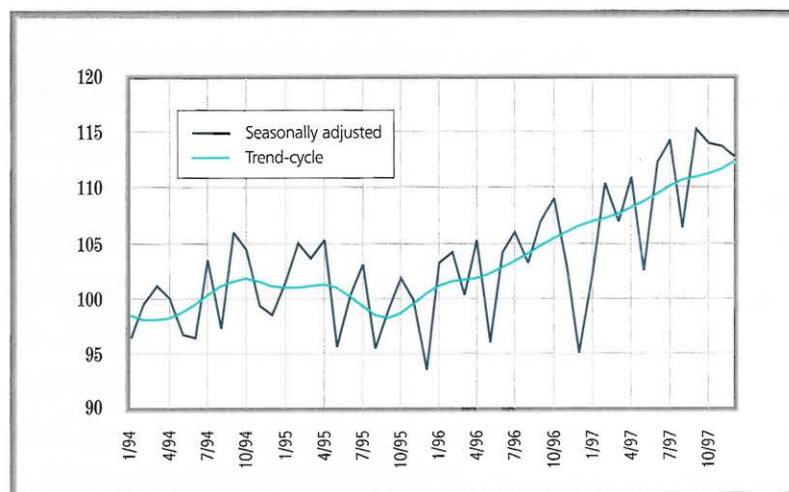
Industrial production rose by 6.8 percent, in comparison with 3.1 percent in 1996. Industrial activity grew especially rapidly in the second part of the year. The processing industries experienced significant growth. The productivity of labor in industry grew by 11.9 percent, while real net pay grew by 10.1 percent. The growth of domestic demand for industrial goods was fueled more by the growth in production than by the growth in foreign demand. However, foreign demand cannot be ignored. Exports of consumption goods rose by 16.4 percent, exports of intermediate goods rose by 13.8 percent, while exports of investment goods fell relative to the previous year.

The most important contribution to the growth of industrial production came from the energy supply sector (yearly growth rate of 24.2%), while the processing industries grew at a modest rate of 3.9 percent, and production of mining and mineral extraction stagnated at the level of 1996.

The two largest industrial branches by value-added, the food processing and chemical industries, accounting for a third of total industrial output, did not actually achieve growth in 1997. Production in the food processing industry fell by 6.5 percent, and production in the chemical industry fell by 0.5 percent. Of the other 21 branches, 15 recorded very significant growth.

The industrial branches with the largest exports in 1997 were production of clothes, processing and dyeing of fur, chemical industry, food and drinks industry, and the oil industry. The largest shares in imports were held by the production of machines and equipment, the production of motor vehicles, the chemical industry and the food and drink industry.

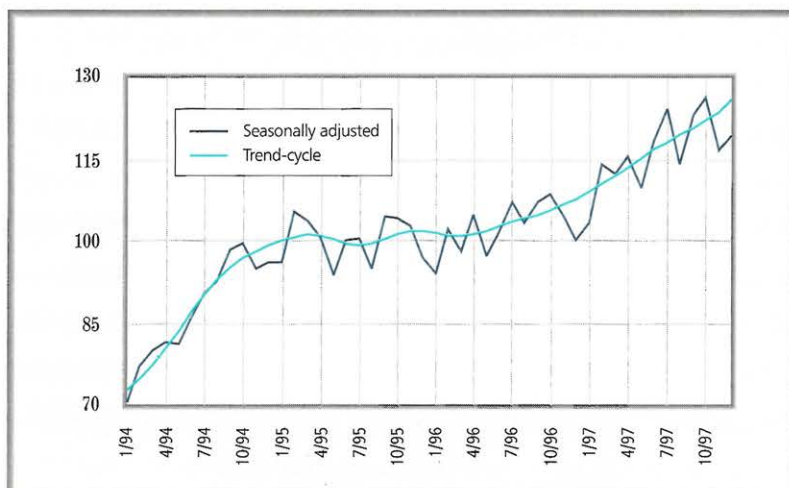
Figure 1.7  
INDEX OF THE PHYSICAL  
VOLUME OF INDUSTRIAL  
PRODUCTION,  
seasonally adjusted and  
trend-cycle (1995=100)



Construction also achieved significant growth in value-added. The value of completed construction works rose by 33.2 percent in nominal terms, and contracted works grew by 41.0 percent. The number of effective hours worked and the number of workers on construction sites also grew rapidly. Effective hours worked grew by 17.0 percent, and the number of workers was up by 19.0 percent. The number of apartments completed increased by 12.5 in 1997, but the total area of finished apartments was equal to last year.

The growth of total construction activity was induced by domestic demand, above all by the demands generated by wartime reconstruction. Construction activity abroad in the first three quarters of 1997 was lower than in the comparable period of the previous year. The value of contracts concluded and works completed was also lower.

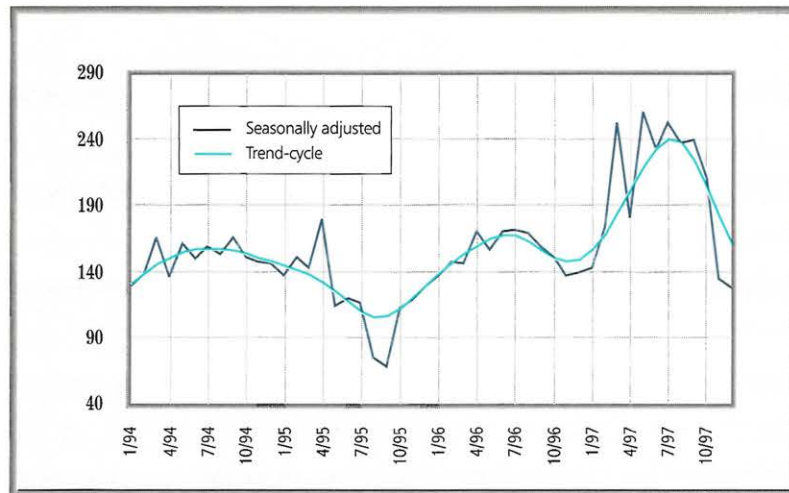
Figure 1.8  
INDEX OF REAL RETAIL  
TURNOVER,  
seasonally adjusted and  
trend-cycle (1995=100)



Trade also continued its upward trend last year. Real retail turnover grew by 13.8 percent, and wholesale turnover grew by 12.9 percent. Inventories in retail trade grew by 10.3 percent in nominal terms, and in wholesale trade by 21.0 percent.

Tourism also continued its positive trend. About 30 million tourist night-stays were recorded, of which 81.5 percent referred to foreign guests. The number of night-stays was 41 percent higher than the year before. Guests from Germany, the Czech Republic, Slovenia, Italy and Austria accounted for most of the night-stays. The number of tourists was approximately 5 million, of which 73.6 were foreigners. The number of tourists was up by 34 percent on 1996. According to the revised balance of payments, income from travel services was 2.53 billion USD for the whole year.

Figure 1.9  
TOURIST NIGHT-STAYS,  
seasonally adjusted and  
trend-cycle (1995 = 100)

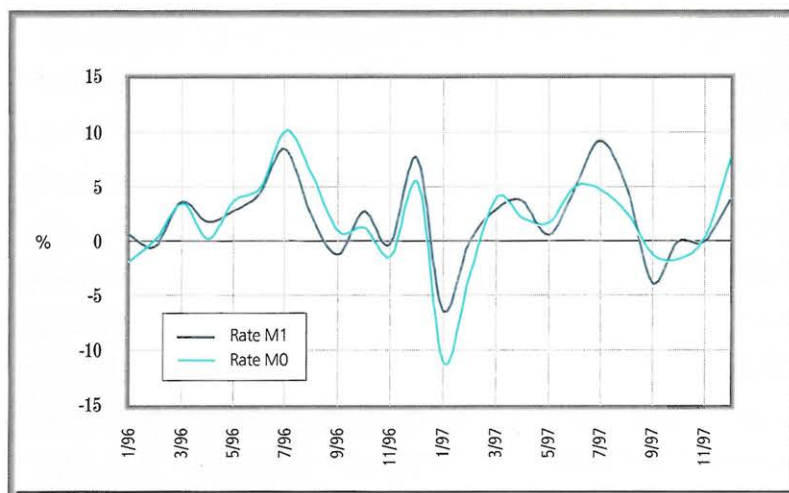


Transport services grew mildly compared to the previous year. Total passenger transportation on all forms of transportation grew by 2.0 percent, and transport of goods grew 1.5 percent. However, in some of the supporting areas of transportation growth was more rapid. Transport of passengers and goods in seaports and airports as well as transshipment of goods grew substantially over the year before. In the transport sector, however, the statistical coverage of enterprises is quite problematic, so these data should be treated with reserve until the sampling problem is resolved.

## 1.2.2

### Money Supply and International Reserves

Figure 1.10  
MONTHLY GROWTH RATES OF  
M0 AND M1



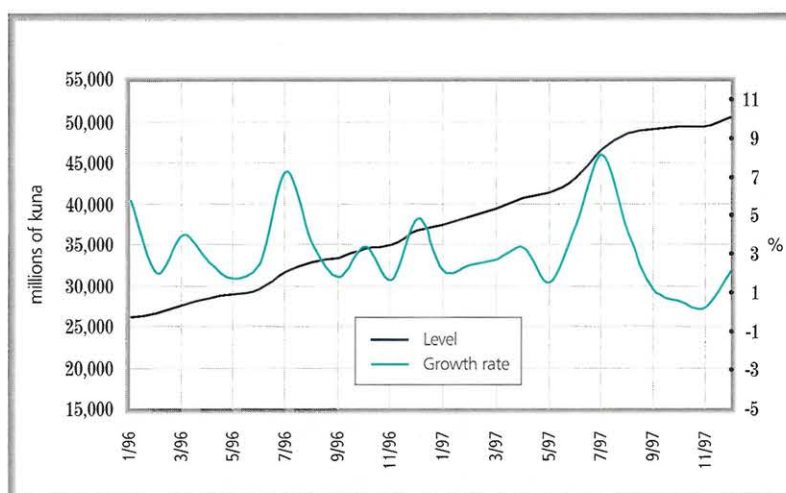
Real economic growth was 6.5 percent in 1997, and nominal growth was 11 percent, along with monthly inflation of 0.31 percent. The economic growth achieved in the last year was more than ten percent greater than that achieved in 1996. However, monetary aggregates grew slower in 1997 than in the previous year, monetary developments were characterized by divergence between money supply aggregates and money demand.

The M4 money supply grew by 33 percent or 12 billion kuna in the first eight months of the year relative to December 1996, achieving exactly the same growth rate as in the same period of last year (33 percent or 8 billion kuna). However, in September, the usual seasonal deceleration in M4 was observed, but this time the deceleration was much sharper. The September growth of M4 proved to be a harbinger of the aggregate's growth in the whole fourth quarter. The quarterly growth rate of M4 fell from 13.7 percent in the first three quarters to 2.8 percent in the fourth quarter. In other words, the 10.1 percent growth rate of M4 in the fourth quarter of 1996 gave way to a value less than one-third as large in the fourth quarter of 1997. Such changes in the growth rate of total liquid assets had a decisive effect on the fall of the growth rate of M4 from 49.1 percent in 1996 to 37.6 percent in 1997 on a December-to-December basis.

The main reason for the slower growth of total liquid assets M4 in 1997 was the slower growth of the money supply M1 by 45 percent (from 37.9% in 1996 to 20.9% in 1997). The reduction of the M4 growth rate also occurred because of a decrease in the annual growth rate of quasi-money (kuna and foreign exchange deposits) from 55 percent in 1996 to 45 percent in 1997, a 22 percent decrease. The slower growth of quasi-money in 1997 resulted from the slower growth of foreign exchange deposits, while kuna quasi-money grew 10% faster in this period than in the previous period.

A less generous supply of M4 was a logical expression of the changes in the macro and micro economic environment, from the end of the process of remonetization and repatriation of foreign exchange savings, to the decreases in foreign exchange made to pay for increased imports of intermediate goods and consumption goods in anticipation of the value-added tax, to signs of a more restrictive monetary policy along with continued maintenance of a stable exchange rate and a strong kuna. Total liquid assets grew by 14 billion kuna or by 1.1 billion kuna per month on average. In absolute terms, this was more than in the previous year, when M4 grew by 12 billion kuna or 1 billion per month.

Figure 1.11  
M4,  
level and monthly growth rate



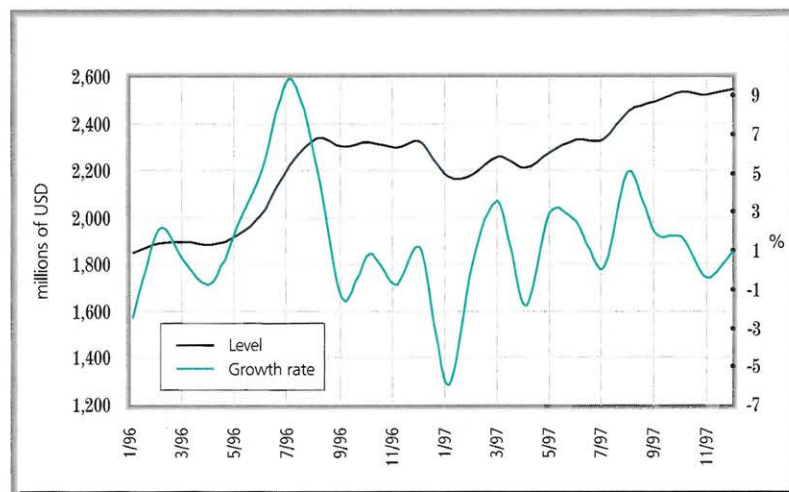
The fall in the growth rate of the money supply M1 to half of the 1996 rate was caused equally by a drastic decrease in the supply of deposit money (from 44% annually in 1996 to 20% in 1997) and a moderate slowdown in the growth of currency in circulation. Deposit money did not grow faster in 1997 mainly because of the transfer of liquid funds to time deposits, in part to serve as collateral for credit in this year of rapid credit expansion. Also, more rapid growth of deposit money occurred because of the transfer of transaction balances to savings and time deposits that resulted from the decision of many banks to stop paying interest on transactions balances. The slower growth of deposit money can only in a small part be seen as the expression of the illiquidity of economic subjects, since the problem of illiquidity is a constant problem afflicting certain economic subjects. Furthermore, this problem for the most part is confined to a particular set of enterprises, and only extends to a few new subjects, thereby mildly decreasing the level of liquidity and liquid funds, which is to say, deposit money.

Currency in circulation, a completely autonomous monetary aggregate, fills out the broader, less autonomous monetary aggregates in 1997. Its growth fell from 30 percent in 1996 to 22 percent in 1997. Currency in circulation remained a constant proportion of the M1 money supply, and the currency to deposit ratio varied between 0.60 at the beginning and end of the year and 0.70 during the summer months when currency in circulation usually experiences seasonal growth.

The share of currency in circulation in the monetary base M0, the monetary aggregate directly influenced by the central bank, did not fall below 50 percent in 1997. Nor did it exceed 60 percent of the monetary base even in the summer months, when the monetary base grows because of the expansion of currency in circulation as well as seasonal increase in banks' deposits at the central bank.

The total supply of base money (M0), thanks to growth of 1.6 billion kuna or 18 percent on a December-to-December basis, reached 10.3 billion kuna in 1997. This was enough to maintain adequate liquidity of the banking system. Although in 1997, base money grew 40 percent slower than in the previous year, it grew at a similar rate to the money supply M1, so that the m1 multiplier did not change significantly as well. The multiplier ranged from 1.2 at the beginning of the year to 1.3 during the summer and back to 1.22 at the end of the year.

Figure 1.12  
INTERNATIONAL RESERVES  
OF THE CNB,  
level and monthly growth rate

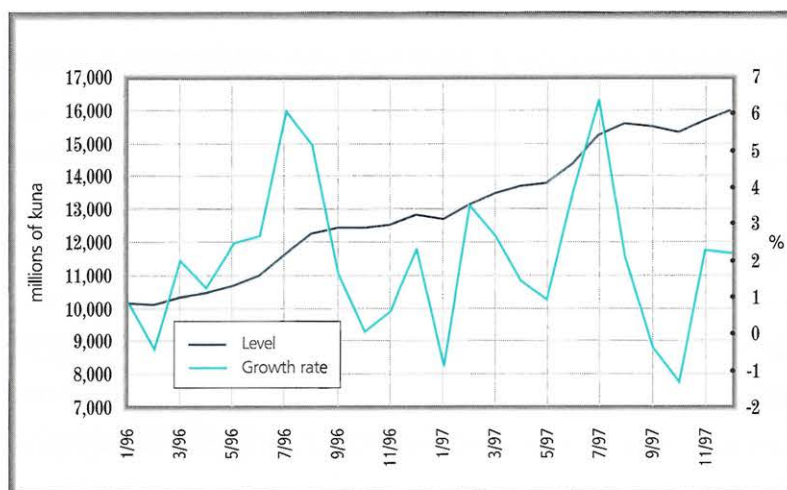


The main flows of creation of base money were, as in all previous years, Croatian National Bank interventions on the foreign exchange market. Through purchase of foreign exchange from banks (217.5 million USD) and direct purchase from the government (80.9 million USD), the central bank bought 298.4 million USD with a net money-

tary effect of 1,833.9 million kuna in 1997. In the same period of the previous year, net purchases were 370.2 million USD, with a monetary effect of 2,265.4 million kuna.

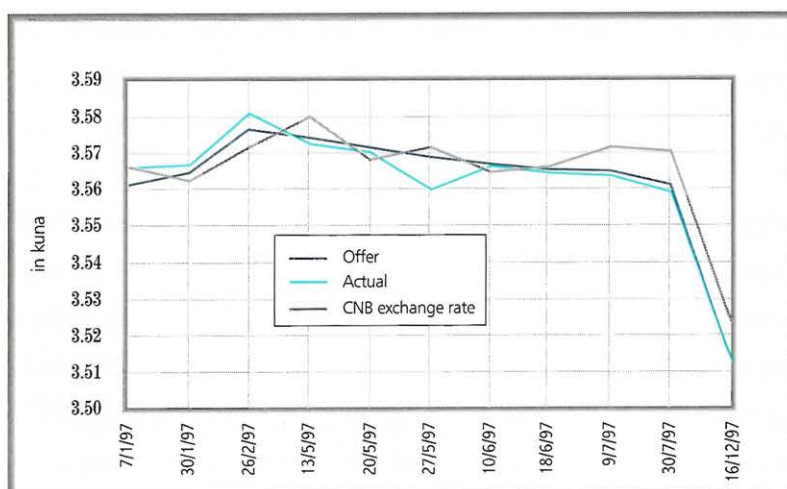
The central bank led a moderate monetary policy in the past year, attempting to avoid stimulating inflation, protecting liquidity of both domestic and foreign payments and maintaining a stable domestic currency. With this in mind, the growth of foreign exchange reserves was managed so as to follow the growth of the money supply M1, not creating too much money. In addition, monetary policy sought to maintain the balance between the level of international reserves and the money supply at the level of 2 to 2.5 billion USD as a guarantee of the liquidity of payments, while making sure that gross international reserves did not fall below the value of 2.7 months of imports of goods and services. This was achieved. The exchange rate of the kuna prevailing in foreign exchange auctions of the Croatian National Bank did not significantly differ from the central exchange rate of the CNB on the day of the auction, so that there was no pressure on the exchange rate from these foreign exchange transactions. The exceptions were a 0.34 percent appreciation of the kuna against the German mark at the auction in May and a 2.1 percent appreciation of the kuna against the US dollar at the auction in April.

Figure I.13  
INTERNATIONAL RESERVES  
OF THE CNB,  
level and monthly growth rate



The total increase in the international reserves of the Croatian National Bank achieved through foreign exchange transactions, management of foreign exchange and the net effects of changes in exchange rates during the past year amounted to 225 million USD. This growth left the international reserves of the CNB at the level of 2,539 million USD at the end of December 1997.

Figure I.14  
MID-POINT EXCHANGE RATE  
OF THE KUNA AGAINST THE  
DEM AT FOREIGN EXCHANGE  
AUCTIONS OF THE CNB,  
on the day of auction



The supply of base money grew a very small amount through the kuna interventions of the central bank. Long-term lending to central government from previous years was paid off in 1997, and short-term borrowing of the central government to overcome temporary kuna liquidity problems was decreased to zero by the end of the year. Lending to commercial banks through the Lombard facility occurred continuously. However, these liquidity credits did not exceed 30 million kuna per month on average.

Developments in 1997 confirmed that the main flow of creation of kuna liquidity comes from the conversion of foreign exchange liquidity into kuna. They also confirmed that Croatian financial institutions do not accumulate liquidity reserves by better managing their funds and resources, development and implementation of new "products" and new markets or stimulation of restructuring and privatization, but by acquiring new sources of foreign exchange. Pressure on the exchange rate is built into such a banking and financial policy, and has been a cause of appreciation of the kuna up to the present time.

Last year, money demand growth accelerated. The annual growth rate of bank placements increased from 27 percent in 1996 to 39 percent in 1997, and the average monthly rate of growth of placements rose from 2 percent in 1996 to 2.8 percent in 1997, according to revised data.<sup>2</sup> At the same time, money supply growth decreased because of significant deceleration of remonetization and repatriation. Exports of goods and services increased by 4.3 percent, so there was no large increase in inflows on this basis. Imports grew by 15.2 percent. The narrowest monetary aggregates remained under control and grew in accordance with the parameters of the macroeconomic and monetary forecasts.

The gap between rapidly growing demand for money and moderately growing money supply was filled by the traditional foreign borrowing. The country's foreign debt was 4.8 billion USD at the end of 1996, or 24 percent of GDP, and in 1997 grew by 1.9 billion USD net. Thus, according to 1997 data, the debt amounted to 6.7 billion USD or 34 percent of GDP. Of the total growth in foreign debt in 1997, 0.6 billion were accounted for by net borrowing of central government, 0.6 billion USD were the net growth of banking sector borrowing, and the remainder was net borrowing of other domestic sectors. The banking sector holds 1.25 billion USD of foreign debt, and almost all of this is in the form of medium and long-term foreign debt. In the last year, the main element was borrowing from foreign banks and foreign banking institutions. During the year, banks gradually decreased their short-term credit obligations and increased long-term borrowing. However, during the fourth quarter, during which domestic foreign exchange savings growth fell, foreign indebtedness grew more rapidly, and short-term foreign borrowing returned to its level of the beginning of the year. Long-term credits increased by 0.8 billion kuna, and the growth of short-term foreign exchange deposits of foreign banks increased to 1 billion kuna. Of the 4 billion kuna increase in the foreign liabilities of banks (foreign liabilities grew from 9.7 to 13.6 billion kuna), 2.3 billion occurred during the fourth quarter.

### 1.2.3.

## Exchange Rate and the Aggregate Price Level

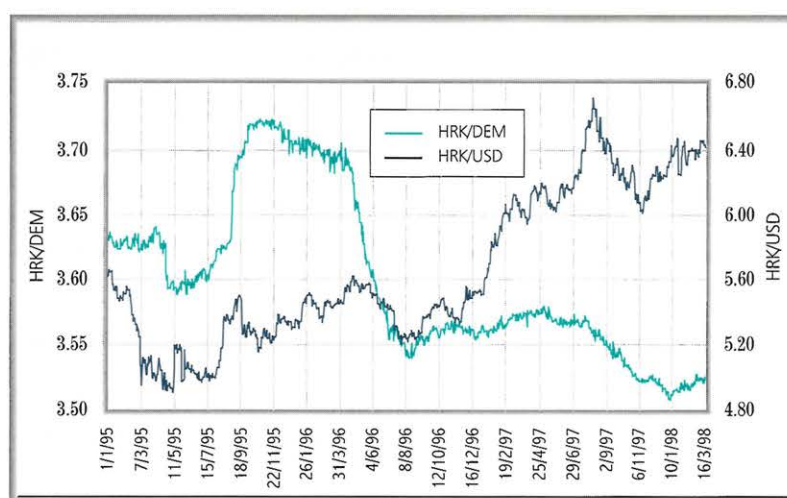
The low inflation rate and stability of the exchange rate of the kuna in 1997 confirmed the continuity of the policy of the Croatian National Bank. The rate of inflation, measured by retail prices, amounted to 3.8 percent on a December-to-December ba-

<sup>2</sup> The series on real growth of bank placements was revised due to methodological inconsistencies that arose due to one-time changes in the stock of placements during 1994, 1995 and 1996. These effects include the booking of interest and refinancing credits based on the agreements with the Paris Club and the London Club and the effects of the rehabilitation of Riječka Banka and Splitska Banka. According to the revised data, real bank placements grew by 39%, while according to previous data they grew by 44%, or 5 percentage points more.

sis, and 3.6 percent measured by the yearly average. The cost of living index rose by 4.9 percent on a December-to-December basis, and 4.1 percent measured by the yearly average, and producers prices rose by 1.6 percent and 2.3 percent respectively.

The stability of the exchange rate and the stability of retail prices are mutually dependent and favorable for a small open economy like Croatia. The average exchange rate of the kuna versus the German mark in 1997 was 3.56 HRK/DEM. This implies a high degree of stability; the kuna appreciated only 1.6 percent over the previous year's value. The average deviation of the monthly average exchange rate from the yearly average was 2 lipa or 0.54 percent. At the same time, the average annual exchange rate against the US dollar was 6.16 HRK/USD, a depreciation of 13.3 percent against the previous year. The average deviation from the yearly average was 23 lipa or 3.66 percent. Such changes in the kuna-dollar exchange rate were the consequence of the growth of the value of the dollar against the German mark and other currencies on world currency markets.

Figure 1.15  
NOMINAL DAILY EXCHANGE  
RATE OF THE KUNA AGAINST  
THE DEM AND USD



Movements in the kuna-mark exchange rate in 1997 can be broken into two periods. In the first period, from January to the end of June, the exchange rate was highly stable, with mild depreciation through April and then slight appreciation back to the level of the beginning of the year in May and June. The second period was a period of more substantial appreciation. This appreciation was initiated by a successful tourist season and the inflow of foreign exchange during the summer months. However, the appreciation continued after the summer, under the influence of increased activity in the money market and bank foreign borrowing. The highest value of the kuna to the mark was reached on the 30th of December, when the rate stood at 3.5122 HRK/DEM. This was 1.4 percent higher than at the beginning of the year.

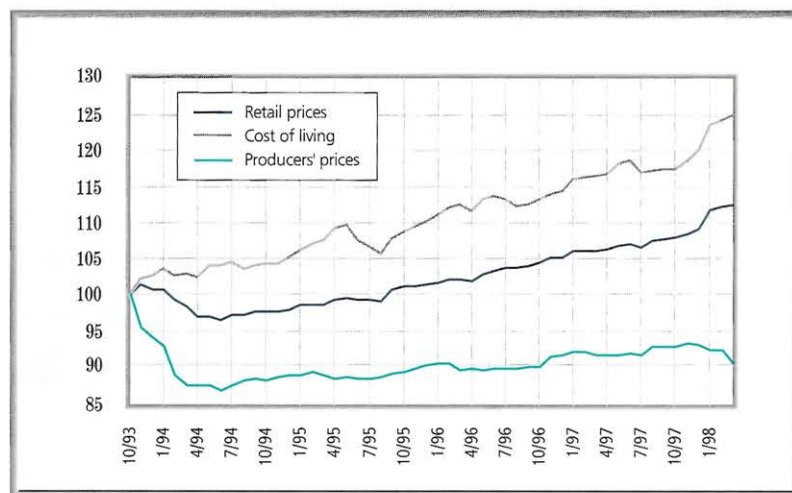
The exchange rate of the US dollar and other exchange rates against the German mark had the greatest influence on the real effective exchange rate in 1997. Through July, the index of the real effective exchange rate deflated by retail prices had depreciated by 5.0 percent relative to the end of 1996, while the index of the real effective exchange rate deflated by producers' prices depreciated by 5.5 percent in the same period. With the fall of the value of the dollar in the second half of the year, this trend was reversed and a period of appreciation occurred. By the end of the year, the index of the real effective exchange rate deflated by retail prices depreciated by 1.4 percent relative to the end of 1996, while the index of the real effective exchange rate deflated by producers' prices depreciated by 2.7 percent. It is interesting that after November, for the first time we observed opposite trends in the

movement of the real effective exchange rate deflated by retail prices and producers' prices. This was a consequence of the rise in retail prices occasioned by the introduction of the value-added tax.

Figure I.16  
INDEX OF REAL EFFECTIVE  
EXCHANGE RATE OF THE KUNA  
WITH RETAIL PRICES (IREER1)  
AND PRODUCERS' PRICES  
(IREER2),  
January 1994=100



Figure I.17  
INDEX OF RETAIL PRICES,  
PRODUCERS' PRICES AND THE  
COST OF LIVING,  
October 1993=100

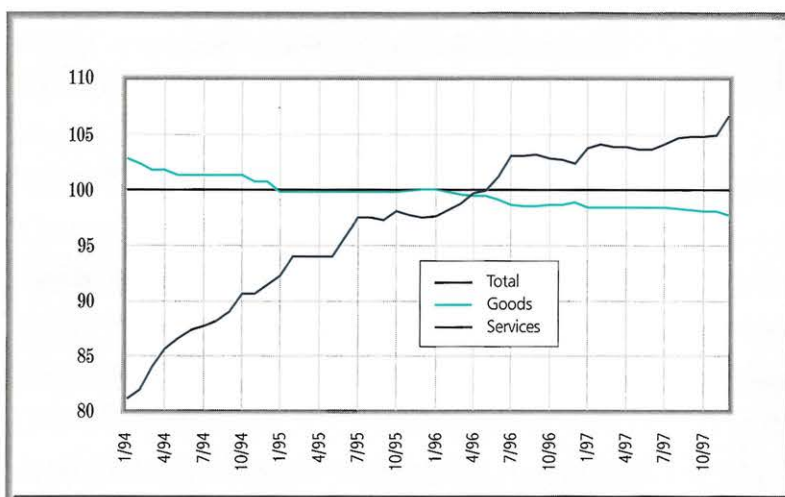


Prices have been stable for quite a long time now. All three price indexes that we follow displayed moderate growth with large oscillations in 1997. The cost of living index grew a bit more strongly than the index of retail prices. The reason for this is found in the strong influence of the prices of services in the cost of living index. The somewhat higher increase of prices was observed in December 1997 and especially in January 1998 was the direct consequence of the introduction of the value-added tax, which came into force on January 1, 1998. It is important to emphasize that this price increase was of a one-time character. This statement is supported by the fact that price increases stabilized as early as February and March 1998.

It is important to note that the growth of the prices of services has made the largest contribution to price increases in the last four years. The first significant increase in the prices of services came in the first half of 1996, and then slower changes occurred up to the introduction of the value-added tax in January 1998. It is important to keep in mind that the relative prices of services were very low during the war, and that the process of returning to the prewar level began with the introduction of the stabilization program. During the middle of 1996, the prices of services reached the prewar level. After this came a period of stagnation or very

mild growth of the prices of services. The rapid "recovery" of the prices of services also encouraged the growth of wages. In this context, it is necessary to see wages in terms of returning to the prewar level of wages, since wages, like services prices, were significantly lower during the war (see the section on employment and earnings). The relative prices of goods continually fell relative to aggregate price level, so that the relative prices of goods fell below the prewar level after mid-1996. The openness of the Croatian economy and its exposure to foreign competition is one of the causes of this change in the relative prices of goods.

Figure 1.18  
INDEX OF PRICES OF  
GOODS AND SERVICES,  
January 1990=100



#### 1.2.4

#### Interest Rates

The fundamental characteristics of changes in interest rates in 1997 can be summarized in several points. First, the long-term downward trend of interest rates on the Zagreb Money Market. Second, the fall of lending rates and the simultaneous stagnation of deposit rates, which resulted in a decrease in the interest "spread." Third, the convergence of interest rates on short-term CNB and Ministry of Finance paper.

Even though interest fell substantially in 1996, the economy entered 1997 with high interest rates and a large difference between lending and deposit rates. This was the result of several factors:

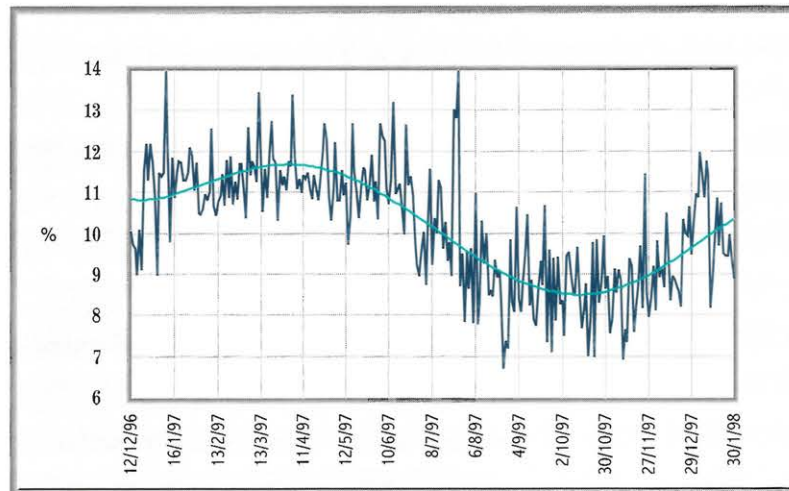
- The burden of so-called immobilized assets that do not bring any income. In this context, it is important to note that the rehabilitation of four large banks has decreased the importance of this problem in 1997 and facilitated the further fall of interest rates.
- Large risk premia regarding the repayment not only of old but also of newly-approved credits. This risk results from inadequate legal protection of creditors and the lack of credible repayment instruments.
- Underdevelopment of the financial market, which is seen in the modest nature of the financial instruments on the market and the small number of market participants.
- Very expensive funding sources, especially high deposit interest rates.
- Currency risk. Since 70 percent of funding sources are denominated in foreign currency and foreign exchange deposits are dominant in funding sources, sensitivity

to exchange rate changes is great. One way to protect oneself against currency risk is to put some of the foreign exchange risk on clients via higher interest rates and interest spreads if, of course, this is possible.

- Low level of competition among banks. A basic characteristic of our banking system is a low degree of competition, market segmentation and high concentration (oligopolistic structure). However, it should be emphasized that concentration has decreased, and competitive forces, although still not always strong enough, are stronger. It is important to know that small newly-founded banks have not substantially increased competition, but have taken advantage of the situation on the market and have made high profits on the basis of the existing structure of interest rates, since they did not have the legacy of bad loans.
- At the end, the high administrative costs of banks should be mentioned. Their decrease would facilitate further decreases in interest rates.

Average interest rates on the money market were very stable in the first half of the year, and remained near 11 percent. During the middle of the year, rates began to fall. The fall lasted until November, when the lowest average monthly rate of 8.5 percent was reached. Towards the end of the year, the average interest rate on the money market began to rise slightly. The relative stability of interest rates on the money market was an expression of the bank rehabilitation process, which unquestionably improved the liquidity of the whole banking system. Not only is the balance between supply and demand evidence of better liquidity (supply was one-fourth higher than demand at the aggregate level for the year), but also there was much less borrowing on the overnight market in 1997 than in 1996. It is important to note that the trend to longer-term lending on the money market continued. Call loans continue to have the largest share in daily trading, both by number of contracts and by turnover. However, 16 to 30 day loans combined with 31 to 366 day loans significantly outweighed 6 to 10 day loans both by turnover and number of contracts in 1997. This was not so in 1996.

Figure I.19  
INTEREST RATES ON THE  
ZAGREB MONEY MARKET,  
daily average at annual rates

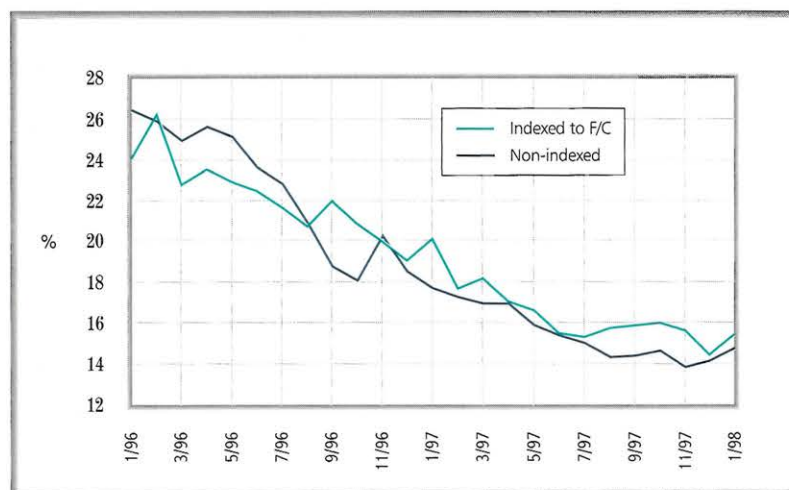


It is worth emphasizing that changes in the average monthly interest rates were actually a consequence of the term structure of loans in the given month. Thus, lower interest rates during the summer months can be explained by market participants' preference for liquidity (relatively more call loans, which have lower prices). The mild growth at the end of the year should be seen in light of the introduction of a new kind of tax - the value-added tax, which replaced the previous tax on turnover of goods and services. The VAT put new pressure on the market. The process of rehabilitation had permitted a large and rapid fall in interest rates on

the money market. Further decreases in interest rates will be slow and gradual, and will depend above all on the development of the financial system and on economic policy measures related to the high deficit on the current account of the balance of payments.

Loans granted by commercial banks grew significantly in 1997. The growth in lending should be seen in light of high demand for credit among the enterprise sector and the household sector. Research has shown that the prices of inputs (deposit interest rates) and interest rates charged by competitors (the other banks active in a given area) are the two fundamental determinants of the lending rates of a majority of banks. Credit expansion along with a simultaneous decrease in lending rates was possible for several reasons. Most important is the rehabilitation of banks, whose positive effects we have already noted. It is also important to keep in mind the newly-opened foreign credit lines, which represent perhaps the most important source of cheap funds. Also, we must not leave out the significant growth in the most secure source of funds - deposits. The structure of newly-granted loans did not change. The largest share continues to belong to kuna loans with a foreign currency clause, which account for nearly half of newly-approved loans. Kuna loans without a currency cause are second, with a 40 percent share in total newly-approved loans. Foreign exchange loans have negligible significance, since they account for a mere 10 percent of the loan portfolio. Interest rates fell in 1997 on all three "types" of loans.

Figure 1.20  
COMMERCIAL BANKS' INTEREST  
RATES ON KUNA CREDITS,  
weighted average, annual rates

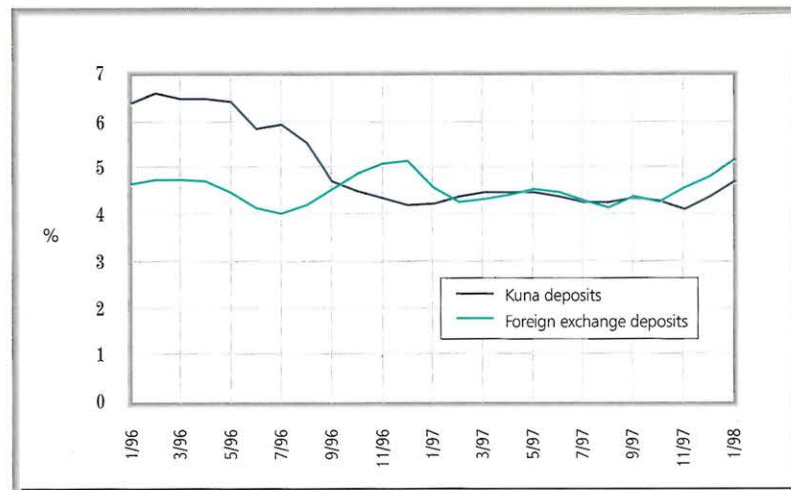


The largest fall came on interest rates on foreign exchange loans: from 23.5 percent at the beginning of the year to 13.6 percent at the end of the year. However, because of the small weight and sharp fluctuations of interest rates on foreign exchange loans, the fall in interest rates on kuna loans is more significant. Interest rates on non-indexed kuna credits fell by 3.6 percentage points (from 17.6% to 14.0%) while interest rates on kuna credits that are indexed to foreign currency fell by as much as 5.6 percentage points (from 20.0% to 14.4%). The reason for somewhat higher interest rates on kuna loans with the foreign exchange clause than on those without the foreign exchange clause must be sought in the term structure of the loans granted, and in the banks that grant such loans. It seems logical that interest rates on kuna loans indexed to foreign currency should be somewhat lower than on the non-indexed loans because of exchange rate risk. However, if we remember that non-indexed kuna loans are only short-term loans and that in principle only those banks that, in any case, have lower interest rates give such loans, then the apparent irrationality of this interest rate structure can be explained. Sixty percent of kuna loans that are indexed to foreign currency were short-term, and forty percent

were long-term loans. When speaking of short-term credit, it is important to note that the largest share of short-term loans are given for 3 months, while the largest share of long-term loans are given for loans up to 5 years. It is certain that the decrease in lending rates is the result of competition among banks. Here, as with deposits, price competition is significant, with banks attempting to gain a better client base through lower lending rates and, on occasion, other benefits. It is important to note that competition among banks depends above all on the size of the bank: small banks compete with small banks, and large banks with large banks. It is interesting that loans are cheaper at large banks than at small ones. Small banks justify this by their speedy execution of services and personal relations with the client.

Deposit interest rates were stable in 1997. Total kuna deposits grew by 40 percent, and foreign exchange deposits by 34 percent. However, the currency structure of deposits did not change substantially - the ratio was 70 percent of foreign currency deposits and 30 percent of kuna deposits. The average interest rate on foreign exchange deposits ranged near 4.5 percent during the whole year. The average deviation from this value was minimal and did not exceed 0.2 percentage points. Average interest rates on kuna deposits were at a somewhat lower level of 4.2 percent, also with minimal fluctuations.

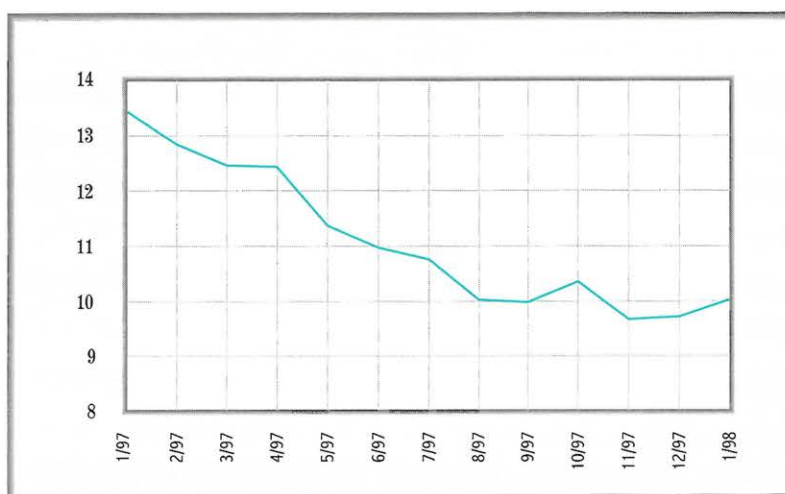
Figure 1.21  
COMMERCIAL BANKS DEPOSIT  
INTEREST RATES,  
weighted average, annual rates



Why are average interest rates on kuna deposits lower than rates on foreign exchange deposits, when it is known that, for example, one can get 10 percent interest on a one-month kuna time deposit at some banks, while one gets 5 percent for foreign exchange time deposits of the same duration? The answer can be found in the term structure of deposits. Almost 70 percent of kuna deposits are in the form of deposit money or sight deposits. Perhaps it will be useful to note that this percentage was even greater at the beginning of 1997, which shows that confidence in the banking system is gradually increasing, but that depositors are behaving rationally. That is, the vast majority of kuna deposits are held in forms that give little or no interest. By contrast, only 35 percent of foreign exchange deposits are held in savings accounts. This percentage was also greater at the beginning of 1997, when it amounted to 42 percent. The tendency to transfer sight deposits to time deposits is even more pronounced with foreign exchange deposits. Exactly this term structure helps us understand the fact that average interest rates on foreign exchange deposits are somewhat higher than those on kuna deposits. Price competition for deposits between banks has already been mentioned. In 1997, such competition increased due to greater lending activity by commercial banks.

Movements in lending and deposit rates in 1997 determined the interest rate spread. In 1997, the downward trend in the spread that began in 1996 continued. At the beginning of the year, the difference between lending and deposit rates was 13.5 percentage points. Since during the course of the year, lending rates fell, with deposit rates holding constant, the spread at the end of the year had fallen to less than 10 percent. It can be expected that the interest spread will remain at this level for a while, since interest income remains the most important element in the total income of Croatian banks. With the further development of the banking system, and with the arrival of "full-service banking", the share of interest income in total income will fall, and we can expect that the interest spread will gradually fall with this.

Figure 1.22  
INTEREST RATE SPREAD OF  
COMMERCIAL BANKS



The convergence of interest rates on short-term securities of the CNB and Ministry of Finance is an expression of the stability of the financial markets. At the beginning of the year, for example, Ministry of Finance Treasury Bills bore a return of 12.50 percent for 91 days, while CNB Bills brought only 9.00 percent for the same period. That is, there was a 3.5 percentage point difference. At the end of the year, Treasury Bills yield 9.90 percent for the same term, while CNB Bills brought the same yield as at the beginning of the year. Thus the difference was decreased to 0.9 percentage points. The difference in yields on other terms fell to less than 0.9 percentage points, with the minimum difference being 0.25 percentage points for 181 day bills.

## 1.2.5

### Balance of Payments

The current account deficit was 2,282.9 million USD or 11.8 percent of GDP in 1997. The current account deficit was the continuation of a trend beginning in 1995, resulting from increased domestic demand stimulated by accelerating economic growth and slower growth of domestic supply. In 1997, the current account deficit grew significantly, from 6.8 percent of GDP in 1995 to 4.5 percent of GDP in 1996. The current account deficit in 1997 grew 1,402.1 million USD in absolute terms or 159.2 percent. Strong growth in imports was the main influence, while decreases in exports in dollar terms and decreases in current transfers had smaller influences. Although significant, the growth of net service income was not adequate to influence this trend. In the last year, changes have occurred on the capital account, more precisely, changes in the manner of financing the current account deficit. In 1997, the burden of financing the deficit changed from decreases in the foreign exchange assets of other sectors (increased foreign exchange savings at domestic banks) to borrowing abroad. Since the balance of payments is compiled

in dollars, changes in the value of the dollar relative to European currencies in which the majority of Croatia's international transactions are made had a significant impact.

Before providing a more detailed look at the elements of the balance of payments, it should be noted that a methodological revision of the compilation of the balance of payments was undertaken in 1997. The reasons for this change were substantial net errors and omissions and mistakes inherited in the old methodology which the new methodology was able to decrease. The biggest changes introduced by the new methodology are the following: treating imports as f.o.b. (previously as c.i.f.), which requires allocating insurance and transport costs to the services account, including purchases by individuals abroad ("shopping tourism") and income realized from the sales of goods and services to international organizations, and a thorough accounting of tourist income based on the estimation of average tourist consumption instead of the previous arbitrary rule of assigning a percentage of the purchase of foreign exchange and the deposit of foreign exchange in bank accounts. Along with this, the Croatian National Bank has begun an ongoing survey on foreign investment in the Republic of Croatia. All the changes in the compilation method of the balance of payments were scrutinized by and approved to by the IMF.

Table I.2

**BALANCE OF PAYMENTS OF THE REPUBLIC OF CROATIA,**  
in millions of USD, preliminary data

	1995	1996	1997	1997/1996 %
Current transactions	-1,283.2	- 880.8	-2,282.9	259.2
Goods	-3,237.5	-3,651.2	-5,072.5	138.9
Services	1,207.7	1,764.0	2,022.1	114.6
Tourism	929.6	1,499.2	2,007.7	133.9
Income	- 53.4	- 21.4	- 84.3	393.9
Current transfers	800.0	1,027.8	851.8	82.9
Government	279.9	154.5	32.8	21.2
Other sectors	520.1	873.3	819.0	93.8
Financial transactions without F/C reserves	1,265.4	1,883.0	2,807.8	149.1
Direct investment	82.6	509.0	196.1	38.5
Portfolio investment	4.7	27.2	174.2	640.4
Other investment	1,178.1	1,346.8	2,437.5	181.0
Currency and deposits	406.7	788.9	185.5	23.5
Loans	430.7	404.5	2,250.6	556.4
CNB international reserves	- 490.2	- 418.8	- 225.0	53.7
Net errors and omissions	508.0	- 583.4	- 299.8	51.4

The main cause of the increase in the total current account deficit was the increased merchandise trade deficit, which amounted to 5,072.5 million USD and grew 38.9 percent. Increased merchandise imports were key to the increased merchandise trade deficit. Imports grew especially rapidly in the last quarter, before the introduction of the VAT. Total merchandise imports (including "shopping tourism") amounted to 9,448.9 million USD or 15.3 more than in the previous year in 1997. At the same time, because of the strengthening of the US dollar, the value of merchandise exports fell. They amounted to 4,376.4 million USD, an annual decrease of 3.7 percent, although merchandise exports calculated in kuna grew 8.5 percent. In 1997, the openness of the Croatian economy grew, and the ratio of the sum of imports and exports of goods and services to GDP amounted to 102.4 percent as compared to 90.9 percent in 1996.

Net service income was the largest positive element in the current account of the Republic of Croatia. It amounted to 2,022.1 million USD in 1997, and increased by 14.6 percent over the previous year. This growth was the result of a successful tourist season in which net tourist income of 2,007.7 million USD was realized, with an annual growth rate of 33.9 percent or 508.5 million USD in absolute terms. Net income from transport was 266.1 million USD, which was a fall of 15.9 percent, caused mainly by a fall in income from transport. The largest relative change was seen in the deficit on other services, which increased by 387.8 percent relative to the previous year and amounted to -251.7 million USD. The appreciation of the dollar significantly decreased income from services which are mainly in German marks, Italian lira or Austrian shillings.

The net deficit on the income account increased in 1997, reaching 84.3 million USD, an annual increase of 293.9 percent. The increase in foreign indebtedness and the growth of interest on foreign debt were behind this increase. On the other side was significant income generated by Croatian banks' deposits in foreign banks. Another positive element in the income account is net workers earnings.

The current transfers account also shows a fall in income, which amounted to 851.8 million USD or 17.1 percent less than in the previous year. The decrease in net transfers was mainly the result of the decrease in international aid to the government occasioned by entry into a period of peace in the last several years. Net transfers to the government were 32.8 million USD, an annual decrease of 78.2 percent. Net transfers to other sectors were 819.0 million USD, an annual decrease of 6.2 percent. This decrease was caused by the appreciation of the dollar relative to the German mark. Most transfers are made in marks.

The method of financing the current account deficit changed significantly in 1997. While in previous years, the deficit was financed mainly by decreasing net foreign assets of other sectors (repatriation of foreign exchange held abroad by households), this element was much less important in 1997. In addition, there was also a decrease in foreign investment in the Republic of Croatia. Because of this, the current account deficit in 1997 was financed mainly by foreign borrowing on the part of all economic sectors.

Net direct investments were 196.1 million USD, which was an annual decrease of 61.5 percent. Foreign direct investment was 346.3 million USD or 34.6 percent less than in the previous year. A significant increase occurred in investment by Croatian economic entities abroad. Such investment reached 150.3 million USD, an annual increase of 636.8 percent.

Portfolio investment should be added to direct investment, since portfolio investment includes investments that account for less than 10 percent of an enterprise's capital and foreign purchases of Republic of Croatia securities. In 1997, portfolio investment grew several times over, reaching 174.2 million USD. Total foreign investment (520.5 million USD) decreased by only 6.5 percent relative to 1996, but there was a significant change in the structure of investment, with a much greater share for portfolio investment.

The item foreign currency and deposits, which shows the entry of foreign currency into our banking system from other sectors, underwent important changes in 1997. Inflows of foreign currency from other sectors had been the main source of finance for the current account deficit in the last two years. However, net inflows of foreign currency from other sectors in 1997 amounted to 526.6 million USD, which was 62.7 percent less than in previous years. Such a decrease in the inflow of foreign exchange,

which occurred despite the increase in foreign exchange savings of other sectors of about 1,500 million USD, happened because there was very great demand for foreign exchange by other sectors due to the need to pay for increased goods imports. At the same time, domestic banks decreased net deposits of foreign exchange in overseas banks to 341.1 million USD or 45.2 percent relative to the previous year.

In 1997, the main method of financing the current account deficit was increased indebtedness of all sectors. This increase amounted to 2,250.6 million USD, an annual increase of 456.4 percent. The growth in indebtedness was largest among other sectors (43.1%), then banks (28.7%), and government (26.5%). The greatest increase in borrowing occurred in the last quarter (59.5% of the total increase in indebtedness) because of the need to finance increased imports prior to the introduction of VAT. Looking at the term structure, long-term credits accounted for about three-fourths of total credit and amounted to 1,743.0 million USD, an increase of 335.5 percent. Short-term credits accounted for one-quarter of total credits, and amounted to 470.3 million USD.

In this context, it should be mentioned that Croatia repaid more short-term credit than it accepted in 1996. Looked at by sector, the government borrowed 596.6 million USD abroad, which was an annual increase of 92.5 percent. Actual government borrowing is even higher, since some of portfolio investment is investment in government bonds. Croatia's receipt of an investment-grade credit rating allowed the government to borrow abroad on better terms until the fall of 1997, when the Asia crisis significantly increased the price of capital for all developing countries. The favorable conditions are seen in the term structure of government foreign borrowing in 1997, which was all long-term.

Banks, after being net exporters of capital in 1996, took out substantial amounts of foreign loans of 645.9 million net. The largest increase in borrowing came in the last quarter, to support increased imports. The term structure of this borrowing was as follows: 57.4 percent of new net borrowing was long-term, while 42.6 percent was short-term.

The greatest growth of net foreign borrowing in 1997, 970.8 million USD or 540.4 percent, was undertaken by other sectors. Here as well, the term structure improved. Long-term loans accounted for 79.9 percent of total loans to other sectors, mainly because of favorable lending conditions (especially in comparison to those prevailing on the domestic market) for large enterprises abroad.

Due to this borrowing, the foreign debt amounted to 6,661.6 million USD at the end of 1997. This represents a growth of 38.5 percent or 1,853.2 million USD in absolute terms. Total foreign indebtedness grew from 24.4 percent of GDP in December 1996 to 34.5 percent of GDP in December 1997.

The foreign exchange reserves of the Croatian National Bank grew 225 million USD in 1997. This amount is significantly smaller than in previous years, despite significant foreign exchange purchases during the summer. The difference can be explained by the appreciation of the US dollar against the German mark and other European currencies. As of December 1997, foreign exchange reserves covered 2.7 months of average imports of goods in services in 1997.

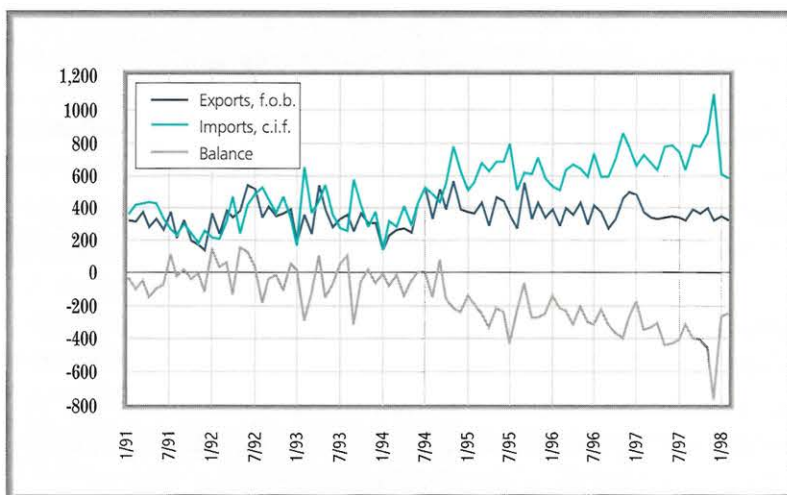
Net errors and omissions were -299.8 million USD in 1997. This was significantly smaller than in the previous year, which indicates better statistical coverage than in previous years. This is also evidence of the merit of the new balance of payments compilation method, since net errors and omissions were many times greater under the old methodology.

### The Structure of Merchandise Trade

The data on merchandise trade published by the Central Bureau of Statistics on the basis of customs declarations, in contrast to balance of payments data, show merchandise imports on a c.i.f. basis and do not include goods imports from "shopping tourism."

Figure 1.23  
MERCHANDISE TRADE OF THE  
REPUBLIC OF CROATIA,  
in millions of current USD

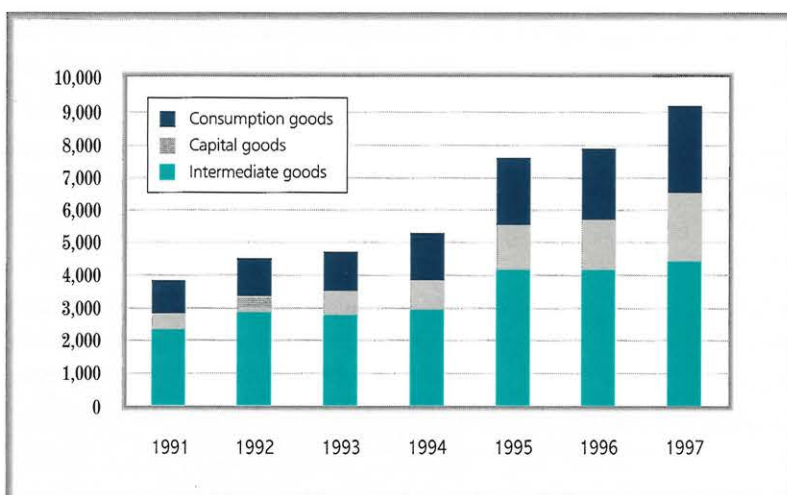
Source: Central Bureau of Statistics



It can be seen, from these data, that imports grew steadily throughout the year, but that the rate of growth of imports increased sharply before the introduction of the value-added tax. Such a substantial increase in the merchandise deficit in the last two months is above all the result of the fact that importers tried to build up inventories before value-added tax was introduced. There were three reasons for this. First, inventories are not subject to value-added tax but to turnover tax, which for some categories of goods is much lower. Thus it was worthwhile to import such categories of goods. Second, value-added tax is paid immediately upon import, while turnover tax is paid upon sale of the goods. In conditions of poor liquidity, this difference was quite important to many importers. Third, the Government's decision to remove tariff relief for Croatian citizens who have lived at least two years abroad contributed to imports.

Figure 1.24  
STRUCTURE OF MERCHANDISE  
IMPORTS BY END-USE,  
in millions of current USD

Source: Central Bureau of Statistics

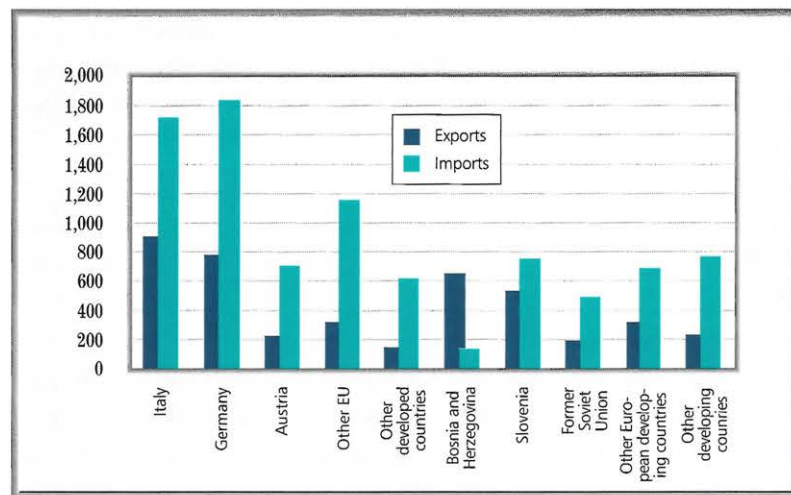


Looking at the structure of imports by end-use, it is apparent that the greatest part is accounted for by intermediate goods. These accounted for 48 percent of total imports. Next were consumption goods with a share of 29 percent. In the last several years imports of capital goods have grown the fastest. They now ac-

count for 22 percent of merchandise imports. On the basis of data provided by the Central Bureau of Statistics, capital goods imports grew the fastest, 35.6 percent, while imports of consumer goods grew by 23.8 percent, and inter-mediate goods by 6.9 percent.

Countries of the European Union are Croatia's main trade partners, receiving 51 percent of Croatian exports and accounting for 60 percent of imports. This shows the importance of European Integration, even though Croatia is not yet a member of the European Union. The most important individual trade partners are Italy (21% of exports and 19% of imports), Germany (18% of exports and 20% of imports) and Austria (5% of exports and 8% of imports). The most favorable relationship of imports and exports was achieved with Bosnia and Herzegovina (15% of exports and 2% of imports), with whom we have a merchandise trade surplus, and Slovenia (12% of exports and 8% of imports). Four percent of exports and five percent of imports are with states of the former Soviet Union, while trade with other Central and East European countries accounts for seven percent of exports and eight percent of imports.

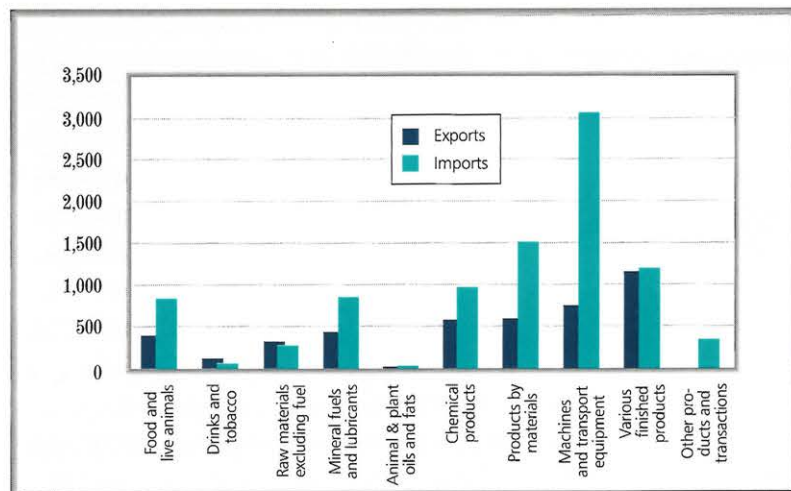
Figure 1.25  
STRUCTURE OF MERCHANDISE  
TRADE OF THE REPUBLIC OF  
CROATIA BY COUNTRY,  
in millions of current USD



Source: Central Bureau of Statistics

According to the State International Trade Classification (SITC), assorted final products are the largest group in Croatian imports with 27 percent share. Next come machines and transportation equipment (17%), products classified according to materials (14%), chemical products (13%), mineral fuels and lubricants (10%), food and live animals (9%) and raw materials (7%). On the import side,

Figure 1.26  
MERCHANDISE TRADE OF THE  
REPUBLIC OF CROATIA  
ACCORDING TO THE STANDARD  
INTERNATIONAL TRADE  
CLASSIFICATION,  
in millions of current USD



Source: Central Bureau of Statistics

the largest group is machines and transport equipment, with 34 percent of total imports. Next come products classified by materials (17%), various final products (13%), mineral fuels and lubricants (9%) and food and live animals (9%). It is especially important to emphasize the major contribution of automobile imports to the increase in the merchandise trade deficit in 1997. Imports of road vehicles in 1997 grew by 98.3 percent relative to 1996 and amounted to 947.1 million USD or 4.9 percent of GDP. The main reason for this high growth rate was the Government's decision to allow a large part of the population (those who had participated in the war) customs and tax exemption for imports of automobiles (and machines), along with more favorable lending terms for buying cars offered by banks for the first time in 1997.

### Foreign Investment

In March 1997, the Croatian National Bank undertook a survey on foreign direct investment and portfolio investment. From the preliminary data received, it turns out that total foreign investment in Croatia in the period from 1993 to 1997 amounts to 1,357.5 million USD, of which 1,160.5 million USD is direct investment and 196.7 million USD is portfolio investment. Looked at by country, the largest amount of investment comes from the United States (25.2%), the United Kingdom (17.0%) and Austria (15.6%). The largest amount of direct investment comes from the United States (29.8%) and Austria (16.9%), while the largest amount of portfolio investment comes from the United Kingdom (79.9%) and Switzerland (9.8%).

Table I.3  
FOREIGN INVESTMENT IN THE  
REPUBLIC OF CROATIA BY  
COUNTRY,  
in percent, preliminary data

	Direct Investment	Portfolio Investment	Total
Total foreign investment	100.0	100.0	100.0
United States	30.8	-1.4	26.2
United Kingdom	6.5	79.9	17.0
Austria	16.9	8.0	15.6
Switzerland	7.4	9.6	7.7
Germany	7.8	1.3	6.9
EBRD	6.7	-	5.7
Sweden	4.6	-	3.9
Australia	3.6	-	3.1
Italy	2.9	1.3	2.6
Denmark	2.0		1.7
Other countries	12.0	2.3	10.6

Source: CNB

Table I.4  
OWNERSHIP INVESTMENT IN  
THE REPUBLIC OF CROATIA  
FROM 1993 TO 1997  
BY ACTIVITY,  
in percent, preliminary data

Activity	Share in %
Total ownership investment	100.0
Pharmaceuticals	26.4
Other financial intermediation	23.3
Cement	10.5
Glass	6.3
Beer	4.1
Sanitary ceramics	3.8
Bricks and roof tiles	3.8
Radio and television receivers, telephone apparatus etc.	3.6
Mineral water and soft drinks	3.3
Hotels and motels with restaurants	2.4
Other	13.5

Source: CNB

Looked at by activity, the sectors receiving the most investment are the pharmaceutical industry (25.4%), due to Pliva's flotation of shares on the London stock exchange, and other financial intermediation, due to Zagrebačka Banka's flotation on the London stock exchange as well as foreign founding of banks and purchase of banks in Croatia.

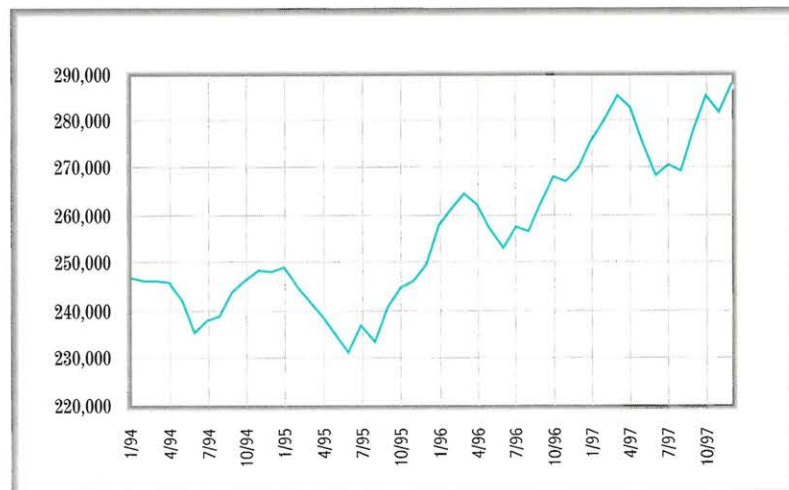
## 1.2.6

### Employment and Wages

At the beginning of 1997, registered unemployment in the Republic of Croatia was 269,263, while at the end of the year 287,120 unemployed were registered with the Croatian Employment Bureau. The increase in registered unemployment of 17,857 or 6.6 percent was smaller than the increase of 20,193 or 8.5 percent in 1996. During 1997, 277,691 unemployed were registered on average. This was 16,669 or 6.4 percent more than the 1996 average. This increase in registered unemployment occurred alongside of the employment of 101,903 previously unemployed persons and the removal of 99,420 individuals from the unemployment register. At the same time, 219,180 people reported to the Employment Bureau, of whom 147,531 had been previously employed. Of the total increase in unemployment in 1997, 60.5 percent were women, which increased women's share in total unemployment from 50.1 percent at the end of 1996 to 50.8 percent at the end of 1997. During the course of the year, however, their share on average was 49.4 percent. The number of unemployed who were seeking work for the first time rose by 3,657, which decreased their share in total registered unemployment from 33.9 to 32.6 percent. At the same time, the number of people unemployed due to job loss decreased by 3,720, and the share in registered unemployment fell from 10.9 percent to 9.6 percent.

The monthly dynamics of unemployment in 1997 showed a similar seasonal pattern to 1996. From the beginning of the year until March, registered unemployment grew sharply, reaching a level only slightly below the level of the end of the year. From March to the middle of the year, unemployment decreased, reaching its lowpoint in June at a level of 267,746 registered unemployment. From August to the end of the year, except in November, unemployment increased in every month.

Figure 1.27  
REGISTERED UNEMPLOYMENT



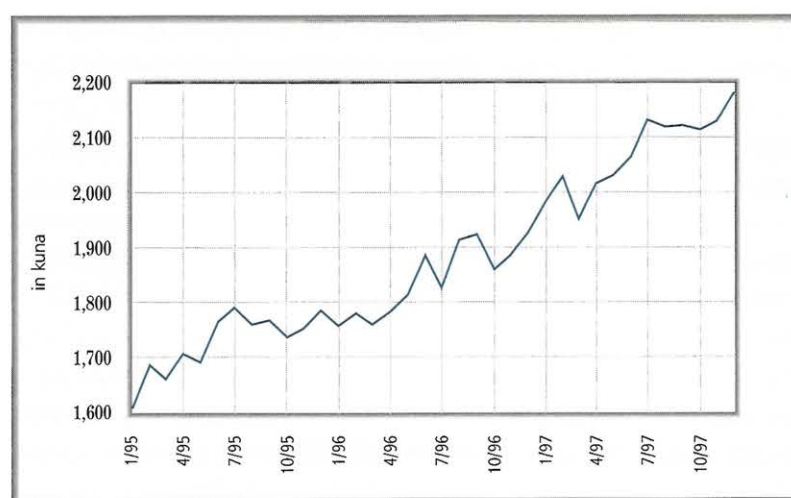
Source: Monthly statistical bulletin of the Croatian Employment Bureau, various issues

According to the findings of the Labor Force Survey (ARS97) carried out in June 1997, there were 175 thousand unemployed persons according to the methodology of the International Labor Organization. This is 93 thousand less than the number registered at the Employment Bureau that month. The reasons for this large difference should probably be sought in the nature of the Survey, which eliminates those

working in the unofficial economy from registered unemployment, as well as those not actively seeking work, while counting as unemployed those willing to work who do not meet the formal criteria of the Bureau (e.g. students and pensioners). This method eliminates approximately half of those registered with the Employment Bureau. This is partially offset by the wider range of the population defined as unemployed. The cause of such a large share of registered unemployed who are not unemployed according to the survey definition is that legislation links such social protection measures as health insurance, social aid and child allowances unjustifiably to the status of unemployment. Removing these elements of social protection from the authority of the Employment Bureau should decrease the number of registered unemployed and bring the number of registered unemployed closer to the number found in the survey.

Figure 1.28  
AVERAGE REAL NET WAGE,  
constant prices, January 1994

Source: Monthly Statistical Report,  
Central Bureau of Statistics, various  
issues

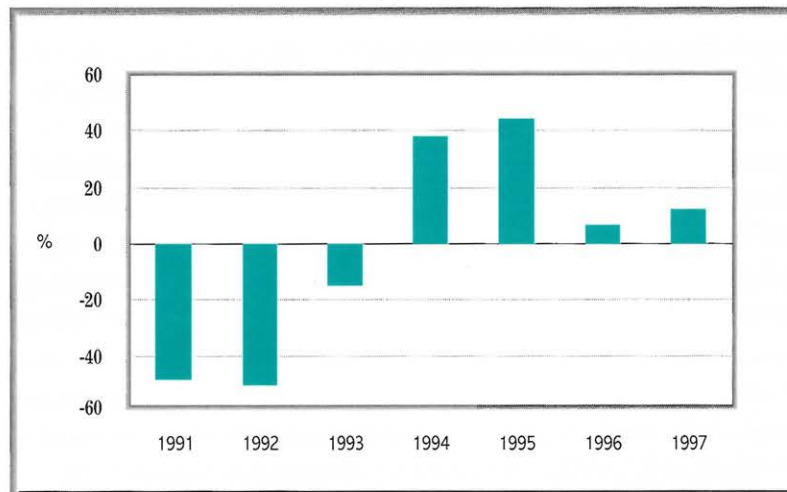


According to the monthly data provided by the Central Bureau of Statistics, employment fell by 87,887 or 6.1 percent in 1997. Employment at year-end was 1,341,736. According to the methodology of the labor force survey, the same variable was 1,593 thousand in June 1997. This is 237 thousand more than shown by the CBS. The cause of this difference is the bias which the monthly data show towards the formal sector, overlooking the growth of self-employment and the informal sector. In relation to the results of the first survey carried out in November 1996, the June 1997 Survey shows an increase in employment of 53 thousand. The difference in trend between the Survey and the monthly data suggest the conclusion that in 1997 there was a process of substitution of formal sector jobs with informal sector jobs. The cause of this can probably be found in the Survey's finding that net wages in the formal sector are 60 percent higher on average than in the informal sector. Since net wages in the formal sector are only 54.8 percent of the total cost of labor for the employer (calculated according to data on average gross pay of industrial workers from April 1997), the difference in average cost of labor between the formal and informal sectors is even greater. The large differences in net wages, and especially in total labor costs, between formal and informal sectors, suggest that, to the extent that there is no reduction in the fiscal burden on wages, the same trend of substitution between formal and informal sector jobs will continue.

The labor force, defined as the sum of employment and registered unemployment, decreased by 70,030 or 4.1 percent in 1997. According to the survey methodology, however, between November 1996 and June 1997, the labor force grew by 57 thousand. Dividing the Survey's findings on unemployment by its findings on labor supply, we find that the unemployment rate fell from 10 percent to 9.9 percent between the two surveys, while monthly data from the CBS show growth from 15.8 percent at the end of 1996 to 17.6 percent at the end of 1997.

During 1991 and 1992, real net wages fell by 48.2 percent and 50.3 percent. This was a result of the war. In 1993, the fall slowed, and real net wages fell by 14.7 percent. In 1994 and 1995, as postwar years, real net pay recovered rapidly from the depression during the war years with growth rates of 38.1 percent and 44.1 percent. The trend to rapid growth stopped in 1996 with growth of real net wages of 6.8 percent. The average real net wage in 1997 was 2,349 kuna, and was 12.4 percent higher than the 1996 average, once again showing rapid growth. Real gross wages grew somewhat slower due to decreases in wage taxes at the end of 1996. In particular, the standard tax deduction for income taxes rose from 700 to 800 kuna, and tax rates in the lowest bracket were reduced from 25 to 20 percent. As a result, real gross wages were 8.3 percent higher in 1997 than in 1996 on average.

Figure 1.29  
RATE OF CHANGE OF AVERAGE  
REAL NET WAGES



Source: Monthly Statistical Report,  
Central Bureau of Statistics, various  
issues

## 1.2.7

### Government Budget

Less income than expenditures was the characteristic of central government, consolidated central government and extra-budgetary funds except for the Children's Fund. The account of consolidated general government in 1997 has not yet been completed.

Fiscal policy was determined by the budget passed for the year. No rebalance was necessary. The central government budgetary outturn showed a deficit of 1.16 billion kuna or 1.02 percent of GDP. The deficit was only 41.0 percent of the planned deficit. The deficit was entirely financed by foreign sources, and government repaid some of its outstanding debts to domestic sectors. The biggest transaction was with the domestic banking sector, mainly on the basis of the repayment of the principle of the "old" foreign exchange savings. 15.7 percent of foreign borrowing was from international development institutions, 16.8 percent from foreign governments, 20.9 percent from commercial banks and the remainder from other sources.

The nominal growth of revenues was 7.9 percent. The share of revenues in gross domestic product decreased relative to the previous year. Tax revenues grew by 9.8 percent annually. Turnover tax brought in 12.1 percent more than in 1996. Customs revenues grew by 17.9 percent. Increased Christmas shopping and the announced introduction of the value-added tax resulted in a rapid increase in revenues from these two kinds of taxes in the last months of the year. Overall, collections from these taxes exceeded planned levels. Excise taxes fell below planned levels, staying at the level of the previous year. Profit taxes showed an exceptionally high growth rate of 40.4%, indicating rapid growth of aggregate activity in the country. Wage tax revenues fell by 2.7 percent, as a result of the decrease in the lowest income tax rate and the increase in the tax exemption. Because of decreased wage tax rates,

net wages grew faster than gross wages. Nontax income grew by 19.4 percent, mainly as a result of increased profits of public enterprises, fines and road tolls. Capital income was 59 percent less than in 1996.

Table I.5

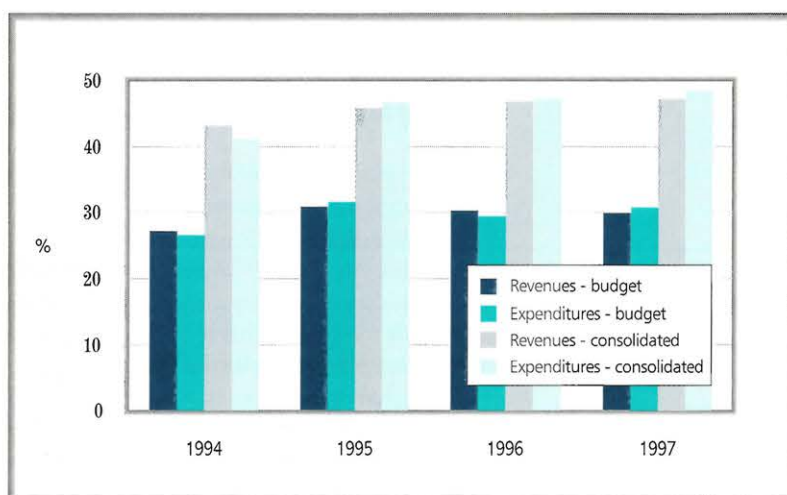
OUTTURN OF THE GOVERNMENT BUDGET, CONSOLIDATED CENTRAL GOVERNMENT AND EXTRA-BUDGETARY FUNDS, in millions of kuna

	1996	1997	Share in GDP		Nominal indices
	Realized	Realized	1996	1997	1997/1996
<b>Government budget</b>					
Total revenues and grants	31,368	33,846	29.2	28.4	107.9
Tax revenues	28,530	31,338	26.6	26.3	109.8
Non-tax revenues	1,714	2,047	1.6	1.7	119.4
Capital revenues	1,123	461	1.0	0.4	41.1
Total expenditures and net borrowing	31,502	35,006	29.4	29.4	111.1
Current expenditures	25,930	29,580	24.2	24.8	114.1
Capital expenditures	5,043	4,815	4.7	4.0	95.5
Loans minus repayments	529	611	0.5	0.5	115.6
Total deficit/surplus	-134	-1,160	-0.1	-1.0	865.8
Foreign financing	804	2,986	0.7	2.5	371.4
Domestic financing	-670	-1,826	-0.6	-1.5	272.5
<b>Consolidated central government</b>					
Total revenues and grants	48,397	53,345	45.1	44.8	110.2
Total expenditures and net loans	48,874	54,932	45.6	46.1	112.4
Total deficit/surplus	-477	-1,587	-0.4	-1.3	332.4
<b>Extra-budgetary funds</b>					
Total revenues and grants	17,029	19,499	15.9	16.4	114.5
Total expenditures and net loans	21,282	25,522	19.8	21.4	119.9
Total deficit/surplus	-4,253	-6,023	-4.0	-5.1	141.6

Source: Ministry of Finance

Expenditures rose by 11.1 percent in nominal terms. Their share in gross domestic product was the same as last year. Current budgetary expenditures were the largest part, 84.5 percent. The largest part of current expenditures were wages and employer contributions (37.3%), purchases of goods and services (31.2%) and subsidies and current transfers (25.6%). Current government savings were 3.8 billion kuna in 1997. The government was able to save more of taxpayers money than planned for the year. The deficit of consolidated central government was 1.3 percent of gross domestic product, and the deficit of extra-budgetary funds was 5.1 percent.

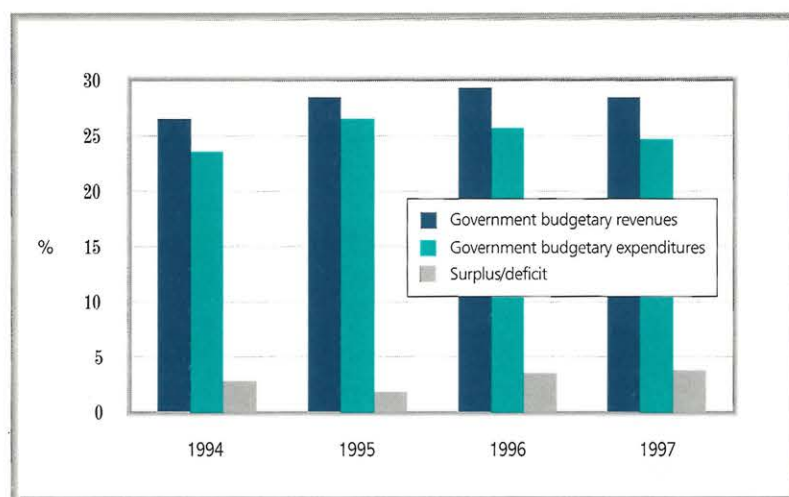
Figure I.30  
SHARE OF GOVERNMENT  
BUDGETARY REVENUES  
AND EXPENDITURES AND  
CONSOLIDATED GOVERNMENT  
IN GDP



The account of consolidated general government for Croatia has been calculated for 1996. In that year, the total deficit was 0.42 percent of gross domestic product, and the share was less than in the previous year. The internal debt was 14.7 billion kuna or 13.0 percent of gross domestic product.

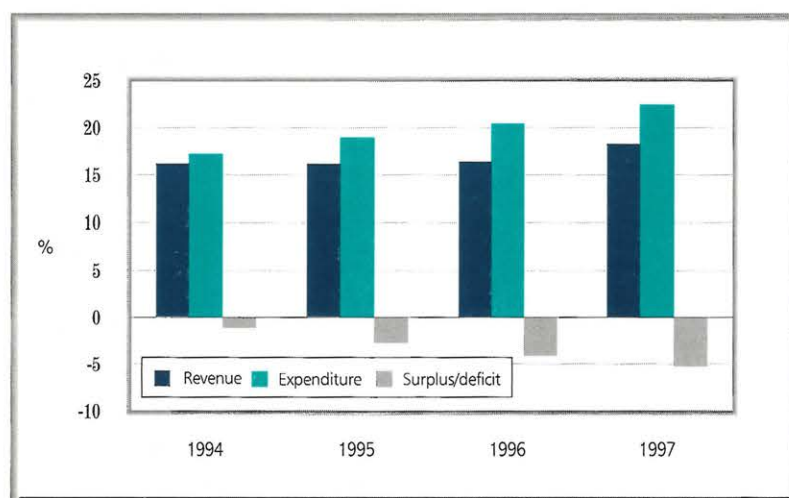
The fundamental problem of fiscal policy remains. The fiscal "bite" in GDP continues to grow from year to year, so that government in one way or another allocated almost half of GDP. One of the priority aims of economic policy undoubtedly should be to decrease the fiscal "bite" to 40 percent of GDP in the medium term and 35 percent in the long term. A high fiscal "bite" in GDP is especially worrisome considering that Croatia is still a developing country with a low level of income per capita.

Figure 1.31  
SHARE OF CURRENT  
GOVERNMENT BUDGETARY  
REVENUES AND  
EXPENDITURES IN GDP



The extra-budgetary problems are a special problem. Not only is their share in GDP growing, but in addition, their deficit is growing too. While the government budget during 1997 had a surplus, the increased deficit of the extra-budgetary funds will be the generator of an increased deficit of consolidated government, which is only a continuation of a multiple year trend. Preparations for the reform of the pension system, as well as reform of the health system, are extremely important for this reason. A pension system based on three pillars should be put into place in 1999.

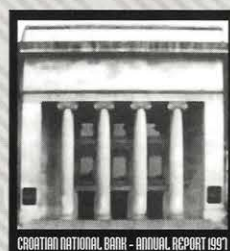
Figure 1.32  
SHARE OF EXTRA-BUDGETARY  
FUNDS REVENUES AND  
EXPENDITURES IN GDP





2

# MONEY POLICY IN 1997



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



## 2.1

## Monetary and Credit Aggregates

Three dominant trends were noted in 1997:

- slower growth of total liquid assets, above all because of slower growth of foreign exchange deposits,
- a significant decrease in net claims on central government along with very rapid increase in bank placements to other domestic sectors,
- in the second half of the year, decreases in net foreign assets, both because of decreased foreign assets and because of increased foreign borrowing.

Table II.1

## MONETARY AND CREDIT AGGREGATES

	Base money (M0)	Total liquid assets (M4)					NET DOMESTIC ASSETS (NDA)	NET FOREIGN ASSETS (NFA)	
		Money supply (M1)			Savings and time deposits	Foreign exchange deposits			Total (M4)
		Currency in circulation (C)	Deposit money (D)	Total (M1)					
In billion kuna									
Dec. 31, 1994	4.7	2.7	4.0	6.6	2.0	8.8	17.5	16.3	1.1
Dec. 31, 1995	6.7	3.4	4.9	8.3	2.2	14.1	24.5	21.5	3.0
Dec. 31, 1996	8.8	4.4	7.0	11.4	3.4	21.8	36.6	24.9	11.7
Dec. 31, 1997	10.3	5.3	8.5	13.8	5.5	31.0	50.3	33.5	16.9
Growth rate									
December-to-December									
1995	43.1	26.6	23.3	24.6	4.7	60.7	40.4	31.6	166.3
1996	30.0	29.8	43.4	37.9	56.5	54.6	49.1	15.7	287.1
1997	17.4	21.8	20.3	20.9	62.2	42.5	37.6	34.5	44.4
Monthly average									
1995	3.0	2.0	1.8	1.9	0.4	4.0	2.9	2.3	8.5
1996	2.2	2.2	3.1	2.7	3.8	3.7	3.4	1.2	11.9
1997	1.3	1.7	1.6	1.6	4.1	3.0	2.7	2.5	3.1

## 2.1.1

## Behavior of Total Liquid Assets

Total liquid assets (M4) grew by 37.6 percent in 1997, in contrast to 1996, when it grew by 49.1 percent. Such a slowdown was expected. M4 is still mainly determined by the flow of foreign exchange deposits which, at the end of 1997, were 61.4 percent of M4. Substantial growth of foreign exchange savings due to repatriation and the unfreezing of "old" savings were characteristic of M4 through the middle of 1997. From then, the growth of foreign exchange deposits weakened, and in certain months totally stopped. Such a slowdown suggests that households reserves of foreign exchange held outside of Croatia are nearly exhausted and that the main net source of foreign exchange for the Croatian economy in the recent past cannot be counted on in the future, at least not to the same extent.

At the same time, kuna savings rose faster in 1997 (62.2%) than in 1996 (56.6%). This raised their share in M4, which reached 10.9 percent at the end of 1997. This is still too small a share to have a significant effect on the dynamics of M4. Faster growth of kuna savings is an expression on the one hand of growing confidence in the kuna, and on the other hand a result of higher interest rates for kuna savings than foreign exchange savings. The continued low share of kuna savings confirms our prediction that, above all for historical reasons, the German mark will remain the main vehicle for domestic savings.

The money supply M1 also grew more moderately in 1997 (20.1%) than in 1996 (37.9%). The slowdown in the growth of currency in circulation in the second half of the year played an important part in this. The demand for this component of the money supply is mainly under the influence of autonomous decisions of the population. Since the growth of real income slowed down significantly in the second half of the year, the growth of currency in circulation also slowed. Deposit money also grew half as fast in 1997 as in 1996.

Table II.2

## TOTAL LIQUID ASSETS M4, in millions of kuna and in %

	AMOUNT			SHARE		
	Dec. 1995	Dec. 1996	Dec. 1997	Dec. 1995	Dec. 1996	Dec. 1997
TOTAL LIQUID ASSETS (M4)	24,536.9	36,595.5	50,342.6	100.0	100.0	100.0
1. Money supply	8,274.8	11,409.3	13,795.2	33.7	31.2	27.4
1.1 Currency in circulation	3,365.1	4,366.2	5,319.6	13.7	11.9	10.6
1.2 Deposit money of other domestic sectors	4,909.7	7,043.1	8,475.6	20.0	19.2	16.8
2. Non-monetary deposits (quasi-money)	16,262.1	25,186.2	36,547.4	66.3	68.8	72.6
2.1 Kuna savings and time deposits	2,162.7	3,384.2	5,487.8	8.8	9.2	10.9
2.2 Foreign exchange deposits	14,099.4	21,802.0	31,059.6	57.5	59.6	61.7
SECTORAL STRUCTURE OF M4						
Local government	595.2	791.5	698.5	2.4	2.2	1.4
Enterprises	6,191.5	8,456.0	10,901.6	25.2	23.1	21.7
Households	17,175.3	26,339.4	37,604.4	70.0	72.0	74.7
Other banking institutions	57.7	55.6	102.4	0.2	0.2	0.2
Other financial institutions	517.0	953.0	1,035.8	2.1	2.6	2.1
TOTAL	24,536.8	36,595.6	50,342.6	100.0	100.0	100.0

The other important characteristic of 1997 was the rapid growth of placements to all domestic sectors other than central government. The growth of placements was 44.4 percent or 14.9 billion kuna and was twice as rapid as growth in 1996. Loans to households grew the fastest, 93 percent, and within this long-term loans to households intended for the purchase of durable consumer goods and housing grew the fastest, 105%, increasing from 4.6 to 9.5 billion kuna. However, it should be mentioned that this lending began from a very low base, after a number of years in which long-term financing for this kind of consumption for households had been virtually non-existent. The absolute amount of lending to households covers approximately one-third of total loans of banks to all sectors. Loans to enterprises grew by 42 percent. The growth of loans financed the growth in domestic demand, which was to a great extent directed to imported consumption goods and was one factor contributing to the increase in the current account deficit.

One source of the growth of placements to domestic sectors was the decrease in net claims on the central government (reallocation of funds from the government to the private sector, "crowding in" effect). By regularly repaying obligations from the maturity of bonds for "old" foreign exchange accounts and other claims, and by substantially increasing deposits in the banking system (by 5.6 billion kuna or 247%) the government decreased (net) indebtedness to the banking sector by 40 percent relative to December 1996. This allowed banks to place more funds with other domestic sectors. In other words, net domestic assets rose more moderately than placements, 34.6 percent. Financing of the government by the Croatian National Bank was 0 at the end of December, and net financing was negative. That is, the government had deposits of 1 billion kuna with the Croatian National Bank.

Table II.3

## NET DOMESTIC ASSETS, in millions of kuna and %

	AMOUNT				GROWTH RATES		
	Dec. 1994	Dec. 1995	Dec. 1996	Dec. 1997	Dec. 1995	Dec. 1996	Dec. 1997
NET DOMESTIC ASSETS	16,345.0	21,511.6	24,885.7	33,488.3	31.6	15.7	34.6
Assets							
1. Claims on central government (net)	16,469.0	16,273.0	15,946.3	9,526.1	-1.2	-2.0	-40.3
2. Placements	27,313.3	32,478.1	33,488.6	48,264.2	18.9	3.1	44.1
3. Other assets (net)	-27,437.3	-27,239.5	-24,549.2	-24,302.1	-0.7	-9.9	-1.0
Liabilities							
1. Total liquid assets	17,480.7	24,536.9	36,595.6	50,342.7	40.4	49.1	37.6
2. Foreign liabilities (net)	-1,135.8	-3,025.3	-11,709.9	-16,854.4	166.4	287.1	43.9

The third important characteristic of 1997 was the growth in banks' foreign borrowing. With the receipt of an investment-grade credit rating, Croatia gained access to international capital markets on favorable terms. The government, enterprises and banks for the first time obtained significant financing from abroad in 1997. This trend was especially visible in the second half of 1997, when the stagnation of total liquid assets started to become a limiting factor on the further growth of placements. Banks first decreased their foreign assets as much as possible given the prudential regulations of the central bank. After this, in the fourth quarter of 1997, foreign assets stagnated or grew slowly while foreign liabilities grew significantly. It should be emphasized that a trend to maturity transformation to longer terms is still present among both foreign and domestic liabilities. Because of this, domestic banks can make better quality loans with longer maturities.

## 2.1.2

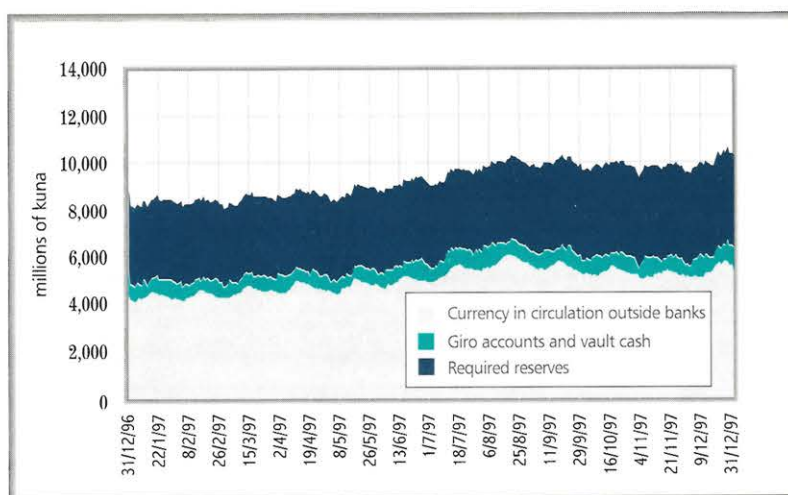
## Base Money

In the first three months of 1997, the Croatian National Bank forecast the growth of base money on monthly basis, as in previous years. The Croatian National Bank also followed developments in all other monetary policy instruments, attempting to create a supply of base money that would, along with other factors, insure the continued stability of the domestic currency and general liquidity in payments in the country and abroad. Thanks to a successful combination of monetary forecasting and monetary policy, the Croatian National Bank at the end of the three quarter abandoned the practice of making monthly projections and change to quarterly monetary projections.

Base money (M0), the monetary aggregate under the direct influence of the central bank, grew by 1.6 billion kuna or 18 percent annually in 1997. This amounted to 1.4 percent monthly growth, in contrast to the 2.2 percent monthly growth recorded in 1996. Last year, base money was created by a net monetary effect of 1.9 billion kuna, while the decrease of the reserve requirements and the sale of Croatian National Bank bills and Ministry of Finance Treasury bill produced a net sterilization of 0.3 billion kuna.

Among the forms of base money, money of the central bank, currency in circulation is a completely autonomous part. Its share in base money varied between 50 and 60 percent, depending on seasonal characteristics and on the dynamics of various deposits with the monetary authorities, the second component of base money, and on the dynamics of the third component of base money - deposit money of those entities for whom the central bank is a deposit institution.

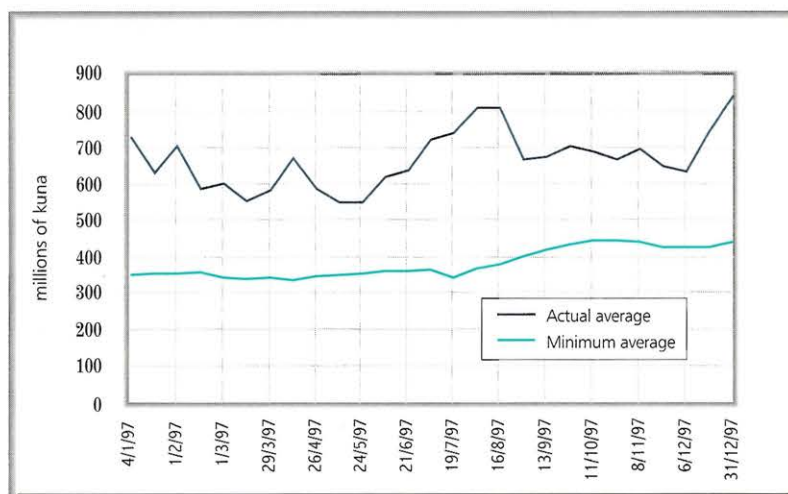
Figure II.1  
DAILY DYNAMICS AND  
STRUCTURE OF BASE MONEY  
IN 1997



The deposits of banks contained within base money of the Croatian National Bank include banks' giro accounts and vault cash - the most liquid assets of banks - and required reserves deposited at the central bank. The dynamics of these deposits and the steps banks took to make these deposits, such as borrowing available funds on the money market, along with the dynamics of investment in Croatian National Bank bills and Ministry of Finance treasury bills, tell a great deal about the structure and quality of banks' primary liquidity, that is, about the quality of the most vital and most liquid part of their total assets.

Figure II.2  
ACTUAL AND MINIMUM  
REQUIRED AMOUNTS OF BANK  
DEPOSITS WITH THE CNB

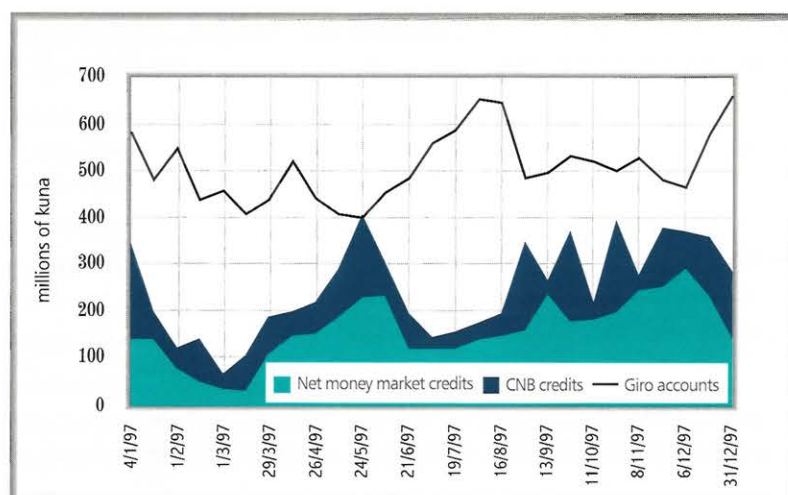
Note: on the ending date of the  
accounting period



Our research shows that the average amount of funds in banks' giro accounts was 503.7 million kuna in 1997, which amounts to 8.6 million kuna per bank. The largest average amount on giro account at an individual bank was 62.6 million kuna, and the smallest 0.4 million kuna. The average amount of total money assets (giro account plus vault cash) in the banking system was 660.0 million kuna in 1997, and the average per bank was 11.3 million kuna. The average amount of total liquid assets (total money assets plus central bank and treasury securities) was 1,644.1 million kuna, and the average per bank was 28.1 million kuna, while the largest amount at an individual bank was 476.9 million kuna and the smallest 0.4 million kuna.

Figure II.3  
SECONDARY LIQUIDITY  
SOURCES AND BANKS'  
GIRO ACCOUNTS

Note: on the ending date of the  
accounting period



These results were realized using an average of 245.2 million kuna from the money market, from the central bank, directly between banks or with the development bank - the Croatian Bank for Reconstruction and Development. Of the 59 banks followed during the year, 27 banks borrowed 245.2 net, and 32 banks were net creditors to the rest of the banking system. The average per bank was 3.7 million kuna, and the largest amount of borrowing by a single bank was 143.6 million kuna.

## 2.2

### Relations with the Government

The main characteristic of relations between the Croatian National Bank and the central government (government budget) in 1997 was the repayment of long-term credit operations:

- credits granted in 1991 that amounted to 12.5 million kuna at the beginning of 1997 were repaid in full by the end of the year and
- credits granted at the end of 1995 to pay outstanding financial obligations to foreign creditor countries members of the "Paris Club". These amounted to 193.9 million kuna at the beginning of 1997, and were also repaid in full by the end of the year.

The Croatian National bank, in accordance with article 58 of the Law on the National Bank of Croatia, during 1997 granted short-term credits for bridging short-term disparities between the receipt of revenues and the payout of expenditures, although to a smaller extent and much less than the legal limit of 5 percent of budgetary expenditures for the given year. Furthermore, in 1997 the central bank granted 8 short-term credits, which were all completely repaid. The last one was repaid on August 22, 1997. From the middle of the third quarter of 1997, the government did not borrow any funds from the Croatian National Bank. This was the result of the Ministry of Finance's policy of financing any future gaps between receipt of revenues and payout of expenditures on the money market or by emission of Treasury bills. In this way, by financing its needs through new instruments, the Ministry of Finance made a significant contribution to deepening financial markets in Croatia.

## 2.3

## Relations with Commercial Banks

On the other hand, during 1997, the central bank's activities relating to the liquidity of the banking system and the stability of the domestic currency were carried out via familiar, but modernized instruments of monetary policy.

Table II.4

CROATIAN NATIONAL BANK CREDITS

	1996	1997			
	Dec.	Mar.	June	Sept.	Dec.
CREDITS GRANTED TO BANKS	211.4	42.6	21.1	103.2	30.1
Lombard credits	211.3	42.5	21.0	103.1	30.0
Interventive credits	0.0	0.0	0.0	0.0	0.0
Repo arrangements	0.0	0.0	0.0	0.0	0.0
Other credits	0.1	0.1	0.1	0.1	0.1
CREDITS GIVEN TO THE MINISTRY OF FINANCE	218.8	223.8	174.4	66.3	0.0
Long-term credits	206.4	223.8	174.4	66.3	0.0
Short-term credits	0.0	0.0	0.0	0.0	0.0
Foreign exchange credits	12.4	0.0	0.0	0.0	0.0
TOTAL	430.2	266.4	195.5	169.5	30.1

### 2.3.1

### Daily Bridging Loans

In 1997, more precisely beginning in October, commercial banks and savings banks were able to use daily bridging loans to help overcome liquidity problems. Up to this time, banks were allowed to use daily credits to pay out savings deposits and current accounts of individuals. This form of daily credit was eliminated when deposit insurance was introduced. With the publication of the Rules for Deposit Insurance and Activation of the State Agency for Deposit Insurance and Bank Rehabilitation's deposit insurance program, the system of daily credits had to be changed. The essence of the new daily credit lies in the fact that it must be collateralized with CNB bills up to 100 percent of the nominal value of bills used for this purpose. Thus, all the credits granted by the CNB, other than interventive credits, are granted on the basis of securities holdings. This is an important characteristic of modern market economies.

Daily credits were used by three to sixteen banks, and the average monthly amount of daily credits ranged from 7.4 million to 25.8 million kuna. The average amount of daily credits during the first nine months of 1997, when the Decision on Granting Daily Credits for the Repayment of Savings Accounts and Current Accounts of Individuals in Kuna was still in force, was 16.8 million kuna. In the remaining three months of 1997, when the Decision on Granting Daily Credits for Bridging Liquidity Problems was in effect, the average amount of daily credits was 16.3 million kuna. However, during the first nine months of 1997 six banks used the credit per month, on average; while during the last three months of 1997 the average fell to three banks per month. Similarly, the average number of days in which daily credits were used fell from 13 in the first nine months of the year to 8 in the last three months.

### 2.3.2

### Interventive Credits

Thanks to the structural measures to rehabilitate the banking system taken in 1996, liquidity was significantly improved. This favorable situation was expressed

in the (non-) use of interventive credits in 1997: not a single interventive credit was granted during the year.

### 2.3.3

### Lombard Credits

Banks and savings banks were allowed to use Lombard credits in 1997. Banks and savings banks holding Croatian National Bank bills and/or Ministry of Finance Treasury bills were able to use this facility. Qualifying banks and savings banks were allowed to use Lombard credits for up to 12 working days in the calendar month, and in an amount up to 50 percent of the value of CNB bills held and/or 25 percent of the value of Treasury bills. It is worth mentioning that investor interest in such paper is substantial, and that Treasury bills, along with CNB bills, have become securities that the Croatian National Bank can take seriously in implementing monetary policy.

The monthly use of Lombard credits in 1997 ranged from 29.5 million kuna to 134.9 million kuna, while the average use of Lombard credits during the year was 57.7 million kuna.

### 2.3.4

### Repo Auctions of Croatian National Bank Bills

Repo auctions, as the most flexible instrument of monetary policy of the Croatian National Bank, began to receive their proper role and significance in the whole instrumentation of monetary policy in 1997. In 1997, the Croatian National Bank, in keeping with movements in the liquidity of the banking system, held eleven repo auctions. The average monthly amount auctioned was 144.5 million kuna, that is, two and a half times larger than the amount of Lombard credits. This is yet another indication that repo arrangement are becoming more important, both in the instrumentation of the central bank and with commercial banks. Their exceptional popularity is due to the fact that, first of all, they are very safe, and second, that the central bank can manage liquidity in the desired amount and for a precisely determined number of days with this instrument. This allows for effective management of the quantity of base money.

Table II.5  
REPO AUCTIONS HELD,  
in millions of kuna

Date of the auction	Total amount accepted	Weighted interest rate (%)
February 7, 1997	32.9	8.4
February 14, 1997	115.8	8.4
March 13, 1997	126.4	8.6
March 21, 1997	94.5	8.6
May 16, 1997	189.3	9.4
May 21, 1997	116.2	9.1
July 18, 1997	65.9	7.6
September 18, 1997	280.9	8.1
October 16, 1997	300.2	8.1
November 14, 1997	166.8	8.3
December 5, 1997	100.6	8.4

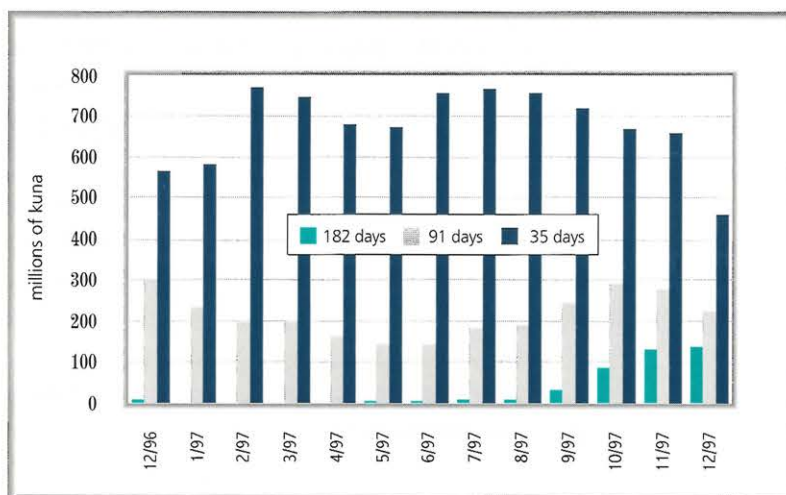
### 2.3.5

### Croatian National Bank Bills

Auctions of Croatian National Bank bills were, as in previous years, one of the most important instruments of sterilization of excess liquidity in the banking system. As in 1996, auctions were held once a week on Wednesdays. Banks and savings

banks could purchase bills with maturities of 35, 91 and 182 days. Auctions continue to be held by the method of multiple prices with discounts. When the bills are bought, the nominal value of the bill is decreased by the corresponding amount of interest. The minimum amount that may be purchased is 100,000.00 kuna.

Figure II.4  
OVERVIEW OF CNB BILLS  
HELD BY MATURITY



Changes in the instruments of monetary policy, and the satisfactory level of liquidity in 1997, influenced the purchase and structure of CNB bills. While in 1996, significant growth in purchase of bills was noted, in 1997, the stock of bills outstanding varied between 800 and 1,000 million kuna. Significant changes occurred in the structure of bills held. At the end of 1996, the share of bills with 182 days maturity was negligible, while at the end of 1997 it amounted to 17 percent and was still growing.

Table II.6  
CNB BILLS HELD BY MATURITY,  
nominal value,  
in millions of kuna

	35	91	182	Total amount at the end of the month
	Maturity in days			
December 1996	561.0	300.3	7.0	868.3
January 1997	576.5	233.3	0.0	809.8
February 1997	765.0	195.3	0.0	960.3
March 1997	743.8	193.8	0.0	937.6
April 1997	674.0	161.8	0.0	835.8
May 1997	667.5	139.8	2.0	809.3
June 1997	754.5	140.3	2.0	896.8
July 1997	761.5	182.0	6.0	949.5
August 1997	751.5	189.0	7.0	947.5
September 1997	716.8	243.5	30.5	990.8
October 1997	665.2	288.0	82.5	1,035.7
November 1997	653.8	277.0	127.0	1,057.8
December 1997	458.6	221.5	136.0	816.1

### 2.3.6

### Required Reserves

At the beginning of 1997, the reserve requirement was 35.85 percent. In consideration of the relatively large amount of CNB bills held, the Croatian National Bank decreased the reserve requirement in three steps. The last decrease came in July. Since then, the rate has been 31.85 percent. The decrease in the reserve requirement was harmonized with the needs of the upcoming tourist season which banks (regarding the purchase of foreign currency) handled very successfully, without liquidity problems. At the same time, decreases in the reserve requirement decrease the implicit tax on banks, which tends to decrease the general level of interest rates on the market.

## 2.4.

### Croatian National Bank Interest Rates

The Croatian National Bank attempted to decrease the general level of interest rates via various instruments in 1997. In the same vein, it decreased its own interest rates. First, in March, it decreased the interest rate on Lombard credits from 11 to 9.5 percent, and the discount rate from 6.5 percent to 5.9 percent. Later, it decreased the remuneration rate on required reserves from 5.5 percent to 4.5 percent in June. Also, interest rates at repo auctions, which had been at 28.9 percent in 1996, fell to 8.4 percent on average during the year.

## 2.5

### Interventions on the Foreign Exchange Market and Management of Foreign Exchange Reserves

A characteristic of the foreign exchange market in 1997 is that, starting from the beginning of the year to May 13, 1997, there was fairly constant depreciation pressure on the kuna, with small oscillations, in contrast to previous years, when the beginning of the year brought pressure towards appreciation. From the second half of May to the end of the year, there was pressure towards appreciation. In 1997, the exchange rate of the kuna with the German mark researched a "historic" low of 351.22 kuna to 100 DEM on 30 December 1997. During the course of 1997, the Croatian National Bank maintained a stable exchange rate. The most important instrument for achieving this goal was intervention on the Croatian foreign exchange market.

The Croatian National Bank organized 14 auctions at which it sold foreign exchange to remove kuna from circulation in 1997, mainly in the beginning of the year, and bought foreign exchange to provide kuna liquidity to banks. During almost all of 1997, there was a significantly greater supply of foreign exchange and increased demand for kuna. As a result of this, there was pressure towards appreciation. Because of this, the Croatian National Bank bought 341.2 million USD<sup>1</sup> (USD and DEM) of foreign exchange from authorized banks between February and August. During January and April there was no purchase of foreign exchange, since there was no need, and in September, October and November, the Croatian National Bank did not enter into any transactions. In December, there was one purchase of foreign exchange with repurchase obligation, aimed at helping banks deal with liquidity demands related to the Christmas holidays. The repurchase was 35.9 million USD or 223.8 million kuna.

The Croatian National Bank sold foreign exchange to authorized banks in January, February, April, May and June of 1997. The total amount was the equivalent of 78.7 million USD, which, along with the purchase of foreign exchange of 377.1 million USD resulted in a positive balance for the Croatian National Bank, that is, net purchase of foreign exchange of 298.4 million USD. In this way, the CNB created 1.9 billion kuna net of base money through foreign exchange market transactions.

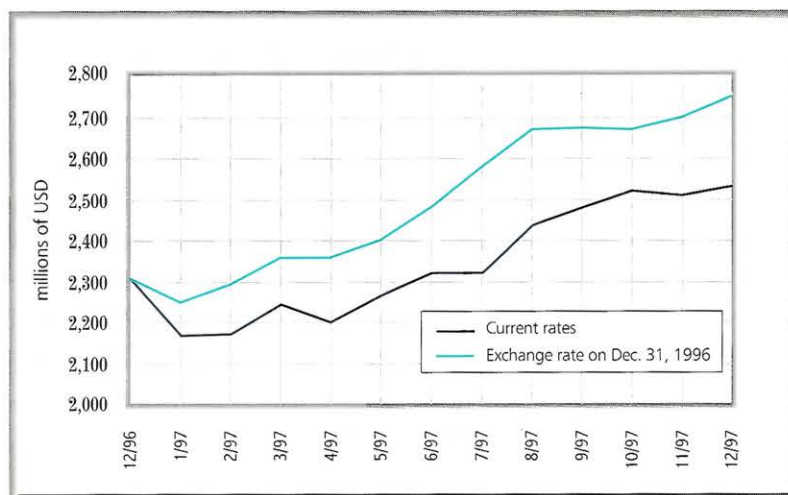
The foreign exchange reserves managed by the Croatian National Bank were 2,539 million USD as of December 31, 1997. Valued at current exchange rates, they grew by 225 million USD. However, calculated at a constant exchange rate of December 31, 1996, reserves grew 444 million US dollars, that is they grew by 19.19 percent relative to December 31, 1996, when they were 2,314 million dollars.

<sup>1</sup> This figure includes foreign exchange sold to the Ministry of Finance.

There is a difference of 219 million USD between the calculation of foreign exchange reserves with a constant exchange rate and with current exchange rates. This difference is the result of changes in the exchange rate of the US dollar to the German mark. The American dollar appreciated by 15.34 percent relative to the German mark during 1997. This had a substantial effect on calculated foreign exchange reserves, due to the fact that the US dollar accounts for 39 percent of the CNB's portfolio, while the German mark and Austrian shilling account for more than 50 percent.

Foreign exchange reserves are managed according to the basic principles laid out in the Decision on Managing International Reserves. These are the criteria of safety, liquidity, profitability and efficiency.

Figure II.5  
THE INTERNATIONAL RESERVES  
OF THE CNB IN 1997,  
current and constant  
exchange rates



The main characteristics of management of foreign exchange reserves during 1997 were above all: a decrease in credit risk by more than 14 percent, due to reallocation of funds and investment instruments. Investments in securities was increased by about 7.6 percent and investments with the BIS, which offered a new, very attractive investment instrument (FRIBIS) were increased by about 8 percent. Along with this, the daily liquidity of funds was increased, so that about 24 percent of the portfolio is available on a daily basis, and the share of funds managed by foreign managers has been decreased from 3.4 percent to 0.11 percent of the value of total foreign exchange reserves.

Figure II.6  
NET PURCHASES OF FOREIGN  
EXCHANGE BY THE CNB  
IN 1997

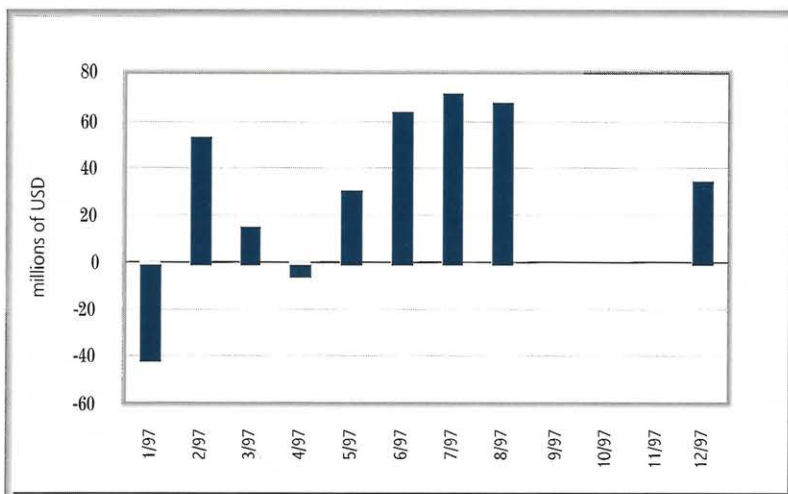


Table II.7

## INFLOWS AND OUTFLOWS OF FOREIGN EXCHANGE RESERVES IN 1997

	Exchange rate on December 31, 1997	Exchange rate on December 31, 1996
<b>INFLOWS</b>		
a) purchase of foreign exchange at auctions *	282.3	316.5
b) purchase from the Ministry of Finance	90.9	90.9
- deposit of MoF funds from IBRD credits	44.6	51.4
c) disbursement of first tranche of EFF from the IMF	38.8	41.4
d) receipt of interest income on deposits	77.6	82.7
e) inflows through securities	40.5	46.4
- unrealized profit from securities in portfolio	(3.6)	(4.2)
f) returns from foreign management	3.8	4.0
g) sale of kuna cash	25.8	29.8
h) sale of foreign exchange due to changes in currency structure	168.0	168.0
i) arbitrage	0.3	0.4
<b>TOTAL</b>	<b>772.6</b>	<b>831.5</b>
<b>OUTFLOWS</b>		
a) sale of foreign exchange at auctions	65.1	71.0
b) sale to Ministry of Finance	10.0	10.0
c) return of funds by Regulation (Paris/London Club)	29.7	31.5
d) return of MoF funds deposited on the basis of IBRD credits	21.2	24.4
e) payment of obligations to the IMF **	15.1	16.1
f) obligations to international financial institutions	2.5	2.8
- costs of purchasing securities ***	36.5	42.1
g) other costs (SWIFT, Reuters, Bloomberg)	0.3	0.3
h) purchase of foreign exchange due to changes in currency structure	164.1	189.3
i) net exchange rate differences ****	203.1	0.0
<b>TOTAL</b>	<b>547.6</b>	<b>387.5</b>

The exchange rate of the domestic currency was stable in 1997, since in relation to a "basket" of the 8 most important currencies in the Republic of Croatia's foreign payments the exchange rate of the kuna depreciated insignificantly. The index of the nominal effective exchange rate on December 31, 1997 was 101.57 compared to December 31, 1996, meaning that the value of the domestic currency in relation to the "basket" of 8 convertible currencies (DEM, ITL, USD, FRF, ATS, CHF, GBP and SIT) decreased by 1.6 percent. Although the kuna appreciated against the DEM, ITL, FRF, ATS and SIT, there was a global depreciation because of the growth of the exchange rate of the USD by 14 percent, the CHF by 6 percent and the GBP by 12 percent.

In 1997, there was a qualitative improvement in the methodology for calculating the average weighted exchange rate expressed in kuna per DEM, which is now calculated on the basis of the actual purchase and sales prices in banks and savings banks, and

\* In December 1997, a repurchase auction was held - 11,500,000 USD and 43,300,000 DEM were sold to banks on the January 7, 1998.

\*\* Interest on Stand by, STF, EFF and repayment of principal on Stand by.

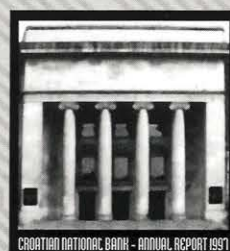
\*\*\* Costs of securities purchases in 1997 represents the amount of interest during the period from the last coupon payment until our purchase.

\*\*\*\* The average amount of foreign exchange reserves in 1997 was 2,400 million USD. Of this 55 percent or 1,320 million USD were invested in DEM. The USD/DEM coefficient at the end of 1996 was 1.5551, and at the end of 1997 was 1.7937. The American dollar strengthened by 15.34 percent, resulting in exchange rate differences of 203.1 million USD.

serves as a basis for calculating the CNB exchange rate. The improvement consists of the fact that the coverage of the data on actual sale and purchase exchange rates has been extended to transactions with households. This allows us to get a fuller picture of the actual exchange rate on the Croatian foreign exchange market and to make the calculation of the average middle weighted exchange rate more realistic.

# 3

## INTERNATIONAL RELATIONS





### 3.1

## International Monetary Institutions

#### 3.1.1

### Croatia's Relations with the International Monetary Fund

#### Extended Fund Facility - EFF

Since the Republic of Croatia was in a crucial phase in implementing fundamental economic reforms designed to create a modern market economy in 1997, it asked the IMF to grant a three-year credit arrangement. The loan was to support a program of structural measures whose main aim would be to continue economic growth with low inflation, improve the balance-of-payments position, implement reforms and structural changes and insure adequate social protection while preserving external and internal equilibrium.

In support of this program of specific reforms which the Republic of Croatia would perform over a three-year period, the Managing Board of the International Monetary Fund approved an Extended Fund Facility to the Republic of Croatia on March 12, 1997 in the amount of 353.16 million SDR (135% of quota). The repayment period was 10 years from the time of first use, in half year installments. By accepting the Extended Fund Facility, Croatia agreed to certain conditions, so-called implementation criteria. The funds granted within the framework of the Extended Fund Facility would be disbursed periodically during the three year period based on the fulfillment of qualitative and quantitative conditions (13 tranches were envisioned; the first tranche of 28.78 million SDR was disbursed on March 17, 1997).

Although the Republic of Croatia fulfilled all the economic implementation criteria contained in the arrangement, the IMF, bowing to political pressure regarding criticisms of implementation of the Dayton agreement, postponed the disbursement of the second tranche in July 1997. The Managing Board approved the disbursement of the remaining tranches for 1997 on October 10, 1997. The tranches amounted to 86.34 million SDR. However, since the economic situation had shown that there was no need for further strengthening external liquidity, the Republic of Croatia decided not to withdraw any further tranches, that is to not use the funds granted in this arrangement. Instead, discussions on new forms of co-operation with the IMF were begun (Staff Monitored Program).

#### Achievement of the Quantitative Implementation Criteria within the EFF Arrangement

In a crucial phase of the implementation of the whole program of systemic economic reform, the Republic of Croatia, by signing the three-year "Extended Fund Facility" program with the International Monetary Fund committed itself to fulfilling the "implementation criteria." According to data for December 1997, almost all the quantitative criteria were met, and many did not even approach the limits. Only one of these, "net banking sector loans to selected enterprises" exceeded its limit during the first review of program implementation, but its value returned to the agreed-upon range, while the value "deficit of consolidated government budget" exceeded its limit in September by all of 1.05 percent. The final data for December show that there were no significant changes in the amounts achieved.

However, the implementation criteria determine upper limits on: cumulative deficit of the consolidated government budget, cumulative increase in net banking system lending to the consolidated government budget, cumulative increase in net domestic assets of the Croatian National Bank, and net lending of the banking system to

selected enterprises. Also among the "quantitative implementation criteria" are: minimal ratio of net foreign exchange reserves of the Croatian National Bank and the upper level of contracting or giving guarantees for non-privileged foreign debt.

### Realization of Implementation Criteria

- 1) The deficit of the consolidated government budget fluctuated around 1,700 million kuna in the second half of 1997. According to data from March, it had been 1,352 million kuna (the limit for that month had been 1,400 million), and in June the deficit was 1,380 million kuna (the limit was 2,000 million kuna). However, in July, the deficit grew significantly, increasing 412 million kuna, which was 20 million more than the amount allowed, or 1.05 percent. One reason for the sudden rise in the deficit in July was the significant decrease in lending granted by the banking system to central government. The deficit decreased significantly towards the end of the year, and amounted to 1,587 million kuna or 1.3 percent of gross domestic product at the end of the year. Since in the Letter of Intentions a deficit of 2.9 percent of GDP was allowed, we can say that this criterion was completely fulfilled.
- 2) Net lending to the consolidated government budget, after growing in January, fell slightly during the rest of the year, ranging from 14,000 million to 14,700 million kuna up to June. In July, indebtedness fell by 4,343 million kuna, reaching 9,619 million, and in the whole second half of 1997 indebtedness did not exceed 10,000 million kuna. At the end of the year, it amounted to 9,536 million kuna. Given that the upper boundary of the implementation criterion in March was 16,246 million, in June 16,446 million, in September 16,246 million, and in December 15,946 million kuna, we can say that this criterion was also fulfilled. Furthermore, loans granted in December were only 59.8 percent of the limit allowed.
- 3) The net domestic assets of the Croatian National Bank fell slightly from May to November 1997, while in December they grew by 463 million kuna. From -2,645 in December 1996, net domestic assets decreased to -3,454 in December 1997. The upper limit for the growth of net domestic assets was -2,495 million in March, -2,445 million in June, -2,695 in September and -2,645 million in December. We may conclude that this implementation criterion was fulfilled.
- 4) During the first review by the IMF and the Republic of Croatia of the Extended Fund Facility, it was discovered that the implementation criterion related to increase in net banking system credit to selected enterprises had been exceeded. In March 1997, such credits reached 3,773 million kuna, and the upper limit was 3,472 million (an overshoot of 301 million kuna or 8.7%). Through the end of June, the total amount of credit was significantly reduced, and amounted to 3,222 million kuna (3,522 was the maximum allowed). That is, 91.5% of the amount was "used". According to data for September, loans granted increased to 3,417 million kuna or 95.7 percent (the amount allowed was 3,572 million), while, according to data for December, of the 3,627 million kuna allowed, 87.4 percent were used, that is 3,170 million kuna of loans.
- 5) The net foreign exchange reserves of the Croatian National Bank rose faster than was foreseen in the Letter of Intentions. After the March goal of 1,986 million USD was exceeded by 123 million USD (6.2%), the June goal of 2,046 million USD by 192 million USD (9.4%) and the September goal of 2,206 million by 221 million USD (10%), net foreign exchange reserves of the Croatian National Bank amounted to 2,469 million USD in December. This was enough to exceed the December goal by 6.6%. Thus, we may state that this criterion was also fulfilled.
- 6) Nor was there a problem with meeting the last implementation criterion, according to available data. The total amount of contracted or granted guarantees for new foreign debt amount to 924.5 million USD at the end of March (allowed 1,276 mil-

lion - used 72.5%), and at the end of June 1,150.2 (allowed 1,676 million - used 68.6%). For September, the amount was 1,428.8 million USD (48% of the allowed 2,976 million USD) and at the end of December 1,445.7 (45.5% of the allowed 3,176 million USD). The Letter of Intention also established two sub-boundaries, for the maturity of loans of 1 to 5 years and of 1 to 2 years. In the first category, maturity equaled 92.9 percent in March, 85.7 percent of plan in June, 78.5 percent in December, and 68.4 percent. Maturities from one to two years did not change, as foreseen in the plan.

### **Staff Monitored Program**

At the end of 1997, preliminary negotiations with representatives of the IMF on a new form of bilateral co-operation, the "Staff Monitored Program", began. The Extended Fund Facility was no longer relevant, although *de jure*, that is until a further decision on new forms of cooperation, it continues to exist.

The macroeconomic situation, including the level of foreign exchange reserves, shows that in 1997 there is no need for additional funds to increase external liquidity. For this reason, and taking into account the experience gained regarding international financial institutions linking decisions which by their nature should be exclusively economic decisions to political considerations, it was decided to attempt to develop bilateral cooperation with the IMF on a different basis. The evolution of relations with the IMF clearly shows the need to develop bilateral relations that are not based on helping members in financial difficulty (that is, in the form of various financial arrangements), but come from the IMF's regular monitoring of the world monetary system.

One possible form of cooperation is the Staff Monitored Program. This program allows members without problems in external liquidity to show their intentions to perform structural reforms and to fulfill their obligations in the form of an economic program constructed in consultation with an IMF mission. This is always seen as a very favorable signal in international financial circles.

### **Financial Transactions**

As the fiscal agent for the Republic of Croatia and depository for the International Monetary Fund, the Croatian National Bank managed the deposit account of the International Monetary Fund, regularly fulfilled the obligations imposed by succession of membership in the IMF that flow from the Stand by Arrangement whose funds were used by the former Yugoslavia, as well as the agreements that the Republic of Croatia has made with the IMF: the Systemic Transformation Facility - STF, 130.80 million SDR, granted in 1994 and the Extended Fund Facility - EFF; 353.16 million SDR granted in 1997. During 1997, the last principle payment of 1.56 million SDR based on the Stand by Arrangement of the former Yugoslavia was paid. Also, 7.48 million SDR of interest on all three arrangement was paid. As a member of the Special Drawing Rights Department of the International Monetary Fund, Croatia regularly serviced the obligations stemming from succession to the obligations from the "allocation" of Special Drawing Rights. During 1997, 1.76 million SDR were paid for this purpose.

The Croatian National Bank holds a small part of its foreign exchange reserves in Special Drawing Rights in a special account at the International Monetary Fund, in order to diversify the currency structure of the reserves and to reduce currency risk, that is, risk of exchange rate changes.

Table III.I  
Balance, December 31, 1997

GENERAL FUNDS ACCOUNT	millions of SDR	% quota
Quota	261.60	100.00
IMF holdings in kuna	434.19	165.98
SDR DEPARTMENT	millions of SDR	% quota
Net cumulative allocation	44.21	100.00
Holdings of Croatia	108.99	246.60
LIABILITIES PAID IN 1997	millions of SDR	-
Repayment of principal (Stand by - succession)	1.56	-
Interest payments	7.48	-
Costs of EFF arrangement	0.50	-
Tax on members of the SDR Department	0.01	-
Cost of net cumulative allocation	1.76	-

Administrative tax for membership in the Special Drawing Rights Department of the IMF was 8,664 SDR, and operational costs for the Extended Fund Facility were 503,650 SDR.

From the entrance of the Republic of Croatia in the IMF, all obligations to the IMF have been fulfilled on the basis of the Decision of the Government of the Republic of Croatia on the Manner of Doing Business with and Fulfilling Obligations that Stem from Membership of the Republic of Croatia in the International Monetary Fund and other International Financial Organizations (OG 83/93). This means that the kuna equivalent of the obligations in SDR was paid for by the Ministry of Finance. However, during 1997, an agreement was reached between the Ministry of Finance and the Croatian National Bank under which obligations paid to the IMF on the basis of credit arrangements and membership will be taken over by the Croatian National Bank from the principal of foreign exchange reserves and other costs of the CNB (interest).

Along with regular participation in all managing bodies of the International Monetary Fund (Constituency, Preparatory Board and Governing Board), representatives of the Croatian National Bank attended the Annual Meeting of the Governing Board of the International Monetary Fund in Hong Kong, where various successful meetings were held with representatives of international financial institutions and commercial banks.

### 3.1.2

#### Relations Between Croatia and the Bank for International Settlements (BIS)

Croatia became a full-fledged member of the Bank for International Settlements at the regular annual shareholders meeting held in Basel of June 19, 1997. Membership was awarded on the basis of succession to the membership of the former National Bank of Yugoslavia, as well as on the basis of an exceptional increase in capital. This effectively finishes the process of achieving membership in the most important international finance institutions, both monetary and credit institutions.

The process of gaining membership for the Croatian National Bank in the BIS was relatively long. It is not yet completely finished, due to problems relating to realizing the rights associated with the distribution of the property of the former Yugoslavia. The Croatian National Bank began seeking membership in the BIS as soon as the Republic of Croatia received international recognition.

The process of achieving membership for successor states for the former Yugoslavia in the BIS was the following: the Federal Republic of Yugoslavia, alone among all the successor states of former Yugoslavia, advocated the "zero option" (according to which only the former National Bank of Yugoslavia would be the legal successor to the property of Yugoslavia in the BIS), which was unacceptable to the other four successor countries (Croatia, Slovenia, Bosnia and Herzegovina and Macedonia). These countries advocated a model of partial succession. The BIS proposed a model of full succession, and after it became completely clear that an agreement was impossible to reach, it was proposed that membership be arranged on the basis of a model of "exceptional capital increase" of the BIS.

Thus, in the middle of July 1996, the BIS proposed a model of full succession according to which the property of the former National Bank of Yugoslavia would be divided among the successor states according to the IMF key, that is proportional to the quotas of the successor states of the former Yugoslavia in the International Monetary Fund (the Republic of Croatia holds 28.49%).

At the end of July 1996, representatives of the Croatian National Bank suggested, because of the unfavorable political circumstances regarding the full succession model and because of the impossibility of reaching agreement among the central banks of all the successor countries, that the model of partial succession be used along with the IMF key as the criteria of distribution of the BIS assets. Membership would be granted, in a transition period, using the model of exceptional capital increase of the BIS, but without influence on the form of succession to the property of the former National Bank of Yugoslavia.

A special decision of the Government of the Republic of Croatia on accepting the distribution of property held in the name of the former National Bank of Yugoslavia at the BIS confirmed the model of succession to the property of the former central bank of the Socialist Federal Republic of Yugoslavia as shown in the books of the BIS on June 30, 1996. The Croatian share of this property is 28.49 percent.

The total share capital of the Bank for International Settlements is 1.5 billion gold francs (1 gold franc is 0.29032258064 grams of fine gold), divided into 600,000 shares of equal nominal gold value (2,500 gold francs per share), and consists of three tranches of 200,000 shares per tranche. Of these, the first and second tranches have been completely emitted.

On the basis of article 8 of the Statute of the BIS, the capital of the BIS may be increased or decreased on an extraordinary basis on the proposal of two-third of the members of the Board of Directors of the BIS, if this suggestion is accepted by two-thirds of the members at the Shareholders Assembly of the BIS. In this decision, the criterion of justification of extending membership in the BIS is that the central banks to be admitted that are important for international monetary cooperation and for the operation of the BIS. According to Article 8 of the Statute of the BIS, the right to purchase at least 55 percent extra shares belongs to the central banks or other financial institutions (that central banks consider acceptable) of the following countries: Belgium, the United Kingdom, France, Germany, Italy and the United States, and this on a proportional basis. The right to representation and voting in proportion to the number of shares held by each country can be used by the central bank of that country, or individuals named by the central bank for that purpose.

The Board of Directors, as a temporary solution, published a decision on the extraordinary issue of new shares within the third tranche of capital, so the successor states of the former Yugoslavia could become regular and full-fledged members of the BIS (Croatia, Slovenia, BIH and Macedonia.)

The membership of the Croatian National Bank is regulated by a separate Decision of the Council of the Croatian National Bank on Acceptance of Membership of the Croatian National Bank in the Bank for International Settlements in Basel ("Official Gazette" number 54, May 27, 1997). This decision accepts the model of membership on the basis of extraordinary increase of capital of the BIS through the "third tranche of subscription of share capital." On the basis of Article 7 of the Law on the Croatian National Bank, ("Official Gazette" number 35/95 - revised text), the Croatian National Bank is allowed to join international financial institutions.

The Croatian National Bank in its own name and for its own account, at the expense of the foreign exchange reserves of the central bank, paid in money form the capital necessary for payment of a membership deposit in the BIS - ten "token shares". The value of these shares was 122,940 USD. The nominal price of the new shares, according to the market price of gold at the moment, was 12,294 USD per share, or 122,940 USD total. The share of the Croatian National Bank in total subscribed capital of the BIS is ten shares, and this is 2,500 gold francs nominal value per share, of which 625 gold francs are "paid-in capital" and 1,875 gold francs are payable "upon call", and this applies to each share. According to Article 7 of the Statute of the BIS, 25 percent of share capital must be paid immediately upon membership, and the remaining part of share capital will be paid later upon decision of the Board of Directors of the BIS. The BIS must inform the Croatian National Bank three months before the date of payment. Payment of shares can be made exclusively by the central bank, that is, the money-emitting monetary institution in each country.

In this manner the Croatian National Bank became a full-fledged member of the Bank for International Settlements in Basel. This achievement of membership on the basis of the "extraordinary increase of capital" method will not have any influence on the continuation of negotiations about the succession of monetary gold, foreign exchange and shares of the former National Bank of Yugoslavia, which amount to approximately 600 million USD. This is stated in points 4,5 and 7 of the Decision of the Board of Directors of the BIS of May 12, 1997 and in point III of the Decision on Acceptance of Membership of the Croatian National Bank in the Bank for International Settlements in Basel ("Official Gazette", number 54, May 27, 1997). At the end of the succession process, the BIS will repurchase the "token shares" and the Croatian National Bank will, on the basis of increased share capital, have full-fledged membership on the basis of succession to the property of the former National Bank of Yugoslavia, and will gain a share of the capital, gold and foreign exchange of the BIS (point 5 of the Decision of the Board of Directors of the BIS, May 12, 1997).

According to Article 12 of the Statute of the BIS, the shares of the Croatian National Bank are deposited in its Treasury, and are registered in its books. These shares are transferable securities, but the BIS cannot transfer them without the prior approval of the Croatian National Bank. The shares are issued in nominal value and are the basis for participating in the profit of the BIS (article 13 of the Statute). The number of shares subscribed determines the number of votes at the Shareholders Assembly. Right to representation and voting of members of the BIS are held exclusively by representatives of central banks (article 14 of the Statute).

In accepting membership in the BIS, the Republic of Croatia, that is, the Croatian National Bank, accepted all obligations stemming from the Statute of the BIS, including the Hague Convention of 1930, and the Brussels protocol of 1936, so that these protocols and conventions now apply on the territory of the Republic of Croatia. A constitutional decision on the sovereignty and independence of the Republic

of Croatia ("Official Gazette" number 31/91) confirmed that "International agreements made by and accepted by the former Yugoslavia will apply to the Republic of Croatia if they are not contrary to the Constitution and Legal Order of the Republic of Croatia, on the basis of International law on the succession of governments regarding agreements."

As a member of the BIS, the Croatian National Bank may use specific services of the BIS, including deposit of foreign exchange at the BIS (for example, FIXBIS and FRIBIS deposit instruments for foreign exchange reserves of central banks at the BIS, etc.). The risk of investment is negligible (the principles of "security and liquidity of investment are the basic principles of managing the foreign exchange reserves of the Croatian National Bank.) From now on, there is also the possibility of using various short-term credit arrangements for bridging finance to meet external liquidity problems. Technical assistance to the central bank in the form of training of central bank personnel and incorporation of international banking standards in Croatian legislation are not insignificant advantages available to full-fledged membership in the Bank for International Settlements.

## 3.2

## International Financial Institutions

### The World Bank Group (IBRD), European Bank for Reconstruction and Development (EBRD), Inter-American Bank for Development (IDB)

On the basis of the Law on Acceptance of Membership of the Republic of Croatia in the International Monetary Fund and Other International Financial Organizations on the Basis of Succession (OG 89/92), the Law on Acceptance of Membership of the Republic of Croatia in the European Bank for Reconstruction and Development (OG 25/93) and the Law on Acceptance of Membership of the Republic of Croatia in the Inter-American Development Bank (OG 94/93), the Croatian National Bank is the depository, that is it manages all deposit accounts in the ownership of international financial organizations, and in the name and for the accounts of these institutions, carries out all financial transactions with these organizations as the fiscal agent of the state - the Republic of Croatia. During 1997, through the Croatian National Bank, all shares which the Republic of Croatia had undertaken the obligation to subscribe to were regularly paid according to the payment plans set out by the individual international financial institutions.

Table III.2  
PAYMENTS MADE IN 1997 ON  
THE BASIS OF MEMBERSHIP OF  
THE REPUBLIC OF CROATIA IN  
INTERNATIONAL FINANCIAL  
ORGANIZATIONS

Title	Amount paid and currency		Promissory Notes issued by the Ministry of Finance
1. EBRD	ECU	2,128,000.00	ECU 1,063,999.99
2. IDB	a) HRK	803,849.43	USD 1,063,995.00 (Ordinary Capital)
	b) DEM	27,500.00	DEM 2,443,576.00 (FSO Notes)
	c) USD	32,250.00	USD 32,252.00 (FSO Notes)

An agreement on an Enterprise and Financial Sector Adjustment Loan (EFSAL) between the Republic of Croatia and the International Bank for Reconstruction and Development was signed on June 4, 1997 (published in the "Official Gazette", International Agreement number 17, October 22, 1997). With this agreement, the World Bank granted 160 million DEM as support for the already-underway process of reform of the financial and enterprise sectors. The repayment period is 10 years,

and the withdrawal of funds, as well as the repayment of the loan is made through a separate account open at the Croatian National Bank. The first tranche of 80 million DEM was withdrawn in November 1997, and the withdrawal of the second tranche is conditional on the fulfillment of certain conditions related to the privatization of public enterprises and restructuring of banks, in accordance with the loan agreement.

Representatives of the Croatian National Bank actively participated in the work of the managing bodies of the international financial institutions - the World Bank (IBRD) and its affiliates (International Financial Corporation - IFC, Multilateral Investment Guarantee Agency - MIGA), European Bank for Reconstruction and Development (EBRD) and the Inter-American Bank for Development (IDB), as well as the work of individual missions of these institutions.

The Croatian National Bank cooperates with the Government of the Republic of Croatia, the Ministry of Finance, the Croatian Bank for Reconstruction and Development and other government organs in carrying out normal business with the international financial institutions.

### 3.3

## Croatia's Cooperation with Other International Institutions

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The Croatian National Bank participated intensively in negotiations of membership of the Republic of Croatia in the World Trade Organization. It participated in areas relating to the banking and foreign exchange systems as well as macroeconomic policy. The emphasis was on adaptation of the legislation of the Republic of Croatia to the principles of the WTO (the principle of non-discrimination, the principle of most favored nation status - MFN clause). In the area of banking, there are no serious discrepancies with the principles of the WTO. Additional, mainly technical questions, should be solved soon, so that during 1998, it is expected that Croatia will achieve full-fledged membership in the WTO. At that time, through coordinated work by the Croatian National Bank, Ministry of Finance and other government institutions, the banking system would be further liberalized in the context of the liberalization of the financial services sector.

### 3.4

## Relations with Foreign Banks

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The most important events in 1997 that influenced financial relations with the world, and with foreign banks as well, in addition to achieving membership in the BIS, were Croatia's receipt of a credit rating, preparations for the introduction of the Euro, important large mergers and takeovers in world banking, and the disturbance of the financial markets caused by the crisis in Southeast Asia.

The receipt of an investment grade credit rating by three internationally-recognized agencies (Standard & Poors, Moody's and IBCA) at the start of 1997 greatly affected the content and amount of work of the Department of the Croatian National Bank involved in daily oral or written contact with foreign banks and other financial institutions. The analyses prepared by the credit-rating agencies provided answers to a large number of questions that had been asked in the past. In addition, the number of interested foreign creditors and investors wanting further information greatly increased. A qualitative improvement in this regard was the publication of the CNB Bulletin and other important publications on the Internet. However, the fact is that a large part of the Croatian banking system remains

inadequately transparent, with only one bank with an international credit rating. Because of this, the CNB's report "Banks at the Crossroads" provoked the most interest among foreign banks.

The interest of foreign banks, investment funds and similar financial institutions in visit the Croatian National Bank did not decrease during 1997. Some of them, based on their interests, were referred to the Ministry of Finance, the Croatian Fund for Privatization, and the Agency for Promoting Investment which started its work during the year. The majority of visitors had meetings with the Croatian National Bank. Employees of the Department also organized meetings with and received representatives from over 150 foreign banks, embassies, agencies for insuring export risk, investment funds and the like from over twenty countries.

It should be mentioned that in 1997 the number of meetings with representatives of foreign central banks grew. Within this, contact during meetings of the Bank for International Settlement, International Monetary Fund, World Bank, European Bank for Reconstruction and Development etc. were important.

During 1997, the main regular activity continued to be following the economic system in various countries and regions, following economic developments in these countries, and analyzing the existing degree of relationship between these countries or regions and Croatian banks. Within the framework of the tasks of the Department of Foreign Exchange Asset Management of the CNB, special attention was paid to monitoring the creditworthiness of countries and foreign banks, including daily monitoring of the credit ratings of banks. The International Banking Department is charged with following credit ratings and taking and implementing decisions on the obligations of authorized banks and savings banks to hold certain amounts of foreign exchange abroad to ensure general liquidity, and to compile a list of countries and banks for the needs of the management and the responsible departments.

Although the analyses and ratings of credit rating agencies are an important source of information in this respect, their slow reaction to the crisis in Southeast Asia confirmed the importance of having one's own analyses. The network of correspondent banks with the CNB set up in the past plays an important role in this. The main preoccupation of these correspondents in 1997 was preparation for the Euro and mergers and combinations in world banking - themes which are less present in our banking system.

In light of the task of maintaining correspondent relations, and to help with our own preparations, we followed the changes taking place in corresponding banks in preparation for the introduction of a single currency and a single payments system in the European Monetary Union. For us, it is certainly significant to find out how individual banks have made operational preparations for these changes, and for the increase in competition these changes will create.

A specific and growing activity is related to participation in intergovernmental commissions and boards at the Ministry of Economy, Ministry of Finance, Ministry of Foreign Affairs, Croatian Chamber of Commerce, etc. These required substantial preparations and processing of ever-more demanding information. Of special importance is participation in work on preparation of a Law on Preventing Money Laundering and other legal acts, which came into force at the end of 1997.

Croatia, as a country in transition, has not been able to avoid prevent all attempts at fraud and misrepresentation abroad by nonexistent Croatian banks. In this re-

spect, we have increased activity to provide timely and regular information to maintain the reputation of Croatia in the world.

In addition to these activities, we have regularly followed changes in the international ISO standards. During 1997, two additions were made to the instructions of the use of abbreviations and numerical codes for countries and currency units in payments abroad.

### **3.5 Foreign Payments**

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During 1997, transactions were made for our own needs and for the needs of the Republic of Croatia (Ministry of Finance).

Letters of credit were regularly fulfilled, and Loro letters of credit only for the Croatian National Bank. The majority of these were commercial letters of credit, and a small amount referred to bank transfers related to the ending of the application of the Regulation on the Repayment of Outstanding Unpaid Obligations to Foreign Credits.

Also reclamations were completed, mainly related to foreign commercial letters of credit for the government budget, which we do not undertake anymore given that the question of managing the unified foreign exchange account of the government within the Croatian National Bank has not been resolved.

### **3.6 SWIFT**

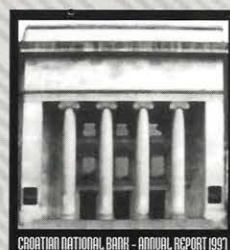
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During 1997, for current transactions, in accordance with past practice, improvements and changes were made in the SWIFT system. The Croatian National Bank undertook the necessary measures to make these improvements and changes. It should be mentioned that these preparations include all the necessary preparations related to the introduction of a single European currency, the Euro.

Along with this, the intensive preparations of SWIFT for the arrival of the year 2000 were followed, since SWIFT has defined all the necessary preparations for testing the transition to 2000 in its handbook and asks all users to consistently follow these instructions.

4

# BANKING SYSTEM



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



The banking system of the Republic of Croatia included 60 banks and one branch of a foreign bank in 1997. During the year, one bank underwent assessment of the feasibility and economic justification of rehabilitation. This assessment ended in the beginning of bankruptcy procedures. Thus, at the end of the year, 59 banks were operating, along with one branch of a foreign bank. The basic characteristics of Croatian banks are:

- ❑ 56 banks are joint-stock companies and 4 are limited liability companies.
- ❑ The ownership structure has changed, with the number of banks in private ownership growing from year to year. At the end of 1997, 87 percent of banks are in complete private or majority private ownership. Banks in complete or majority private ownership accounted for 64 percent of total assets and 61 percent of the capital of the banking system.
- ❑ Concentration remains high, with four banks dominating. However, their share in total assets has gradually decreased (in 1996 their share was 59.9 percent, and in 1997 this decreased to 53.0 percent), due to the appearance of new banks, growth of small banks, and the process of rehabilitation of some of the large banks.
- ❑ All banks are universal banks.
- ❑ 53 banks and one branch of a foreign bank are authorized to undertake payments and credit business abroad.

A total of nine banks in majority state ownership hold 29.8 percent of the capital of the banking system.

In addition to commercial banks, the banking system of the Republic of Croatia includes 33 savings banks (22 savings banks were in operation at the end of 1996). Of these, 22 are limited liabilities companies, and 11 are joint-stock companies. All the savings banks are privately owned, and are registered to perform certain banking functions in accordance with legal regulations and their licenses.

Banks and savings banks are required to supply reports to the Croatian National Bank in a timely manner. The data on which this analysis of banks and savings banks in 1997 is based are provisional. Final data, based on audits of the banks state and performance, must be supplied to the National Bank by July 5, 1998.

## 4.1.

## Structure of Banks' Balance Sheets

### 4.1.1

### Structure of Banks' Funding Sources

Total funding sources amounted to 94.1 billion kuna at the end of 1997. This was 27.5 percent more than at the end of 1996. 50.3 % of total liabilities were short-term (at the end of 1996: 55.3%), while obligations based on accrued interest, fees and other liabilities were 2.9 percent. The share of long-term sources in total liabilities was 28.3% at the end of 1997 (at the end of 1996: 21.8%), and grew significantly compared to last year.

Short-term funding sources amounted to 47.4 billion kuna. The most important source was sight deposits of legal persons and savings accounts of households in kuna and foreign exchange, which amounted to 23.7 billion kuna and grew by 19.3 percent annually. These deposits account for 50.1 percent of total short-term funding sources. Short-term deposits grew by 46.6 percent, and foreign exchange deposits

its held the largest share. Short-term loans from other sectors amounted to 3.4 billion kuna, 7.1 percent of total short-term sources, and the share of short-term securities was at the level of 0.01 percent.

Banks' long-term sources amounted to 26.6 billion kuna. The most significant element in long-term sources is long-term foreign exchange deposits, which amount to 12.5 billion kuna and account for 47.0 percent of total long-term sources. The second most important element are long-term foreign exchange loans taken both at home and abroad. These amount to 11.5 billion kuna and account for 43.2 percent of long-term funding sources. Long-term loans grew by 171.1 percent on a December-to-December basis.

The founding capital of banks was 9.2 billion kuna at the end of 1997. It grew by 21.1 percent over the previous year. The share of founding capital in total liabilities decreased from 10.3 percent in 1996 to 9.7 percent on 1997. Supplementary capital amounted to 1 billion kuna and accounted for 1.1 percent of total liabilities. It grew 47.5 percent in 1997. Reserves for unidentified losses are the largest element in supplementary capital. Legally-required reserves are 1.8 percent, and provisions for identified potential losses are 4.7 percent of total liabilities. The share of these reserves are somewhat smaller than last year (for legally-required reserves 0.2 percentage points, and for provisions for identified potential losses 1.3 percentage points).

Provisions for identified potential losses amount to 4.4 billion kuna (4.7 percent of total liabilities). These reserves are formed on the basis of estimation of asset quality. They are considered an expense, and are reserves in case of the final write-off of unpaid placements.

Bank profits account for 1.2 percent of total liabilities. Guaranteed capital of the banking system was 11.7 billion kuna on December 31, 1997, which was 24.5 percent more than at the end of 1996.

#### 4.1.2

#### Structure of Bank Assets

Total bank assets amounted to 94.1 billion kuna at the end of 1997. Money and deposits held with the central bank were 8.3 percent of this, short-term claims 38.5 percent, long-term claims 44.3 percent while long-term investment in shares and participations, purchased claims and rights to claims, and material and non-material assets accounted for 8.9 percent of bank assets. Total money assets and total bank deposits at the central bank amounted to 7.8 billion kuna. The relationship of money assets and deposits at the central bank was 1:1.

Short-term placements amounted to 33.4 billion kuna (35.5% of total assets), and accrued interest, fees and other assets 2.9 billion kuna (3% of total assets). The largest element was short-term loans and the current maturity of long-term loans with 29.6 billion kuna (31.5% of total assets).

Long-term placements amounted to 41.7 billion kuna (44.3% of total assets). Of this, 10.5 billion kuna (11.1% of total assets) were placed to enterprises, 9.5 billion (10.5% of total assets) to households. Furthermore, 7.0 billion kuna were placed in long-term foreign exchange securities (7.4 percent of assets) while long-term kuna securities amounted to 6.1 billion kuna (6.5% of total assets).

Long-term investment in shares, participations and ownership interests amounted to 5.0 billion kuna in 1997 (5.3% of total assets) and were 26.8 percent greater than

at the end of the previous year. Many of these investments came about through swaps for unpaid claims of various clients, that is, through debt-equity swaps.

Material and non-material assets amounted to 3.4 billion kuna or 3.6 percent of total assets. Accrued interest, fees and other assets amounted to 2.9 billion kuna or 3.0 percent of total assets. 1.4 billion kuna of this total referred to other assets (tax advance payments, foreign currency revaluation adjustments, funds in clearing and pre-paid expenses).

## 4.2 Analysis of Bank Capital

In order to be able to cover unforeseen losses, banks must have an amount of liable capital appropriate to the size of their business.

According to the Law on Banks and Savings Banks, total liable capital must not be less than 8 percent of the risk-weighted value of on- and off-balance sheet risk assets. The capital adequacy ratio was 16.6 percent on December 31, 1997; it had been 17.0 percent a year before. In both cases, the coefficient satisfied legal norms, and there was no significant change.

## 4.3 Analysis of the Quality of Bank Assets

The most important aspect in evaluating the quality of a bank's performance is evaluation of the bank's assets. Various components of total assets bear various degrees of risk, and in this sense can be divided into risk and non-risk assets. Risk assets include all assets that can produce losses.

Risk assets include short and long-term loans, short and long-term investments, as well as interest and fees for banking services. Off-balance sheet obligations are added to this (guarantees, open letters of credit and other potential obligations). Non-risk assets include giro accounts, vault cash, part of other money assets, gold, gold objects, gold pieces, required reserves at the central bank, central bank bills and foreign cash. Evaluation of asset quality is made for risk assets.

Table IV. I

CLASSIFICATION OF THE CREDIT PORTFOLIO OF BANKS,  
in millions of kuna (risk groups) in 1997

	A	B	C	D	E	TOTAL
Total loans, securities and deposits	67,440.9	3,616.1	1,902.1	627.4	1,143.1	74,729.6
Total interest	1,045.3	126.3	103.1	72.4	160.6	1,507.7
Total fees	93.9	15.5	11.0	2.0	4.9	127.3
Total other risk assets	7,798.5	752.8	662.0	98.5	215.8	9,527.6
Total risk assets	76,378.6	4,510.7	2,678.2	800.3	1,524.4	85,892.2
Off-balance sheet items	15,330.1	967.1	518.6	118.5	253.9	17,188.2
TOTAL	91,708.7	5,477.8	3,196.8	918.8	1,778.3	103,080.4

In addition to division into risk and non-risk assets, risk assets are divided into good and bad. Good assets include those which banks, using the methodology laid out in CNB regulations, assess to not require allocation of provisions (risk group A). The share of good assets in total risk assets was 88.9 percent, while the other 11.1 percent refer to bad assets (risk groups B - E). Off-balance sheet items showed the same ratio.

Provisions for identified potential losses for risk assets and off-balance sheet items amounted to 5.5 billion kuna for the whole banking system. In 1996, this amount was 5 billion kuna.

Table IV. 2

BANKS' GOOD AND BAD ASSETS<sup>1</sup>

	Good assets		Bad assets		TOTAL	
	in millions of kuna	%	in millions of kuna	%	in millions of kuna	%
a) Risk assets	76,378.6	88.92	9,513.7	11.08	85,892.3	100.00
Claims based on deposits	12,494.1	99.49	64.0	0.51	12,558.1	100.00
Securities	14,807.4	99.92	12.3	0.08	14,819.7	100.00
Long-term loans	24,355.9	85.31	4,193.1	14.69	28,549.0	100.00
Short-term loans	15,431.5	85.14	2,694.0	14.86	18,125.5	100.00
Other placements	352.0	51.98	325.2	48.02	677.2	100.00
Interest and fees	1,139.2	69.67	496.0	30.33	1,635.2	100.00
Other risk assets	7,798.5	81.85	1,729.1	18.15	9,527.6	100.00
b) Assets that are not classified	8,232.5	100.00	0.0	0.00	8,232.5	100.00
c) Provisions for risk assets	0.0	0.00	-4,661.9	100.00	-4,661.9	100.00
Loans and other placements	0.0	0.00	-3,463.5	100.00	-3,463.5	100.00
Interest and fees	0.0	0.00	-389.6	100.00	-389.6	100.00
Other risk assets	0.0	0.00	-808.8	100.00	-808.8	100.00
TOTAL ASSETS (a+b+c)	84,611.1	94.58	4,851.8	5.42	89,462.9	100.00

## 4.4

## Limitations Decreasing Banking Risk

Credit risk is the most important risk affecting the quality of banks and savings' banks balance-sheet and performance. For this reason, regulations exist to decrease this kind of risk. The greatest danger of loss occurs when credits are concentrated to a particular user or group of connected customers. This, at the same time, makes it impossible to reallocate funds to other profitable activities. To prevent excessive concentration of credits to one borrower or other investments to one customer, three limitations have been enacted.

## 4.4.1

## Large Credits and Maximum Credits

Large credits are individual credits or other single claims or assumption of obligations to one borrower exceeding 20 percent of liable capital. 20 banks granted large credits in 1997 in the amount of 1.4 billion kuna (0.7 billion of these are on-balance sheet and 0.7 billion off-balance sheet). Maximum credits to one borrower may amount to at most 30% of liable capital. 15 banks had maximum credits in a total amount of 4.7 billion kuna (3.6 billion of this is on-balance sheet, and 1.1 billion off-balance sheet).

## 4.4.2

## Credits Given to Related Parties

The total amount of credits given to related parties (shareholders holding more than 5 percent of total shares or stakes in the bank bearing voting rights at the Shareholders' Meeting, companies in which shareholders have a majority interest,

<sup>1</sup> Total assets here are smaller than 94.1 billion kuna, the amount mentioned in the text. This is because provisions are subtracted from the items in a and b. The total amount of 94.1 billion equals the sum of a plus b from this table.

members of the management, members of the Supervisory Board, procurists and their family members, banks which are linked by capital) amounted to 0.3 billion kuna (0.2 billion kuna on-balance sheet and 0.1 billion of potential obligations). These credits and potential obligations were shown by 34 banks.

#### 4.4.3

### Total Amount of All Credits, Other Claims and Obligations Assumed for One Customer

The total amount of all credits, other claims and obligations assumed for one customer may not exceed 30 percent of liable capital. 19 banks in 58 separate cases had total claims and obligations assumed for one customer exceeding 30 percent of liable capital. These claims amounted to 7.4 billion kuna and accounted for 63.52 percent of liable capital on average. Of this, 4.8 billion kuna related to one bank in four particular cases.

## 4.5

### Limitations on Investment

In addition to limitations that decrease credit risk, the investments of banks and savings banks are limited. This is seen in the relationship between liable capital and:

- a) Bank investment in land, buildings, equipment and business premises may not exceed 30 percent of liable capital. Total investment in material and non-material assets amounted to 3.3 billion kuna, which was 28.20 percent of total liable capital of the banking system. 21 banks showed investments in material and non-material assets exceeding 30 percent of liable capital. This figure shows the concentration of investment in land, buildings, and equipment, and does not necessarily indicate violation of the regulation, since exceptions to the regulation are allowed by law.
- b) Bank investment in land, buildings, equipment and businesses premises, together with ownership shares in banks and other companies may not exceed 70 percent of liable capital. 10 banks registered investments of more than 70 percent of liable capital. Total investment in this form amounted to 7.8 billion kuna and amounted to 66.8 percent of liable capital of the total banking system.

## 4.6

### Banks' Income Statements

After tax profit was 1.2 billion kuna for the whole banking system in 1997 compared to 0.8 billion in 1996. Fifty-two banks made profits after taxation, reaching a total of 1.3 billion kuna, while eight banks showed an excess of expenditures over revenues (losses) amounting to 0.1 billion kuna.

Total income amounted to 9.6 billion kuna, and interest and similar income was the largest item within this (64.9 percent). Fee income accounted for 15.9 percent, income from ownership of securities 0.5 percent and other income 18.7 percent. In comparison to 1996, the share of interest income rose from 61.8 percent to 64.9 percent, while the share of fee income decreased from 20.2 percent to 15.9 percent.

Total costs amounted to 8.4 billion kuna in 1997. Interest costs were 38.2 percent, fee costs 3.6 percent, administrative costs 35.5 percent and other costs 11.4 percent of total costs. Costs for forming provisions for insuring against potential losses amounted to 11.3 percent of total costs. The share of individual elements in the structure of costs did not change significantly relative to 1996.

## 4.7

## Performance of Savings Banks

The number of savings banks grew from 22 to 33 in 1997. Since the total balance sum of savings banks (1.1 billion kuna) is significantly smaller than the balance sum of the banking system (94.1 billion kuna), data on the structure of the balance sheet of savings banks are shown in million kuna.

### 4.7.1

### Liability Structure of Savings Banks

The total liabilities of savings banks amounted to 1,054 million kuna. Total liabilities grew by 85.4 percent compared to the previous year. Short-term sources amounted to 475 million kuna or 45.1 percent. Sight deposits and short-term deposits amounted to 397 million kuna and made up approximately one-third of total sources. Sight deposits grew by 187.6 percent, and short-term deposits by 186.8 percent. Obligations on short-term credits grew by about 170.4 percent.

Long-term sources amounted to 106 million kuna and accounted for 10.1 percent of total liabilities. Long-term deposits grew by 190.0 percent relative to the previous year, and obligations on long-term credits grew by 36.3 percent.

The founding capital of savings banks was 329 million kuna at the end of 1997, 32 percent larger than at the end of 1996. Supplementary capital was 20 million and was 241 percent greater than supplementary capital in 1996. Of this, 16.4 million were special deposits, while the second most important element of supplementary capital was special reserves for unidentified losses of 3.5 million kuna.

### 4.7.2

### Asset Structure of Savings Banks

The total assets of savings banks at the end of 1997 were 1,054 million kuna. Of this 165 million kuna or 15.7 percent were money assets and deposits at the Croatian National Bank.

Short-term placements, along with accrued interest, fees and other assets amounted to 526.8 million kuna or 50 percent of total assets (of which accrued interest, fees and other assets amount to 104 million kuna or 9.9 percent of total assets). Long-term placements amount to 283.2 million kuna or 26.8 percent of total assets.

Long-term investments amount to 30 million kuna or 2.8 percent of total assets, and are 25.7 percent less than in the previous year. Material and non-material assets are 49.1 million kuna or 4.7 percent of total assets, and are growing at a rate of 146.9 percent relative to the previous year.

Short-term credits given to banks amounted to 45.1 million kuna. They increased by 293.3 percent in 1997, while short-term credits given to other sectors amounted to 371.3 million kuna and grew at a 130.6 percent annual rate.

Long-term placements amounted to 283.2 million kuna or 26.8 percent of total assets. The most important element within this amount was long-term credits of 283.1 million kuna.

### 4.7.3

### Capital of Savings Banks

The liable capital of savings banks on December 31, 1997 was 349.1 million kuna. It had been 259.6 million kuna a year earlier. The reason for such a large increase was supplementary capital, which grew 3.5 times in 1997. This increase came on

the basis of investment in savings banks that fulfilled legal conditions for entering into the calculation of supplementary capital.

The capital-adequacy ratio of savings banks on December 31, 1997 was 44.03 percent, while a year before the ratio had been 55.6 percent. Since liable capital grew, the reason for the decrease in the capital-adequacy ratio lies in the increase in risk-weighted assets and off-balance sheet assets.

#### 4.7.4

#### Analysis of the Quality of Savings Banks' Assets

Table IV. 3

CLASSIFICATION OF THE CREDIT PORTFOLIO OF SAVINGS BANKS,  
in millions of kuna (risk groups) in 1997

	A	B	C	D	E	TOTAL
Total loans, securities and deposits	664.8	11.1	6.4	8.1	11.1	701.5
Total interest	29.4	2.4	4.4	1.2	1.4	38.8
Total fees	0.8	0.2	0.0	0.2	0.0	1.2
Total other risk assets	101.1	25.5	0.0	0.0	0.0	126.6
Total risk assets	796.1	39.2	10.8	9.5	12.5	868.1
Off-balance sheet items	13.3	0.0	0.0	0.0	0.2	13.5
TOTAL	809.4	39.2	10.8	9.5	12.7	881.6

Asset quality is assessed on the basis of risk assets, including short- and long-term loans, funds invested (short-term and long-term), interest, fees and off-balance sheet items.

Assets in risk group A, that is, good assets, amounted to 91.7 of total risk assets. Bad assets (assets classified in risk groups B, C, D and E) amounted to 8.3 percent. Good assets were 86.2 percent in 1996, and bad assets 13.8 percent.

Potential losses on risk assets and off-balance sheet items for all savings banks in 1997 were 37.7 million kuna.

Table IV. 4

#### SAVINGS BANKS' GOOD AND BAD ASSETS

	Good assets		Bad assets		TOTAL	
	in millions of kuna	%	in millions of kuna	%	in millions of kuna	%
a) Risk assets	796.1	91.71	72.0	8.29	868.1	100.00
Claims based on deposits	10.6	100.00	0.0	0.00	10.6	100.00
Securities	5.6	100.00	0.0	0.00	5.6	100.00
Long-term loans	282.2	99.02	2.8	0.98	285.0	100.00
Short-term loans	366.2	91.55	33.8	8.45	400.0	100.00
Other placements	0.2	66.67	0.1	33.33	0.3	100.00
Interest and fees	30.2	75.50	9.8	24.50	40.0	100.00
Other risk assets	101.1	79.86	25.5	20.14	126.6	100.00
b) Assets that are not classified	186.0	100.00	0.0	0.00	186.0	100.00
c) Provisions for risk assets	0.0	0.00	-37.5	100.00	-37.5	100.00
Loans and other placements	0.0	0.00	-23.2	100.00	-23.2	100.00
Interest and fees	0.0	0.00	-7.8	100.00	-7.8	100.00
Other risk assets	0.0	0.00	-6.4	100.00	-6.4	100.00
TOTAL ASSETS (a+b+c)	982.1	96.36	34.5	3.64	1,016.6	100.00

## 4.7.5

## Limits that Decrease Business Risk

The regulatory limits decreasing credit risk apply to banks and to savings banks. Large credits were granted by six savings banks in 1997, in a total amount of 39.1 million kuna. Furthermore, six savings banks granted maximum credits amounting to 12.9 million kuna. Credits to related parties were granted by 15 savings banks in a total amount of 12.8 million kuna. The amount of all loans, other claims and obligations assumed towards one borrower exceeding 30 percent of liable capital was 14.7 million kuna. Six savings banks were responsible for these claims.

## 4.7.6

## Limits on Investment

Investment in material and non-material assets amounted to 48.9 million kuna in 1997. This was 14.0 percent of liable capital.

Six savings banks had investment in material and non-material assets greater than 30 percent of liable capital. Total investment (investment in material and non-material assets as well as equity investment) amounted to 60.3 million kuna, or 17.3 percent of liable capital. Investments of this kind may not exceed 70 percent of liable capital. Three savings banks exceeded this limit.

## 4.7.7

## Income Statement of Savings Banks

Savings banks made after-tax profits of 19.9 million kuna in 1997, while they made after-tax profits of 15.7 million in 1996. Savings banks made their income mainly from interest on loans and placements, which amounted to 59.6 percent of total income. Fee income was 8.8 percent, income from ownership of equity securities 13.8 percent and other income 17.8 percent of total income. The share of interest income in total income decreased relative to the previous year from 70.1 percent to 59.6 percent, while the share of equity securities, which was negligible in 1996, increased to 13.8 percent of total income. The structure of costs of savings banks does not show any major changes relative to the previous year, except in formation of provisions for identified losses, which were 14.9 percent of total costs in 1996 and decreased to 8.7 percent in 1997. Three savings banks registered losses amounting to 764 thousand kuna in 1997.

## 4.8

## Supervision of Banks and Savings Banks

The Area of Control and Supervision of the Croatian National Bank supervises the work of banks and savings banks from the point of view of the stability and soundness of the banking system. The Area of Control and Supervision, using on-site and off-site (analysis of banks' financial reports) methods, supervises and monitors the work of banks and savings banks. It also monitors banks and savings banks compliance with monetary and foreign exchange regulation.

The development of the supervision function according to contemporary standards and principles began in 1993. Following international experience, adapted to the conditions and needs of our country, the Area was reorganized in 1997. The work of supervision and control is now done by the following departments:

- ☐ On-site Supervision of Banks and Savings Banks Department
- ☐ Off-site Supervision of Banks and Savings Banks Department

- Department for Monitoring Compliance with Monetary and Foreign Exchange Regulation
- Department for Improvement of Supervision of Banks and Savings Banks
- Foreign Exchange Records Control Department.

The first four departments supervise banks and savings banks, while the Foreign Exchange Records Control Department monitors import-export documentation and the functioning of export-import payments of all economic sectors.

Taking into account internationally-accepted guidelines for managing the most risky forms of business, and taking into account the characteristics of our system, key areas of the operations of banks and savings banks are regulated by law. These laws are further elaborated in the decisions taken by the Council of the Croatian National Bank. This completes the regulatory system as a fundamental precondition for maintaining the stability and safety of banking.

We work continuously to improve the quality of the regulatory framework for insuring bank and savings bank safety and soundness. A decision has been taken on the conditions for carrying out certain banking operations, and a new "prudential" decisions were taken during 1997, and will come into force in 1998. In addition, a new law on banks and savings banks has been proposed, while a new chart of accounts and a new system of bank reporting are under discussion.

The Area of Control and Supervision works closely with other government bodies and institutions, has contacts with bank supervisors in other countries, trains its workers via various seminars in the country and abroad, all with the aim of following new trends, exchanging experience, receiving materials and finding the best ways to advance and develop the supervisory function.

14 banks and 17 savings banks were examined during 1997. In three banks and three savings banks the supervision process was not finished by the end of the year. After examination was finished, minutes were written containing the facts found by the examination of business books and documents. At the same time a Report on examination, which includes an assessment of risk management at the bank or savings bank along with recommendations to the management to take appropriate measures to identify, limit and follow business risk.

After the period in which banks and savings banks may comment on the minutes ends, Recommendations on Activities, based on the Decision on the Conditions and Manner of Bank Examination are given. The suggested activities included corrective measures for eight banks and six savings banks in 1997.

At the expiration of the period for carrying out actions to correct illegalities and irregularities found during on-site examinations, Minutes of Actions Taken are prepared. Such minutes were prepared for five banks and six savings banks. If banks do not take the steps required, the National Bank can issue a Decision requiring the execution of the actions. Such a decision was issued in the case of one savings bank in 1997.

During 1997, one bank went through an assessment of the feasibility and economic justification of rehabilitation procedures.

All banks and savings banks that were the subject of on-site examination were ranked using the CAMEL method. Each component (C - Capital, A - Asset Quality,

M - Management, E - Earnings, L - Liquidity) is graded on a 1 to 5 scale. On the basis of this, an overall ranking is given, which does not have to be the average of the five elements.

An analysis of performance is made on the basis of the regulatory report. From this a document is composed. In 1997, 12 banks were analyzed. Management and the Supervisory Boards of the banks were informed about problems and violations of regulations at separate meetings.

The Area analyzes documents, processes requests and prepares materials for the Commission for Granting Licenses for Banks and Savings Banks.

During 1997, documentation on the following applications was processed:

- ☐ granting licenses (1 bank and 7 savings banks),
- ☐ prior consent to shareholders gaining more than 10 percent of the voting shares of a bank (7 bank shareholders and 2 savings bank shareholders),
- ☐ consent to temporarily exceeding the limit on investment in material and non-material assets (4 banks) and
- ☐ consent to gaining ownership in other companies above 10 percent of liable capital (2 banks).

The Department for Monitoring Compliance with Monetary and Foreign Exchange Regulation conducted 61 examinations. Four Decisions on Measures to be Taken Against Banks and Savings Banks were taken, and 17 requests for the opening of legal or criminal proceedings were sent to the State Attorney or the Foreign Exchange Inspectorate of the Ministry of Finance. Seven savings banks and 180 authorized exchange offices were also inspected.

5

TREASURY



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



The Treasury Department, in the course of the duties it performs to realize the objectives and aims of the Croatian National Bank, took possession of printed cash from the producer, supplied cash to branches of the Payments Institute, distributed coins, and removed processed and destroyed worn-out bank notes from circulation.

## 5.1

### Trends in Cash

On December 31, 1997, there were 67.5 million bank notes worth 5.3 billion kuna outside of the Treasury of the Croatian National Bank and the Payments Institute. In comparison with the end of 1996, the amount of money outside the Treasury of the Croatian National Bank and the Payments Institute grew by 15.3 percent in quantity, and 15.2 percent in value.

The quantity of kuna and lipa coins outside the Treasury of the Croatian National Bank and the Payments Institute on December 31, 1997 was 454.9 million pieces with a value of 180.9 million kuna. In comparison with the end of 1996, the amount of coins outside the Treasury of the Croatian National Bank and the Payments Institute grew by 22.9 percent in quantity, and 27.7 percent in value. It can be said that the amount of bank notes and coins outside the Treasury amounts to an average of 14 notes and 94 coins per person on average.

## 5.2

### Commemorative Money

In 1997, the Croatian National Bank issued three commemorative coins of 25 kuna under the titles of:

- "Croatian Podunavlje"
- "First Croatian Esperanto Congress"
- "Admission of Croatia to the United Nations"

The following issues were made from the program of gold and silver coins in 1997:

- "First President of the Republic of Croatia Dr. Franjo Tuđman", gold of 1000 kuna, silver of 200 and 150 kuna;
- "Vukovar," gold coin of 500 kuna, silver of 150 kuna
- "Baranja", gold coin of 100 and 500 kuna, silver of 200 and 150 kuna.

In 1997, the Treasury Department took possession 45.3 million bank notes worth 581.2 million kuna from the Payments Institute, and gave them to the Commission for Destruction. 390.0 million of the total amount refer to 10 kuna notes issued on October 31, 1993, while the rest were worn-out notes. The notes were burnt. In 1997, the value of counterfeit notes was 11,610.00 kuna. Analysis of the counterfeited money shows that the counterfeits were made by color photocopying, except for one case where an offset press was used. The quantity and value of counterfeit money did not grow between 1996 and 1997.



# ORGANIZATION, MANAGEMENT AND HUMAN RESOURCES

# 6



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



## 6.1

### The Council of the Croatian National Bank

According to article 65 of the Law on the Croatian National Bank, the Council of the Croatian National Bank and the Governor of the Croatian National Bank comprise the Bank's governing bodies. The Council of the Croatian National Bank is composed of the Governor, Deputy Governor and Vice Governors by virtue of their position, as well as independent experts.

The competency of the Council is determined in article 67 of the Law on the Croatian National Bank. The Council of the Croatian National Bank takes decisions at its meetings, and the Governor of the Croatian National Bank is responsible for implementing these decisions.

The Council makes decisions by a two-third majority vote its members. If the Council does not reach the necessary degree of consensus to make a decision, and the Governor of the Croatian National Bank assesses that he cannot insure the implementation of the tasks of the Croatian National Bank due to the lack of a decision, the Governor may temporarily make a decision about which consensus has not been reached. The Governor must then inform the Parliament of the Republic of Croatia, which makes the final determination on the decision in question.

The Governor of the Croatian National Bank is the President of the Council.

During 1997, 18 meetings of the Council were held at which many important decisions were made, including those published in the "Official Gazette" and those of an internal nature. At each meeting, decisions on current monetary policy were made. The Council also unanimously made several decisions regarding the prudential supervision of banks.

Licenses were given to 8 savings banks: SA-GA d.o.o., Zagreb; Banica Credo Štedionica d.o.o., Split; VID Štedionica d.o.o., Zagreb; Štedionica Zlatina d.o.o., Zagreb; Međimurska Štedionica d.d., Čakovec; Štedionica Kovanica d.d., Varaždin; Primorska Štedionica d.d., Rijeka; Štedionica Mediteran d.o.o., Split; and two banks Volksbank d.d. Zagreb and BNP - Dresdner Bank (Croatia) d.d., Zagreb. In addition, the Council gave its consent to the naming of various individuals as President of the Managing Board or member of the Managing Board of certain banks or savings banks.

The Council of the Croatian National Bank set its most important task for 1997 as the introduction of the kuna in Croatian Podunavlje, and also emphasized the importance of finalizing the program of the Croatian Institute for Banking and Insurance.

In 1997, the Council decided to begin the process for assessing the feasibility and economic justification of the rehabilitation of Vukovarska Banka d.d., Vukovar-Zagreb. It must be mentioned that this decision does not in any way prejudice further judgment, but opens the legal possibility of examining the situation in detail and of carefully analyzing suggestions for solving the problem.

Council meetings were occasionally held by telephone, when the conditions set out in article 28 of the Rulebook on the Work of the Council were met.

At its meeting of May 7, 1997, the Council accepted the Annual Report of the Croatian National Bank, the Decision on the Final Accounts of the Croatian National Bank for 1996 and the Decision on the Financial Plan of the Croatian National Bank for 1997.

On October 1, 1997, the 100th (jubilee) meeting of the Council of the Croatian National Bank was held. On this occasion, Governor Dr. Marko Škreb addressed the council and recounted the history of the Council's five and a half years of work. From the first meeting, held on February 24, 1992 to the present, there have been three Presidents of the Council, that is, Governors. The Council has discussed 580 points on its agenda and made 399 decisions that were published in the "Official Gazette" as well as 383 decisions of an internal nature. He emphasized the important fact that not one meeting of the Council has ever been delayed due to lack of a quorum. Furthermore, the Governor stressed that the transition period in Croatian Podunavlje was over and that, from the middle of September, for the first time, Croatian money - the kuna was the only legal means of payment in the whole territory of the Republic of Croatia.

The Council also made decisions in the field of numismatics, and took a Decision on Creation of a Plan for the Emission of Commemorative Coins and Numismatic Collections in 1998.

On December 22, 1997, the 105th working/commemorative meeting of the Croatian National Bank was held. The session noted the Parliament's passage of the Constitutional Law changing the name National Bank of Croatia to "Croatian National Bank."

## 6.2

### Internal Audit

From its formation in 1995, Internal Audit has functioned as an independent organizational unit, directly responsible to the Governor of the Croatian National Bank. Its basic task is examine and assess the business activities of the Bank as well as to monitor whether internal procedures, rules and methods are followed. A further advance was made in 1997 in this particular area. Since Internal Audit at the level of the Bank relies on the results obtained by specific Internal Audit systems in the organizational units of the bank, constant monitoring of the effectiveness and functionality of these systems was achieved. Internal Audit was able to confirm that the organizational units of the Bank are following approved procedures and rules, and did not find any violations of procedures or rules in the work of any organizational units of the Bank.

As in previous years, Internal Audit focused its work on areas of the greatest risk, starting from the principle that the scope and time allotted to commitment must be in accordance with the size of risk and exposure to risk. Special attention was paid to the management of foreign exchange reserves, the work of the Treasury, timely documentation and reporting, supervision and control of commercial banks, implementation of decisions of the Council of the Bank, procurement procedures for goods and services and information flows, fundamental areas of authority and accessibility of information.

Taking into consideration the importance of expert, highly educated internal auditors, the process of further training employees of Internal Audit continued, in cooperation with technical assistance missions of the International Monetary Fund, in contacts with foreign experts, in specialized courses in Croatia and abroad. One result of this approach is the project of constructing a holistic methodology of Internal Audit of the Bank, which is already underway. This project includes planning control, methods of gathering information, and assessing the results of control.

## 6.3.

## Organization and Computerization

During 1997, two areas of the central bank were reorganized: the Area of Supervision and Control and the Research and Statistics Area.

According to the new organizational scheme, the Area of Supervision and Control includes five departments: the Department for On-site Supervision of Banks and Savings Banks, the Department for Off-site Supervision of Banks and Savings Banks Department, the Department for Monitoring Compliance with Monetary and Foreign Exchange Regulation, the Department for Improvement of Supervision of Banks and Savings Banks and the Department for Foreign Exchange Records Control.

Within the Research and Statistics Area, in the Statistics Department, a Unit for Statistical Documentation and Registration of Foreign Credit Relations was established.

With the aim of constructing a new documentation system based on the norms of ISO 9000 standards, a proposed text of a Rulebook on Management of Documentation was written, and work was begun on creating a unified classification system, including classification codes, at the level of the CNB.

During 1997, a Proposal for a new spatial organization of units at the Croatian National Bank was written. This became necessary when, following the decision on the resettlement of the Payments Institute (ZAP), extra space was freed up in the building on Jurišićeva 17. These facilities were used to improve working conditions in our institution.

In accordance with Constitutional changes altering the name of the Croatian central bank, organizational preparations were made for determining the new visual identity of the Croatian National Bank.

The computerization of the business system of the Croatian National Bank, a long-lasting process, continued with undiminished intensity in 1997. Computerization tasks focused above all on: building an integrated information system for the Croatian National Bank, maintaining existing applications and current, operational work.

The construction of an integrated information system continued with the completion of two IPS projects (Organization, Information, Statistics and Monetary Policy). Eight applications were developed and tested for these information subsystems: monitoring Treasury bills, foreign payments, foreign exchange interventions on the domestic market, repo auctions of CNB bills and Ministry of Finance Treasury Bills, monitoring ownership of CNB bills, Lombard credits, daily credits and interventive credits.

In addition to the applications created, which were revised during the course of the year due to changes in business methods, work continued on information support in the area of foreign credit relations and in the area of managing foreign exchange reserves, while four PC applications were developed for the use of the accounting services in analytical accounting.

Parallel with the creation of applications, adequate resources were secured for the creation of the integrated information systems, and the following actions were undertaken:

- ☐ A local network, CNBnet, was created.
- ☐ A new server with software was purchased. This allows a high degree of accessibility of data and their automatic storage.
- ☐ New personal computers (work stations) and printers were purchased and installed
- ☐ Members of the project team attended various training courses.
- ☐ A competition for new employees was held, and new employees were hired.
- ☐ Licenses for office work (Microsoft), network (Novell) and data protection (Sophos) were purchased.

## 6.4

### Payments System

During 1997, the Payments Operations Department worked intensively on the reintegration of Croatian Podunavlje into the payments system of the Republic of Croatia, on the transformation of the domestic payments system and on the improvement of the existing domestic payments system.

On May 19, 1997, the kuna was introduced as the only legal means of payment in Croatian Podunavlje. The domestic payments system was extended to the region as well. Exchange of YUM cash for kuna was carried out between the 19th and 21st of May, 1997. 1075 citizens exchanged money. The conversion of deposit money was done gradually, in three steps, between May 19 and September 15, 1997. Accounts of 2060 business entities and citizens in the Payments Institute were converted on the request of the holders of such accounts. Due to the gradual reintegration of Croatian Podunavlje in the payments system of the Republic of Croatia, banks and other business entities which operated before May 19, 1997 were allowed to continue their work without interruption in the next nine months. Thus all the affected business entities were allowed enough time, more than nine months, to harmonize their operations with the legal regulations of the Republic of Croatia.

The transformation of the domestic payments system, which the Council of the Croatian National Bank mandated in its 58th meeting in the document "Fundamentals for Advancing the Domestic Payments System," developed in four directions:

- ☐ promulgation of appropriate regulations for the payments system
- ☐ creation of an interbank system for carrying out payments transactions
- ☐ transfer of payments accounts of deposit institutions (banks and savings banks) from the Payments Institute to the Croatian National Bank and
- ☐ transfer of payments accounts for customers (legal and physical persons) from the Payments Institute to deposit institutions (banks and savings banks).

During the period under discussion, work continued intensively on a) creating the fundamental preconditions for the transformation of the payments system b) development of payments system regulations and c) establishment of interbank systems - the Large Payments System and the National Clearing System.

- ad a) Due to the gradual inclusion of banks in payments for the accounts of legal persons, the Council of the Croatian National Bank took a new Decision on Conditions for Carrying out Certain Banking Activities (OG, n. 134/97). This decision created

a legal framework for banks, in accordance with regulations of the existing Law of Domestic Payments, to carry out payments for the accounts of legal persons in complete private ownership and majority private ownership.

- ad b) The proposed new law on domestic payments has received the approval of the IMF and is ready to enter into Parliamentary procedure. This law is a precondition for transfer of payments accounts for banks and savings banks to the Croatian National Bank and for transfer of accounts for all depositors (clients) of banks and savings banks to banks and savings banks.
- ad c) The Large Payments System allows the transfer and settlement of payments transactions between deposit institutions on a gross basis in real time. A tender was held for the design and implementation of this system. Logica Ltd UK London was chosen as the most favorable supplier, and a contract was concluded with them for the implementation of the Large Payments System.

The National Clearing System is a system for the exchange and accounting of payments transactions between banks and savings banks, that is, deposit institutions, on a net basis. The system is technically complete and has been tested on seven banks in six phases. It is expected that during 1998 the system will be completely ready to work.

During 1997, work continued on improving the existing domestic payments system: changes and improvements were made in the regulations and technological solutions for the existing payments system. In this period, payments by the authorized organization were monitored by direct oversight and constant contact and cooperation with the authorized organization.

## 6.5

### Legal Affairs

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The activities of the Legal Department were, as in previous years, focused on the writing of sketches of legal documents of the Croatian National Bank. These acts relate to areas within the legally-designated authority of the Croatian National Bank as well as areas relating to its internal organization. The consistency of implementation of legal regulations was also monitored. By giving legal opinions and counsel, the Department gave legal aid to other organizational units of the Croatian National Bank. The Department was also engaged in the refinement of decisions made by the Council of the Croatian National Bank.

## 6.6

### Personnel

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In 1997, personnel changes continued at the Croatian National Bank. The number of employees grew, education and training intensified, and the qualification level improved. A number of new trainees were hired, and the average age of employees decreased further, as did the number of years worked and the number of years worked at the Bank.

The number of employees rose from 488 at the end of 1996 to 540 at the end of 1997. There were 52 more employees or 10.65%. 23 employees left the Bank for various reasons and 74 employees had contracts for a specific or a non-specific time period. The average qualification level rose due to the increased number of employees with bachelor's degrees from 212 to 250 (growth of 17.9%), as well as the increase of the number of employees holding masters degrees by 5 or 23.8%.

Table VI. 1.

## QUALIFICATION STRUCTURE OF CNB EMPLOYEES, END-DECEMBER 1997

	PhD	MS	BA	2 yr.	High	Qualified	Unqualif.	Total	Women
NUMBER	3	26	250	47	154	17	43	540	371
SHARE	0.56	4.81	46.30	8.70	28.52	3.15	7.97	100	68.70

The average age of employees is just below 41 years, and average work experience is somewhat more than 16 years. The number of young people without experience has fallen slightly. The average number of years worked at the Bank is 11 and a half years. 134 or one-quarter of employees are younger than 30 years old. There are 83 employees above 50 years old, 15 percent. Given the age and work experience there will be very little natural outflow in the next few years.

The share of those with college degrees in the Croatian National Bank is 51.67 percent. Along with those with 2 years of higher education, this reaches 60.30 percent, which corresponds to the nature of the work and is to be expected from an institution like the Croatian National Bank.

## 6.6.1

## Scholarships

To ensure high-quality personnel for specific and new central banking jobs, the Croatian National Bank has given scholarships to 10 students of economics in their third and fourth years of studies since the fall of 1994. All the scholarship recipients have received their degrees with average grades above 4. This confirms that, through sharp competition and wise selection of scholarship recipients, the recipients chosen show promise of excellent work and development.

## 6.6.2

## Education and Training of Employees

The personnel requirements for further development and improvement of the Bank's work have been assured. These personal requirements are assured via scholarships, employment of trainees and recruitment of established experts, as well as further training of almost all employees.

Table VI.2

Title - content of education	Number	Graduates
Graduate studies in Croatia	44	44
Graduate studies abroad	5	5
Courses in foreign languages	29	149
Seminars in Croatia	79	237
Seminars abroad	56	72
Leadership Development Workshop	1	17
Computer training	5	620
Fire prevention training	1	173
Total	220	1,317

In 1997, the number of graduates of various seminars and expert gatherings in Croatia and abroad increased significantly. Foreign training mainly occurred through technical assistance programs: Austrian Bankers' Club, Weissenbach; Banca d'Italia, Rome; Credit Suisse, Zurich; Joint Vienna Institute, Vienna; IMF, Washington; Centre for Central Banking Studies, London; Deutsche Bundesbank, Frankfurt and others. The majority of the costs of these foreign training courses

are covered by the organizer. The Area of Supervision and Control, in cooperation with American experts, carried out a training program for prudential supervision for 50 employees, lasting a year and a half, also in the form of technical assistance from the USA. A training program was also carried out for the employees of the Department of Foreign Exchange Asset Management, in cooperation with the IMF. Cooperation with the IMF continued on the "Accounting" project. A Leadership Development Workshop was organized for the Bank by the William Davidson Institute.

Fire prevention training applied to those employees who were required by law to undergo such training.

### 6.6.3

#### Wages

Employees' wages rose in accordance with the pay policy of Croatia. However, expert personnel continue to leave for commercial banks and other institutions offering higher pay and other favorable conditions.

### 6.6.4

#### Social and Other Notes

After six years, finally the bank was able to help in the satisfaction of the housing needs of employees with loans at commercial banks on terms agreed to by the Croatian National Bank. After an initial wave of interest in housing loans, interest settled down to rather low levels.

5.43 percent of employees were on sick leave (2.39% at the expense of the Bank and 3.04% at the expense of the Croatian Health Insurance Institute). The rate of sickness is low in comparison with other occupations. One-time monetary support for illness longer than 90 days was given to 28 employees. This was 20 or 41.66 percent less than in the previous year.

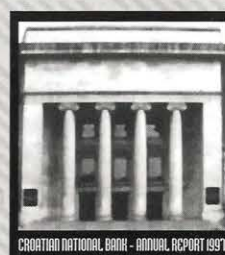
There were eight injuries at work, four less than in the previous year. The number of employees working half-time decreased from six last year to four in 1997. Blood donations were organized three times, and 81 employees participated. 100 employees participated in sports organized by the bank, and 339 employees purchased tickets for cultural events through the bank.



# FINANCIAL REPORT

## ANNUAL FINANCIAL STATEMENT OF THE CNB

7



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



According to the Law on Accounting ("Official Gazette", number 90/92), the Croatian National Bank composes a financial statement, including Balance-Sheet, Income Statement and Notes to the Financial Statement. These statement show the state of funds and funding sources, as well as the business results achieved during the year. The Law on State Auditing requires auditing of the work of the Croatian National Bank once a year.

Table VII. I

**FINANCIAL RESULTS OF THE CROATIAN NATIONAL BANK ACCORDING TO THE 1997 FINANCIAL STATEMENT - INCOME STATEMENT, in thousands of kuna**

	Plan 1997	Outturn 1997	Outturn/plan u %
<b>I. INCOME</b>			
1. Interest revenue	530,000.0	569,917.1	107.5
2. Other income	6,000.0	21,966.5	366.1
<b>TOTAL INCOME</b>	<b>536,000.0</b>	<b>591,883.6</b>	<b>110.4</b>
<b>II. EXPENDITURES</b>			
1. Interest cost	340,350.0	300,210.4	88.2
2. Costs	102,000.0	106,333.6	104.2
<b>TOTAL COSTS</b>	<b>442,350.0</b>	<b>406,544.1</b>	<b>91.9</b>
<b>III. FUNDS ALLOCATED</b>	<b>93,650.0</b>	<b>185,339.5</b>	<b>197.9</b>
1. Capital	20,000.0	20,000.0	100.0
2. Separate reserve fund	-	13,114.1	-
3. Surplus of income over expenditures	73,650.0	152,225.4	206.7

The Croatian National Bank generates income, incurs expenditures and determines a surplus of income above expenditures in the course of its operations. Income generation and covering of expenditures are related to the areas set forth in articles 76 and 77 of the Law of the Croatian National Bank. Income and expenditure are forecast in a financial plan drawn up by the Council of the Croatian National Bank and approved by the Croatian Parliament.

The surplus of income over expenditures that the Croatian National Bank generates during its operations is income for the government budget. If expenditures were larger than income, the shortfall would be covered from the special reserve fund. If this were not adequate, the shortfall would be covered from the government budget.

The financial statement from 1997 shows that the Croatian National Bank had the following financial results in 1997:

- ☐ income amounted to 591.9 million kuna or 10.4 percent more than planned
- ☐ expenditures amounted to 406.6 million kuna or 8.1 percent less than planned
- ☐ the surplus of income over expenditures was 152.2 million kuna or 106.7 percent greater than planned

## 7.1

### Income

The level and composition of income generated by the Croatian National Bank in 1997 in comparison with planned income in 1997 is shown in Table VII. 2:

Table VII. 2

## INCOME OF THE CROATIAN NATIONAL BANK, in thousands of kuna

	Plan 1997	Outturn 1997	% share	Outturn/plan, %
I. INTEREST REVENUE				
a) interest on loans and other placements from primary emission	30,000.0	19,516.8	3.3	65.1
b) interest and other income on funds deposited abroad	500,000.0	550,400.4	93.0	110.1
2. OTHER INCOME	6,000.0	21,966.5	3.7	366.1
TOTAL INCOME	536,000.0	591,883.6	100.0	110.4

Total income of the Croatian National Bank was 591.9 million kuna or 10.4 percent more than planned. The most significant element in the structure of total income was interest on funds deposited abroad, which accounted for 93.0 percent of total income and exceeded the plan by 50.4 million kuna.

## 7.1.1

## Interest Revenue

**a) Interest on loans and other placements from primary emission**

The income generated by the Croatian National Bank from interest on loans and other placements from primary emission amounted to 19.5 million kuna. This was 34.9 percent less than plan and accounted for 3.3 percent of total income.

Income from loans from primary emission decreased because of lower interest rates (they fell from 11 percent to 9.5 percent), as well as decreased demand for loans as a result of the resolution of structural problems from the previous year (the beginning and partial completion of the rehabilitation of the banking system). This helped improve the total liquidity situation of the banking system.

8.1 million kuna of this represents interest income of funds from primary emission placed with banks. Of this, 4.9 million kuna are income on interest from Lombard credits, 1.0 million kuna interest on daily credits (interventive credits were not used in 1997), and 2.2 million kuna from repo auctions of CNB bills. Income from interest on loans to the government amounted to 11.4 million kuna (3.5 million kuna refer to short-term credit, and 7.9 million kuna are interest on long-term credit).

**b) Interest and other income on funds deposited abroad**

The foreign exchange reserves managed by the Croatian National Bank grew from 2,314.0 million USD on December 31, 1996 by 225.0 million USD to 2,539.0 million USD on December 31, 1997.

Interest on foreign exchange deposited abroad in foreign exchange is booked as income of the Croatian National Bank in kuna. In 1997, the average interest rate was 4.45 percent (the planned rate was 4 percent), and income of 550.4 million kuna or 10.1 percent more than plan was realized. The average interest rate for DEM was 3.15 percent in 1997, and for USD it was 5.46 percent.

On the basis of the provisions of the Law on the Croatian National Bank, exchange rate revaluation is calculated. Within the accounting scheme of the Republic of

Croatia, exchange rate revaluation is shown as accounting exchange rate revaluation and as exchange rate revaluation on the basis of sale and purchase of foreign exchange.

On December 31, 1997, positive accounting exchange rate revaluation amounted to 1,798.3 million kuna, and negative were 1,389.2 million kuna, so that a positive net effect of exchange rate revaluation of 409.1 million kuna occurred as a result of exchange rate changes. The positive net effect of accounting exchange rate revaluation was 409.1 million kuna, and the positive net effect of realized exchange rate revaluation in purchase and sale of foreign exchange was 13.1 million kuna was allocated to the special reserve fund.

### 7.1.2

### Other Income

Other income generated in 1997 amounted to 22,0 million kuna and was significantly greater than planned (266.1 percent). It accounted for 3.7 percent of total income.

## 7.2

## Expenditures

The level and composition of expenditures in 1997 in comparison with plan is shown in the following overview:

Table VII. 3

EXPENDITURES OF THE CROATIAN NATIONAL BANK, in thousands of kuna

	Plan 1997	Outturn 1997	% share	Outturn/plan, %
<b>I. INTEREST COST</b>				
a) interest on banks' required reserves	200,000.0	172,019.2	42.3	86.0
b) interest on securities	140,000.0	70,255.6	17.3	50.2
c) interest on foreign exchange deposits	350.0	347.3	0.1	99.2
d) interest on IMF loans	0.0	57,588.4	14.2	0.0
<b>2. COSTS</b>				
a) costs of printing notes and minting coins	10,000.0	10,507.4	2.6	105.1
b) material and other costs	48,000.0	48,335.4	11.9	100.7
c) depreciation	6,000.0	4,725.1	1.1	78.8
d) gross pay of employees	38,000.0	42,765.8	10.5	112.5
<b>TOTAL COSTS</b>	<b>442,350.0</b>	<b>406,544.1</b>	<b>100.0</b>	<b>91.9</b>

According to the financial statement for 1997, costs amounted to 406.6 million kuna, which was 8.1 percent less than planned. The majority of expenditures were on passive interest, while costs were 26.1 percent. Within total passive interest, the largest share was accounted for by interest on required reserves.

### 7.2.1

### Interest Cost

#### a) Interest on required reserves

One of the instrument of monetary policy used to regulate the quantity of money in circulation is the instrument of required reserves. The systems of required reserves in force now was introduced in January 1995, and allows the obligations based on calculated required reserves to be fulfilled in the following way:

- a minimum of 75 percent of calculated required reserves must be kept in a special account at the Croatian National Bank,
- a maximum of 25 percent of calculated required reserves may be kept in the banks' giro accounts and as vault cash for two weeks, beginning on Mondays.

Required reserves are calculated on the basis of a rate of reserve requirement times the calculation base. The calculation base is determined on the basis of the average daily amount of deposits that enter into the calculation base in a four-week period.

At the beginning of 1997, the reserve requirement was 35.85 percent. However, the Council of the Croatian National Bank lowered the rate several times during 1997. In July, the rate was decreased to 31.85 percent, and it remained at that level through the end of the year.

Along with the decrease in the reserve requirement, the interest rate paid by the Croatian National Bank on required reserves held at the Central Bank was decreased. The decrease came in June, when the rate was decreased from 5.5 percent to 4.5 percent ("Official Gazette" number 58/97). This measure affected the amount of passive interest paid by the Croatian National Bank in 1997. The Bank paid 172.0 million kuna to bank and savings banks on this basis (1.8 million kuna of which went to savings banks), which was 14.0 percent less than the planned amount.

The share of interest expenditures on required reserves held at the central bank in total expenditures was 42.3 percent, and was the largest element in total expenditures.

#### **b) Interest on securities**

In addition to the required reserves as an instrument for regulating the quantity of money in circulation, the Croatian National Bank, depending on current monetary developments, issues short-term securities - CNB bills.

Passive interest rates that the central bank paid on CNB bills during 1997 ranged between 7 and 8 percent for 35 day bills, 8.5 to 9 percent for 91 day bills, and 9.5 to 10 percent for 182 day bills.

Passive interest paid by the Croatian National Bank in 1997 to banks and savings bank for CNB bills amounted to 70.3 million kuna, which was 50.2 percent of the planned amount. the share of interest on securities in total costs was 17.3 percent.

#### **c) Interest on foreign exchange deposits (Paris and London Clubs)**

On the basis of article 2 of the Regulation on the Termination of the Application of the Regulation on Repayment of Unpaid Obligations to Foreign Credits ("Official Gazette," number 6/97), foreign exchange deposits at the Croatian National Bank relating to Paris and London Club obligations were taken over by the Ministry of Finance, and the central bank paid interest to Croatian debtors who had deposited their funds with it.

According to the financial statement for 1996, the Croatian National Bank serviced its obligations, and the remaining 21 obligations were serviced in 1997 in the amount of 0.4 million kuna. This is in accordance with plan, and amounts to 0.1 percent of total expenditures.

**d) Interest on IMF loans**

This includes interest calculated and paid by the Croatian National Bank of 57.6 million kuna in 1997 on credit arrangements with the IMF (in SDR, with variable interest rates). According to the Stand-by Arrangement, STF and EFF arrangements, 49.8 million kuna were paid, and 7.8 million were paid according to the net cumulative allocation.

These costs were not defined when the Financial Plan of the Croatian National Bank for 1997 was defined, and accounted for 14.2 percent of total expenditures.

**7.2.2****Costs****a) Costs of printing bills and minting coins**

In 1997, no bank notes were printed, since existing stocks are adequate for meeting the needs for currency in circulation. In fact, existing stocks would have been adequate even in the case of disturbance on the market.

In 1997, the Croatian Monetary Bureau delivered 85.9 million coins at a price of minting of 3.9 million kuna, as well as 760,500 commemorative coins worth 25 kuna each, for which it was paid 2.1 million kuna minting price. If we add to these amounts the costs of making of disks, 3.9 million kuna, customs costs of 0.6 million kuna and costs of making special tools of 99,640.00 kuna, we find that total costs of minting coins in 1997 was 10.5 million kuna or only 5.1 percent more than the planned amount. Minting coins accounted for 2.6 percent of total expenditures.

**b) Material and other costs**

Material and other costs amounted to 48.3 million kuna, which is similar to the planned amount, and its share in total expenditures of the Croatian National Bank was 11.9 percent.

Operating costs include: fees for services of financial institutions, fees for Payments Institute services, wage contributions, costs of the material rights of employees, materials costs (electricity and heat, office materials, fuel, literature etc.) service costs (investment and maintenance, care for business premises, rents, transportation of money, insurance premia etc.) costs of official travel, representation costs, administrative and other costs.

**c) Depreciation**

Using the linear depreciation method, using rates that are equal to or slightly lower than the annual depreciation rates published in the Rulebook on Changes and Additions to the Rulebook on Depreciation ("Official Gazette, number 91/94, to 142/97), depreciation costs of the Croatian National Bank were 4.7 million kuna, or 78.8 percent of planned, because not all of the planned equipment purchases were made. Depreciation costs amounted to 1.1 percent of total expenditures.

**d) Gross pay of employees**

From January 1, 1997, the Government of the Republic of Croatia abandoned its policy of administratively limiting the total wage bill and other employee benefits

in the non-privatized sector. This allowed the Croatian National Bank to determine pay in accordance with its Statute and the Rulebook on Pay and Other Income of Employees of the Croatian National Bank. The Council of the Croatian National Bank decided the amount of pay.

The total amount paid for gross wages in the Croatian National Bank in 1997 amounted to 42.8 million kuna, which was 12.5 percent more than planned. The average amount of net pay per employee in the Croatian National Bank in 1997 was 3,947.23 kuna (without the one-time bonus for annual vacation).

## 7.3

### Funds Allocated

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After covering expenditures out of income generated by the Croatian National Bank, there was an amount of 185.3 million kuna, 97.9 percent more than planned, of funds not spent. These funds were divided into capital and separate reserve funds. After these were allocated, the surplus of income over expenditure remained.

#### 7.3.1

##### Capital

The Law on the Croatian National Bank allows the bank to gather the necessary funds to purchase fixed assets, and to found or participate in the foundation of specialized organizations. The amount of these funds - capital - is forecast in the financial plan, and determined by the final account of the Croatian National Bank. 20.0 million kuna were allocated to capital from the unspent part of income confirmed by the 1997 financial statement.

#### 7.3.2

##### The Special Reserve Fund

In the financial statement for 1997, a positive balance of realized exchange rate revaluations of 13.2 million kuna was booked. On the expenditure side, a negative balance of realized exchange rate revaluations of 0.1 million kuna was booked, after which a positive net effect of 13.1 million kuna remained. In accordance with article 78 of the Law were transferred to the special reserve fund of the Croatian National Bank on a separate subaccount.

## 7.4

### Surplus of Income over Expenditures

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The surplus of income over expenditures, according the article 80 of the Law on the Croatian National Bank, after covering funds allocated to capital and the separate reserve fund, are income of the government budget.

The surplus was 152.2 million kuna in 1997, twice as large as planned (106.7 percent). This occurred thanks to greater income received on foreign exchange deposited abroad, as well as significantly decreased passive interest on securities. The surplus of income over expenditures was 25.7 percent of income realized by the Croatian National Bank.

Table VII. 4

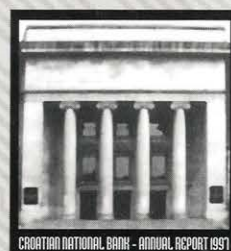
**BALANCE SHEET OF THE CROATIAN NATIONAL BANK,**  
in thousands of kuna, as of December 31

	1996	1997
<b>ASSETS</b>		
A. CURRENT ASSETS	109,088,668.5	112,352,941.4
1. Money assets	93,786,262.3	94,837,230.0
2. Claims based on business relations and funds in collection	38,010.6	78,204.8
3. Short-term credits	212,175.2	30,900.2
4. Short-term foreign exchange deposits	11,957,130.6	14,565,970.3
5. Long-term credits	206,530.6	2,630.2
6. Long-term credits in foreign exchange	12,425.1	0.0
7. Material assets, long-term investment and funds set aside according to special regulations	2,876,134.0	2,838,005.8
<b>TOTAL ASSETS</b>	109,088,668.5	112,352,941.4
Off-balance sheet item - assets	7,578,306.8	8,922,507.4
<b>LIABILITIES</b>		
A. SOURCE OF CURRENT ASSETS	107,341,073.4	110,161,391.3
1. Long-term sources of business assets	98,322,924.5	99,650,436.0
2. Short-term and long-term sources of business assets	1,473,990.7	1,864,300.2
3. Current obligations from business relations	7,544,158.2	8,646,655.1
B. SEPARATE RESERVES	1,747,595.2	2,191,550.2
<b>TOTAL LIABILITIES</b>	109,088,668.5	112,352,941.4
Off-balance sheet items - liabilities	7,578,306.8	8,922,507.4



# MANAGEMENT OF THE CNB

December 31, 1997



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



# MEMBERS OF THE COUNCIL OF THE CROATIAN NATIONAL BANK

Chairman of the Council

**Marko Škreb**

**Zdravko Rogić**

**Relja Martić**

**Dragutin Zaninović**

**Pero Jurković**

**Borislav Škegro**

**Ivan Milas**

**Marin Kružičević**

**Branko Vukmir**

**Gorazd Nikić**

**Mate Babić**

**Vlado Leko**

## MANAGEMENT OF THE CNB

**Marko Škreb**, Governor

**Zdravko Rogić**, Deputy Governor

**Relja Martić**, Vice Governor

**Dragutin Zaninović**, Vice Governor

## BOARD OF EXECUTIVE DIRECTORS

Research and Statistics Area - **Velimir Šonje**

Area of Central Banking Operations - **Adolf Matejka**

International Financial Relations Area - **Jadranka Granić**

Area of Control and Supervision - **Ivica Miletić**

Accounting, Treasury and Payment Operations Area - **Đurđica Haramija**

Area of Organization Planning and Information Processing - **Petar Ćurković**

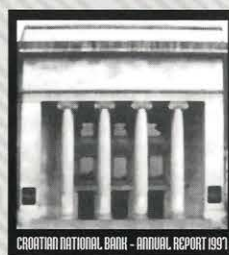
Area of Legal Affairs and General Services -

Mladen Šunjić relieved of duties on December 5, 1996 - resolved at the meeting of the Council of the Croatian National Bank held on January 8, 1997.



# INTERNAL ORGANIZATION OF THE CNB

December 31, 1997



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



**THE COUNCIL OF THE CROATIAN NATIONAL BANK**

**GOVERNOR**  
**Marko Škreb**

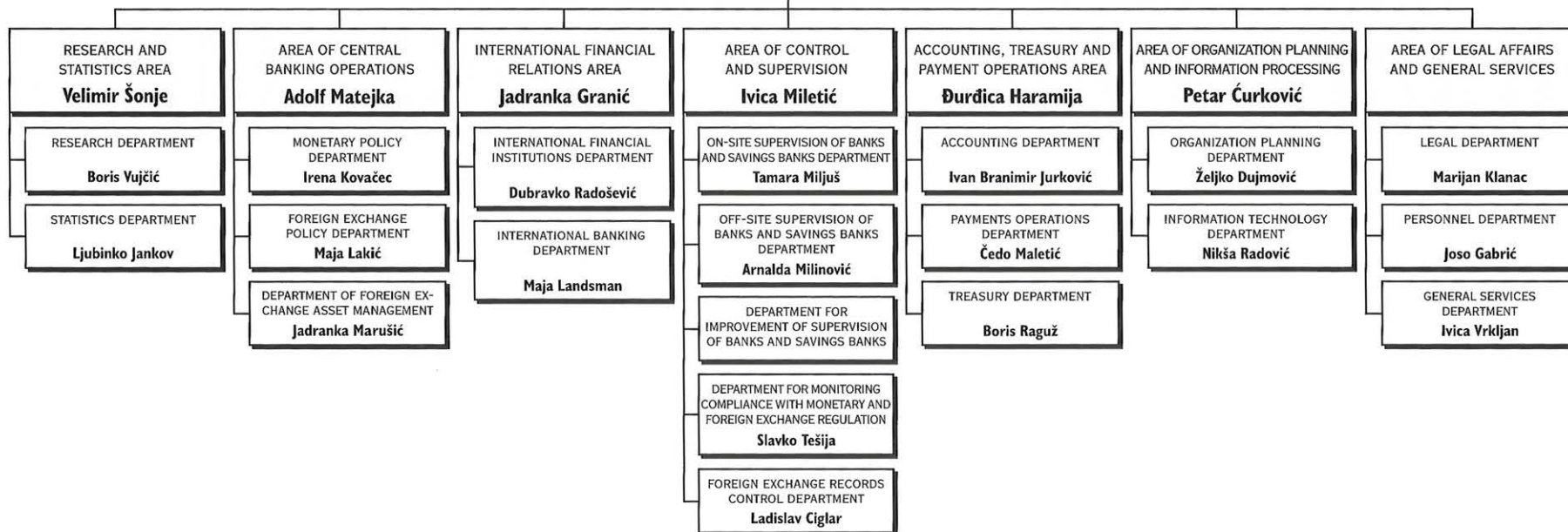
**DEPUTY GOVERNOR**  
**Zdravko Rogić**

**VICE GOVERNORS**  
**Relja Martić, Dragutin Zaninović**

**INTERNAL AUDIT: Ivica Prga**

**OFFICE OF THE GOVERNOR: Lidija Pleadin**

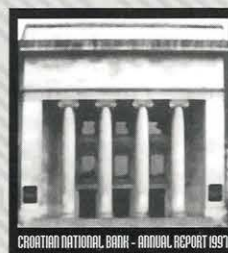
**BOARD OF EXECUTIVE DIRECTORS**





# LIST OF BANKS

December 31, 1997



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



# LIST OF COMMERCIAL BANKS

---

\* **AGRO-OBRTNIČKA BANKA D.D.**

Amruševa 8  
10000 ZAGREB

Tel.: ++ 385-1 / 4553 069  
Fax: ++ 385-1 / 278 671  
Tlx.: 21608  
SWIFT: AOBH HR 2X

\* **ALPE JADRAN BANKA D.D.**

Starčevićeva 1  
21000 SPLIT

Tel.: ++ 385-21 / 305 305  
Fax: ++ 385-21 / 305 306  
Tlx.: 26647 ajbank rh  
SWIFT: AJBK HR 2X

\* **BANK AUSTRIA (CROATIA) D.D.**

Trg bana J. Jelačića 4  
10000 ZAGREB

Tel.: ++ 385-1 / 4800 777; 4800 757  
Fax: ++ 385-1 / 273 177  
SWIFT: BKAU HR 2X

\* **BJELOVARSKA BANKA D.D.**

Jurja Haulika 19a  
43000 BJELovar

Tel.: ++ 385-43 / 275 101; 275 100  
Fax: ++ 385-43 / 241 897  
Tlx.: 23330 bjelba rh  
SWIFT: BJBA HR 2X

**International Division**

Tel.: ++ 385-43 / 275 115; 275 125  
Fax: ++ 385-43 / 275 144

\* **BNP - DRESDNER BANK (CROATIA) D.D.**

A. Žaje 61  
10000 ZAGREB

Tel.: ++ 385-1 / 352 777  
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SWIFT: BNDB HR 2X

\* **BRODSKO-POSAVSKA BANKA D.D.**

Trg pobjede 29  
35000 SLAVONSKI BROD

Tel.: ++ 385-35 / 445 700; 445 800  
Fax: ++ 385-35 / 445 900  
SWIFT: BROD HR 22

\* **CASSA DI RISPARMIO DI TRIESTE  
BANCA D.D. - ZAGREB /  
TRŠĆANSKA ŠTEDIONICA - BANKA D.D.**

Smičiklasova 23  
10000 ZAGREB

Tel.: ++ 385-1 / 415 678; 413 895; 4553 495  
Fax: ++ 385-1 / 415 299; 413 623  
SWIFT: TSBZ HR 22

\* **CENTAR BANKA D.D.**

Jurišićeva 24/II  
10000 ZAGREB

Tel.: ++ 385-1 / 4810 266; 423 454  
Fax: ++ 385-1 / 4810 620  
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SWIFT: CBZG HR 2X

\* **CIBALAE BANKA D.D.**

H. D. Genschera 2  
32000 VINKOVCI

Tel.: ++ 385-32 / 331 144; 331 307  
Fax: ++ 385-32 / 331 595; 331 172  
Tlx.: 28254 cibank rh  
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**International Division**

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\*\* **CONVEST BANKA D.D.**

Gajeva ulica 33  
10000 ZAGREB

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Fax: ++ 385-1 / 271 942

LIST OF BANKS

\* **CREDO BANKA D.D.**

Kralja Zvonimira 14/10  
21000 SPLIT

Tel.: ++ 385-21 / 511 746; 525 099; 522 967  
Fax: ++ 385-21 / 551 014  
SWIFT: CDBS HR 22

\* **CROATIA BANKA D.D.**

Kvaternikov trg 9  
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Tlx.: 21146 cb zg rh

\* **ČAKOVEČKA BANKA D.D.**

Katarine Zrinski 1  
40000 ČAKOVEC

Tel.: ++ 385-40 / 311 433; 311 424; 311 435  
Fax: ++ 385-40 / 315 101

**International Division**

Poljičke Poljane 5  
10000 ZAGREB

Tel.: ++ 385-1 / 6116 660; 6116 661  
Fax: ++ 385-1 / 533 136; 535 167  
Tlx.: 22507 ckbzfzgrh  
SWIFT: CAKB HR 22

\* **DALMATINSKA BANKA D.D.**

Trg Sv. Stošije 3  
23000 ZADAR

Tel.: ++ 385-23 / 311 311; 437 113  
Fax: ++ 385-23 / 437 867; 433 145  
Tlx.: 27224 dbk zd rh  
SWIFT: DBZD HR 2X  
Reuters: DBZH

\* **DUBROVAČKA BANKA D.D.**

Put Republike 5  
20000 DUBROVNIK

Tel.: ++ 385-20 / 431 366; 411 924  
Fax: ++ 385-20 / 411 035; 412 814  
Tlx.: 27540 hrvdubank  
27592 hrvdubank  
SWIFT: DUBA HR 2X

\* **GLUMINA BANKA D.D.**

Svetice 15  
10000 ZAGREB

Tel.: ++ 385-1 / 2332 344; 220 125  
Fax: ++ 385-1 / 214 378  
SWIFT: GLUM HR 22

\* **GOSPODARSKO KREDITNA BANKA D.D.**

Maksimirska 120  
10000 ZAGREB

Tel.: ++ 385-1 / 2395 800; 2395 801; 2395 906  
Fax: ++ 385-1 / 2395 803; 2395 902  
Tlx.: 22404 ccb zg hr  
SWIFT: CCBZ HR 2X

\* **GRADSKA BANKA D.D. OSIJEK**

Šetalište kardinala Franje Šepera 12  
31000 OSIJEK

Tel.: ++ 385-31 / 145 581; 145 582  
Fax: ++ 385-31 / 145 595  
SWIFT: GBOS HR 22 OSI

**International Division**

Savska c. 41/I  
10000 ZAGREB

Tel.: ++ 385-1 / 6121 447  
Fax: ++ 385-1 / 6176 669  
Tlx.: 22451 GB SPI RH  
SWIFT: GBOS HR 22

\* **HRVATSKA GOSPODARSKA BANKA D.D.**

Metalčeva 5  
10000 ZAGREB

Tel.: ++ 385-1 / 351 888  
Fax: ++ 385-1 / 351 849  
Tlx.: 21664, (ANSWERBAC) HGB RH  
SWIFT: HGBK HR 2X

\* **HRVATSKA POŠTANSKA BANKA D.D. (HPB)**

Jurišićeva 4  
10000 ZAGREB

Tel.: ++ 385-1 / 4810 774  
Fax: ++ 385-1 / 4810 773  
SWIFT: HPBZ HR 2X

\* **HYPO BANKA CROATIA D.D.**

Koturaška 47  
10000 ZAGREB

Tel.: ++ 385-1 / 6103 550  
Fax: ++ 385-1 / 6103 626  
SWIFT: KLHB HR 22

**\*\* HYPOBANKA D.O.O.**

Vodovodna 20a  
10000 ZAGREB

Tel.: ++ 385-1 / 339 082; 339 573  
Fax: ++ 385-1 / 339 079  
Tlx.: 21621 hipzg rh  
SWIFT: HYZG HR 22 BIC

**\* ILIRIJA BANKA D.D.**

Avenija Dubrovnik 10  
10000 ZAGREB

Tel.: ++ 385-1 / 6551 115  
Fax: ++ 385-1 / 6551 139; 6551 144  
Tlx.: 21201 iliri rh  
SWIFT: ILIR HR 2X  
Reuters: IBZH

**International Division**

Tel.: ++ 385-1 / 6551 114; 6551 116

**\* IMEX BANKA D.O.O.**

Tolstojeva 6  
21000 SPLIT

Tel.: ++ 385-21 / 357 015; 357 025  
Fax: ++ 385-21 / 583 849  
Tlx.: 26191  
SWIFT: IMXX HR 22

**\* ISTARSKA BANKA D.D.**

Dalmatinova 4  
52100 PULA

Tel.: ++ 385-52 / 527 101; 527 309; 527 377  
Fax: ++ 385-52 / 211 498  
Tlx.: 24746, 24716 ibpu rh  
SWIFT: IBPU HR 2X

**\* ISTARSKA KREDITNA BANKA UMAG D.D.**

Ernesta Miloša 1  
52470 UMAG

Tel.: ++ 385-52 / 741 622; 741 536  
Fax: ++ 385-52 / 741 275; 741 396  
Tlx.: 24745 ikb rh

**International Division**

Tel.: ++ 385-52 / 741 394; 741 324  
Fax: ++ 385-52 / 741 396  
SWIFT: ISKB HR 2X

**\* JADRANSKA BANKA D.D.**

Ante Starčevića 4  
22000 ŠIBENIK

Tel.: ++ 385-22 / 34 244; 35 880; 33 388  
Fax: ++ 385-22 / 35 881; 39 010  
Tlx.: 27435, 27 346 jbs rh  
SWIFT: JADR HR 2X

**\* KAPTOL BANKA D.D.**

Maksimirska 120  
10000 ZAGREB

Tel.: ++ 385-1 / 2391 999  
Fax: ++ 385-1 / 2335 880  
SWIFT: KPZG HR 22

**\* KARLOVAČKA BANKA D.D.**

I. G. Kovačića 1  
47000 KARLOVAC

Tel.: ++ 385-47 / 223 333; 223 892  
Fax: ++ 385-47 / 220 653  
Tlx.: 23742 kb ka rh  
SWIFT: KALC HR 2X

**International Division**

V. Mačeka 8  
47000 KARLOVAC  
Tel.: ++ 385-47 / 224 042; 224 052; 611 057  
Fax: ++ 385-47 / 224 157

**\* KOMERCIJALNA BANKA ZAGREB D.D.**

Frankopanska 11  
10000 ZAGREB

Tel.: ++ 385-1 / 4557 777; 425 063  
Fax: ++ 385-1 / 425 063  
Tlx.: 21595 pbs zg rh  
SWIFT: KOBZ HR 22

**\* KRAPINSKO-ZAGORSKA BANKA D.D.**

Magistratska 3  
49000 KRAPINA

Tel.: ++ 385-49 / 370 770; 370 722; 370 773  
Fax: ++ 385-49 / 370 771; 370 822

**\* KREDITNA BANKA ZAGREB D.D.**

Avenija Vukovar 74  
10000 ZAGREB

Tel.: ++ 385-1 / 6115 910  
Fax: ++ 385-1 / 6116 466; 6116 468  
Tlx.: 21197 krez zg rh  
SWIFT: KREZ HR 2X

LIST OF BANKS

\* **KVARNER BANKA D.D.**  
Krešimirova 28  
51000 RIJEKA

Tel.: ++ 385-51 / 211 946; 208 725  
Fax: ++ 385-51 / 211 955  
SWIFT: KVRB HR 22 BIC

\* **LAGUNA BANKA D.D.**  
Prvomajska 4a  
52000 POREČ

\*\*\* **LIBERTAS BANKA D.D.**  
Put Iva Vojnovića 31  
20000 DUBROVNIK

\* **MEĐIMURSKA BANKA D.D.**  
Valenta Moradinija 37  
40000 ČAKOVEC

Tel.: ++ 385-40 / 313 035  
Fax: ++ 385-40 / 314 610; 315 065  
Tlx.: 23251 banka rh  
SWIFT: MBCK HR 2X

\*\* **NAVA BANKA D.D.**  
Tratinska 27  
10000 ZAGREB

Tel.: ++ 385-1 / 356 777; 356 766  
Fax: ++ 385-1 / 356 700

\*\* **NERETVANSKA GOSPODARSKA BANKA D.D.**  
Trg kralja Tomislava 23  
20840 PLOČE

Tel.: ++ 385-20 / 679 262; 679 538  
Fax: ++ 385-20 / 679 838

\* **PARTNER BANKA D.D.**  
Vončinina 2  
10000 ZAGREB

Tel.: ++ 385-1 / 4602 222  
Fax: ++ 385-1 / 4602 280  
Tlx.: 21212 parbaz rh  
SWIFT: PAZG HR 2X

\* **PODRAVSKA BANKA D.D.**  
Opatička 1a  
48300 KOPRIVNICA

Tel.: ++ 385-48 / 622 193  
Fax: ++ 385-48 / 622 542  
Tlx.: 23368 pod kc rh  
SWIFT: PDKC HR 2X

**International Division**  
Ivana Meštrovića 33  
48300 KOPRIVNICA  
Tel.: ++ 385-48 / 655 194; 655 134  
Fax: ++ 385-48 / 655 135  
Tlx.: + 599 23311 pod kc rh

\* **POŽEŠKA BANKA D.D.**  
Republike Hrvatske 1b  
34 000 POŽEGA

Tel.: ++ 385-34 / 282 466  
Fax: ++ 385-34 / 271 006  
Tlx.: 28550 kb slp rh  
SWIFT: POBK HR 2X

**International Division**  
Tel.: ++ 385-34 / 72 218

\* **PRIVREDNA BANKA ZAGREB D.D.**  
Račkoga 6 / P.O. Box 1032  
10000 ZAGREB

Tel.: ++ 385-1 / 4610 401; 4610 447  
Fax: ++ 385-1 / 4610 429  
Tlx.: 21120 pbz rh  
SWIFT: PBZG HR 2X  
Reuters: PBZH

**International Division**  
Tel.: ++ 385-1 / 4611 303; 4611 414  
Fax: ++ 385-1 / 4552 371

\* **PROMDEI BANKA D.D.**  
Kralja Držislava 1  
10000 ZAGREB

Tel.: ++ 385-1 / 4551 379; 4551 277; 412 939  
Fax: ++ 385-1 / 449 553  
Tlx.: 21248 promde rh  
SWIFT: PDEI HR 2X

\*\* **RAZVOJNA BANKA "DALMACIJA" D.D.**  
Poljička cesta 39  
21000 SPLIT

Tel.: ++ 385-21 / 365 904; 371 000  
Fax: ++ 385-21 / 365 904; 371 000

\* **RAIFFEISENBANK AUSTRIA D.D.**  
Petrinjska 59  
**10000 ZAGREB**

Tel.: ++ 385-1 / 4566 466; 4566 425  
Fax: ++ 385-1 / 48 11 624  
SWIFT: RZBH HR 2X

\* **RIADRIA BANKA D.D.**

Gjуре Šporera 3  
**51000 RIJEKA**

Tel.: ++ 385-51 / 339 111; 339 803  
Fax: ++ 385-51 / 211 093; 211 013  
Tlx.: 24 161

**International Division**

Tel.: ++ 385-51 / 333 406; 330 194  
Fax: ++ 385-51 / 211 551  
SWIFT: ADRI HR 2X

\* **RIJEČKA BANKA D.D.**

Jadranski trg 3a  
**51000 RIJEKA**

Tel.: ++ 385-51 / 208 211  
Fax: ++ 385-51 / 330 525; 331 880  
Tlx.: 24 143 bankom rh  
SWIFT: RBRI HR 2X  
Reuters: RBRH

\*\* **SAMOBORSKA BANKA D.D.**

Trg Kralja Tomislava 8  
**10430 SAMOBOR**

Tel.: ++ 385-1 / 782 530  
Fax: ++ 385-1 / 781 523  
Tlx.: 21811 samba rh

\* **SISAČKA BANKA D.D.**

Trg Lj. Posavskog 1  
**44000 SISAČ**

Tel.: ++ 385-44 / 522 047; 522 566  
Fax: ++ 385-44 / 22 090  
Tlx.: 23645 sbdd sk rh  
SWIFT: SSKB HR 2X

\* **SLATINSKA BANKA D.D.**

Nazorova 2  
**33520 SLATINA**

Tel.: ++ 385-33 / 551 526; 551 354  
Fax: ++ 385-33 / 551 566  
Tlx.: 28277 slatb rh  
SWIFT: SBSL HR 2X

\* **SLAVONSKA BANKA D.D.**

Lorenza Jägera 2  
**31000 OSIJEK**

Tel.: ++ 385-31 / 131 131  
Tel. (International Division): ++ 385-31 / 131 403  
Fax: ++ 385-31 / 124 537  
Tlx.: 28235; 28090 banka rh  
SWIFT: SLBO HR 2X

\* **SPLITSKA BANKA D.D.**

Ruđera Boškovića 16  
**21000 SPLIT**

Tel.: ++ 385-21 / 370 500; 370 516  
Fax: ++ 385-21 / 370 541  
Tlx.: 26252 st bank rh  
SWIFT: SPLI HR 2X

**International Division**

Ruđera Boškovića 28  
**21000 SPLIT**  
Tel.: ++ 385-21 / 563 611; 563 873  
Fax: ++ 385-21 / 526 107  
Tlx.: 26161 st bank rh

\* **ŠTEDBANKA D.O.O.**

Veprinačka 16  
**10000 ZAGREB**

Tel.: ++ 385-1 / 337 166; 324 957  
Fax: ++ 385-1 / 305 140  
SWIFT: STED HR 22

\* **TRGOVAČKA BANKA D.D.**

Varšavska 3-5  
**10000 ZAGREB**

Tel.: ++ 385-1 / 4561 999  
Fax: ++ 385-1 / 4561 900  
Tlx.: 22370 tb rh  
SWIFT: TRGB HR 2X

\*\* **TRGOVAČKO-TURISTIČKA BANKA D.D.**

Kralja Petra Svačića 4  
**21000 SPLIT**

Tel.: ++ 385-21 / 361 755; 361 729  
Fax: ++ 385-21 / 362 122  
Tlx.: 26609

LIST OF BANKS

\* **VARAŽDINSKA BANKA D.D.**

P. Preradovića 17  
42000 VARAŽDIN

Tel.: ++ 385-42 / 106 122; 106 190  
Fax: ++ 385-42 / 106 102  
Tlx.: 23224 banka rh  
SWIFT: VBDD HR 2X  
Reuters: VBVH

**International Division**

Tel.: ++ 385-42 / 106 000  
Fax: ++ 385-42 / 55 114; 55 569  
Tlx.: 23203 banka rh

\* **VOLKSBANK D.D.**

Varšavska 9  
10000 ZAGREB

Tel.: ++ 385-1 / 425 116; 425 216  
Fax: ++ 385-1 / 333 904

\* **VUKOVARSKA BANKA D.D.**

Trg bana J. Jelačića 1/II  
10000 ZAGREB

Tel.: ++ 385-1 / 4812 562; 4812 564  
Fax: ++ 385-1 / 4812 563  
SWIFT: VUBA HR 2X

\* **ZAGREBAČKA BANKA D.D.**

Paromlinska 2  
10000 ZAGREB

Tel.: ++ 385-1 / 6130 444  
Fax: ++ 385-1 / 536 626  
Tlx.: 21462 zaba rh  
SWIFT: ZABA HR 2X  
Reuters: ZBZH

**International Division**

Savska 60  
10000 ZAGREB  
Tel.: ++ 385-1 / 6120 444  
Fax: ++ 385-1 / 534 040  
Tlx.: 21211 zaba rh

\* **ZAGREBAČKA BANKA - POMORSKA  
BANKA SPLIT D.D.**

Ivana Gundulića 26  
21000 SPLIT

Tel.: ++ 385-21 / 352 222  
Fax: ++ 385-21 / 357 079  
Tlx.: 26333, 26199 zg pbk rh  
SWIFT: ZAPO HR 22

**International Division**

Tel.: ++ 385-21 / 352 288; 352 390  
Fax: ++ 385-21 / 352 242

\* **ŽUPANJSKA BANKA D.D.**

J. J. Strossmayera 9  
56270 ŽUPANJA

Tel.: ++ 385-32 / 832 010; 832 020; 831 410  
Fax: ++ 385-32 / 832 646  
Tlx.: 28216 kbz rh  
SWIFT: ZUBA HR 2X

**International Division**

Tel.: ++ 385-32 / 833 824  
Fax: ++ 385-32 / 833 590

## **BRANCHES OF FOREIGN BANKS**

\* **Branch of  
SOCIETE GENERALE D.D. PARIS**

Preradovićeve 35/1  
10000 ZAGREB

Tel.: ++ 385-1 / 6159 206  
SWIFT: SOGE HR 22

\* licenced commercial bank with full  
authorization

\*\* licenced commercial bank with limited  
authorization

\*\*\* licenced commercial bank not yet operative

# LIST OF SAVINGS BANKS

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**ADRIA ŠTEDIONICA d.o.o.**

Zagreb, Poljička 31  
Tel.: ++ 385-1 / 6116 294; 6116 295

**BANICA Credo ŠTEDIONICA d.o.o.**

Split, Matica hrvatske 1  
Tel.: ++ 385-21 / 314 488

**GOLD ŠTEDIONICA d.o.o.**

Split, Poljička 39  
Tel.: ++ 385-21 / 313 645; 313 754

**GOSPODARSKA ŠTEDIONICA d.o.o.**

Vrbovec, Stjepana Radića 2  
Tel.: ++ 385-1 / 892 888

**GRAĐANSKA ŠTEDIONICA d.o.o.**

Karlovac, Preradovićeve 5  
Tel.: ++ 385-1 / 481 4388; 481 4389

**HIBIS ŠTEDIONICA d.o.o.**

Zagreb, Vlaška 62  
Tel.: ++ 385-1 / 442 925

**INVEST ŠTEDIONICA d.o.o.**

Zagreb, Savska 41  
Tel.: ++ 385-1 / 6176 603; 6176 604; 6176 605

**INVESTICIJSKO-KOMERCIJALNA  
ŠTEDIONICA d.d.**

Zagreb, Pantovčak 192a  
Tel.: ++ 385-1 / 4578 400

**KRAPINSKA ŠTEDIONICA d.d.**

Krapina, Gajeva 2  
Tel.: ++ 385-49 / 370 627

**MARVIL ŠTEDIONICA d.o.o.**

Zagreb, Ivana Šibla 9  
Tel.: ++ 385-1 / 6601 627

**MEĐIMURSKA ŠTEDIONICA d.d.**

Čakovec, Kralja Tomislava 31  
Tel.: ++ 385-40 / 315 438; 311 461

**NAVA ŠTEDIONICA d.d.**

Zagreb, Tratinska 27  
Tel.: ++ 385-1 / 4846 227

**PRIMORSKA ŠTEDIONICA d.d.**

Rijeka, Riva 6  
Tel.: ++ 385-51 / 215 222

**PRVA OBRTNIČKA ŠTEDIONICA d.o.o.**

Zagreb, Tkalčičeva 11  
Tel.: ++ 385-1 / 4800 255; 4800 111

**SLAVONSKA ŠTEDIONICA d.d.**

Zagreb, Medvedgradska 47  
Tel.: ++ 385-1 / 4666 877; 4666 728

**ŠTEDIONICA BANAK d.o.o.**

Pula, Flanatička 11/I  
Tel.: ++ 385-52 / 217 392

**ŠTEDIONICA "DORA d.d.**

Zagreb, Nova cesta 89  
Tel.: ++ 385-1 / 304 558

**ŠTEDIONICA DUGI POGLED d.o.o.**

Zagreb, Planinska 1  
Tel.: ++ 385-1 / 2304 888

**ŠTEDIONICA ISTRANOVA d.d.**

Pula, Sergijevaca 3  
Tel.: ++ 385-52 / 212 133

**ŠTEDIONICA KOVANICA d.d.**

Varaždin, Zagrebačka 10  
Tel.: ++ 385-42 / 212 729

**\* ŠTEDIONICA MEDITERAN d.o.o.**

Split, Matice hrvatske 1  
Tel.: ++ 385-21 / 305 103; 305 117

**\* ŠTEDIONICA MORE d.o.o.**

Zagreb, Vlaška 67  
Tel.: ++ 385-1 / 4617 727

**ŠTEDIONICA SA-GA d.o.o.**

Zagreb, Ljubljanska avenija 100  
Tel.: ++ 385-1 / 3880 588

**ŠTEDIONICA SONIC d.o.o.**

Zagreb, Jakova Gotovca 1  
Tel.: ++ 385-1 / 411 697

**ŠTEDIONICA SPLITSKO  
DALMATINSKA d.o.o.**

Split, Boktulin put bb  
Tel.: ++ 385-21 / 352 585

**ŠTEDIONICA ZA RAZVOJ I OBNOVU d.o.o.**

Zagreb, Koturaška 53  
Tel.: ++ 385-1 / 4559 666

**ŠTEDIONICA ZAGIŠTED d.d.**

Zagreb, Hribarov prilaz 6a  
Tel.: ++ 385-1 / 672 101; 681 552

**ŠTEDIONICA ZLATICA d.o.o.**

Zagreb, Gajeva 28  
Tel.: ++ 385-1 / 445 496

LIST OF BANKS

**ŠTEDIONICA "ZLATNI VRUTAK" d.d.**

Zagreb, Maksimirska 39

Tel.: ++ 385-1 / 2301 949; 2301 951

**TRGOVAČKA ŠTEDIONICA d.o.o.**

Zagreb, Utješinovićeve 7

Tel.: ++ 385-1 / 2339 610; 2339 611

**V i D ŠTEDIONICA d.o.o.**

Zagreb, Ulica grada Vukovara 52b

Tel.: ++ 385-1 / 6111 330

**ZAGREBAČKA ŠTEDIONICA d.d. Zagreb,**

Budakova 1d

Tel: ++ 385-1 / 2301 333

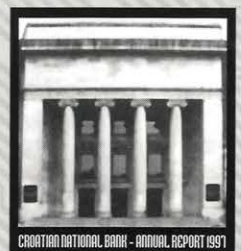
**\* ZAPAD ŠTEDIONICA d.o.o.**

Zagreb, Zlatka Šulentića 9a

Tel: ++ 385-1 / 159 702; 194 329

**\* licenced savings bank not yet operative**

# STATISTICAL APPENDIX



CROATIAN NATIONAL BANK - ANNUAL REPORT 1997



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## **NOTES ON METHODOLOGY**

## **LIST OF ABBREVIATIONS AND SYMBOLS**

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\* Data on Balance of Payments of the Republic of Croatia are under review. Tables H1-H4 show preliminary data representing results of the first phase of the revision. Final data will be released at the end of 1998, at the end of the second phase of the revision.

Table A1: Monetary and Credit Aggregates  
End of period, millions of kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1993	December	2,248.9	3,133.9	3,758.7	10,060.0	12,022.5	20,287.9	-	-	-	-	-	-
1994	December	4,714.2	6,639.6	6,988.4	17,480.7	16,345.0	27,313.3	11.73	2.12	3.71	1.10	10.51	2.14
1995	December	6,744.1	8,274.8	8,497.4	24,536.9	21,511.6	32,478.1	2.97	0.93	1.54	3.40	0.99	1.85
1996	September	7,881.6	10,325.9	10,493.1	33,231.9	25,168.9	36,484.7	-1.43	-1.22	-1.46	1.77	0.35	1.46
	October	7,962.9	10,611.3	10,786.0	34,354.8	26,259.4	37,308.1	1.03	2.76	2.79	3.38	4.33	2.26
	November	7,876.2	10,590.4	10,677.3	34,905.1	26,321.6	37,938.6	-1.09	-0.20	-1.01	1.60	0.24	1.69
	December	8,770.4	11,409.4	11,489.5	36,595.6	24,885.7	33,488.6	11.35	7.73	7.61	4.84	-5.46	-11.73
1997	January	8,331.3	10,683.0	10,734.7	37,374.4	26,419.0	34,051.8	-5.01	-6.37	-6.57	2.13	6.16	1.68
	February	8,091.3	10,679.0	10,767.5	38,274.7	25,338.0	34,792.9	-2.88	-0.04	0.31	2.41	-4.09	2.18
	March	8,420.0	10,995.0	11,093.5	39,292.1	26,654.0	36,181.6	4.06	2.96	3.03	2.66	5.19	3.99
	April	8,591.9	11,405.9	11,466.4	40,596.4	28,618.1	37,726.2	2.04	3.74	3.36	3.32	7.37	4.27
	May	8,742.8	11,472.3	11,518.9	41,207.9	28,893.4	38,451.3	1.76	0.58	0.46	1.51	0.96	1.92
	June	9,184.7	12,017.9	12,243.2	43,063.8	29,901.3	40,037.9	5.05	4.76	6.29	4.50	3.49	4.13
	July	9,605.9	13,128.0	13,302.3	46,545.4	27,701.8	42,209.4	4.59	9.24	8.65	8.08	-7.36	5.42
	August	9,839.8	13,787.7	13,875.9	48,437.9	28,443.3	42,984.0	2.43	5.02	4.31	4.07	2.68	1.84
	September	9,713.4	13,266.7	13,327.5	48,973.9	29,289.1	43,452.0	-1.28	-3.78	-3.95	1.11	2.97	1.09
	October	9,552.1	13,272.8	13,321.7	49,222.5	30,708.3	44,400.1	-1.66	0.05	-0.04	0.51	4.85	2.18
	November	9,592.0	13,271.9	13,325.0	49,305.4	31,915.8	46,006.8	0.42	-0.01	0.03	0.17	3.93	3.62
	December	10,346.1	13,795.2	13,841.8	50,342.7	33,488.3	48,264.2	7.86	3.94	3.88	2.10	4.93	4.91
1998	January	9,947.6	12,768.9	12,821.4	50,593.8	35,086.9	48,980.3	-3.85	-7.44	-7.37	0.50	4.77	1.48
	February	9,465.6	12,438.9	12,451.8	50,769.8	35,667.4	50,420.6	-4.85	-2.58	-2.88	0.35	1.65	2.94
	March	9,520.8	12,835.7	12,831.8	51,656.4	37,087.3	52,019.3	0.58	3.19	3.05	1.75	3.98	3.17

**Table B1: Monetary Survey**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>ASSETS</b>											
1. Foreign assets (net)	-1,962.5	1,135.8	3,025.3	11,709.9	12,638.2	13,162.5	19,684.7	16,854.4	15,506.9	15,102.4	14,569.0
2. Domestic credit	39,357.0	42,937.6	47,633.6	48,121.6	49,386.0	52,513.3	51,076.7	55,596.0	56,233.7	57,103.8	58,248.6
2.1. Claims on central government and funds (net)	19,069.1	15,624.3	15,155.5	14,633.0	13,204.4	12,475.4	7,624.7	7,331.8	7,253.5	6,683.1	6,229.3
2.2. Claims on other domestic sectors	20,262.0	27,221.6	32,346.6	33,311.1	35,953.3	39,780.7	43,170.2	47,950.5	48,675.0	50,096.5	51,700.8
2.3. Claims on other banking institutions	10.2	30.0	30.8	38.4	53.1	68.9	74.8	72.9	79.2	81.7	77.5
2.4. Claims on other financial institutions	15.7	61.8	100.6	139.1	175.2	188.2	207.0	240.9	226.1	242.4	241.0
Total (1+2)	37,394.5	44,073.4	50,658.9	59,831.5	62,024.1	65,675.8	70,761.4	72,450.4	71,740.6	72,206.2	72,817.6
<b>LIABILITIES</b>											
1. Money	3,133.9	6,639.6	8,274.8	11,409.4	10,995.0	12,017.9	13,266.7	13,795.2	12,768.9	12,438.9	12,835.7
2. Savings and time deposits	1,465.6	1,866.9	2,037.9	3,254.7	3,816.0	4,256.7	5,103.8	5,350.8	5,403.0	5,596.5	5,581.3
3. Foreign currency deposits	5,412.3	8,775.3	14,099.4	21,802.0	24,315.3	26,630.2	30,422.1	31,059.6	32,297.7	32,619.9	33,113.4
4. Bonds and money market instruments	48.3	199.0	124.8	129.5	165.8	159.0	181.3	137.0	124.2	114.5	125.9
5. Restricted and blocked deposits	14,262.9	12,122.3	10,711.0	8,301.0	7,605.2	7,309.3	6,181.9	5,950.5	5,217.1	5,191.3	5,189.7
o/w: Households' blocked f/c deposits	13,857.4	11,470.6	9,812.5	7,168.2	6,519.9	6,100.1	4,957.1	4,571.8	4,236.0	4,180.8	4,156.2
6. Other items (net)	13,071.5	14,470.4	15,411.0	14,935.0	15,126.9	15,302.7	15,605.7	16,157.3	15,929.8	16,245.0	15,971.6
Total (1+2+3+4+5+6)	37,394.5	44,073.4	50,658.9	59,831.5	62,024.1	65,675.8	70,761.4	72,450.4	71,740.6	72,206.2	72,817.6

Table B2: Number of Reporting Deposit Money Banks <sup>1)</sup>  
and Savings Banks and their Classification by Size

Year	Month	Total number of reporting DMBs	Reporting DMBs graded according to their total assets						Total number of reporting savings banks	Savings banks graded according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1993	December	43	16	12	7	4	2	2	0	0	0	0
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	September	55	11	23	8	8	3	2	21	7	13	1
	October	57	10	25	9	7	4	2	22	10	11	1
	November	57	11	25	8	7	4	2	22	10	11	1
	December	57	10	26	6	9	4	2	22	10	11	1
1997	January	58	11	25	7	9	4	2	22	8	13	1
	February	58	11	24	8	9	4	2	24	10	13	1
	March	59	10	26	8	8	5	2	25	10	14	1
	April	59	8	27	8	9	5	2	26	10	15	1
	May	59	9	26	8	9	5	2	26	10	15	1
	June	59	8	26	8	10	5	2	27	10	16	1
	July	59	7	27	8	7	8	2	28	10	17	1
	August	60	8	26	7	9	8	2	29	11	16	2
	September	60	6	28	7	9	8	2	30	11	17	2
	October	60	8	26	7	9	8	2	30	12	15	3
	November	60	5	28	8	9	8	2	31	11	17	3
	December	60	4	28	9	8	9	2	33	12	18	3
1998	January	60	4	29	8	8	9	2	33	11	19	3
	February	60	4	28	8	9	9	2	33	8	22	3
	March	60	4	27	8	10	9	2	33	7	22	4

1) Including banks and savings banks in liquidation.

**Table C1: Monetary Authorities Accounts (Assets)**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>ASSETS</b>											
<b>1. Foreign assets</b>	<b>4,043.5</b>	<b>7,908.3</b>	<b>10,075.1</b>	<b>12,818.5</b>	<b>13,495.9</b>	<b>14,347.0</b>	<b>15,525.0</b>	<b>16,004.9</b>	<b>15,441.2</b>	<b>15,481.8</b>	<b>15,952.9</b>
1.1. Gold	-	-	-	-	-	-	-	-	-	-	-
1.2. Holdings of SDRs	24.4	25.4	743.4	695.5	938.0	956.0	940.0	927.0	920.0	916.5	914.4
1.3. Foreign cash in vaults	608.4	87.9	383.8	115.6	61.0	62.1	236.7	313.5	315.9	315.8	142.9
1.4. Demand deposits with foreign banks	7.3	1.4	12.0	50.3	256.1	2.3	348.5	197.1	17.7	2.0	2.5
1.5. Time deposits with foreign banks	3,403.5	7,793.6	8,381.3	11,009.8	10,142.2	10,819.8	11,817.5	12,169.5	12,412.6	12,650.1	13,190.6
1.6. Securities in f/c	-	-	554.6	947.3	2,098.6	2,506.3	2,178.4	2,396.5	1,773.6	1,596.0	1,701.1
1.7. Nonconvertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.6	3.9	1.4	1.4	1.4	1.4
<b>2. Claims on central government and funds</b>	<b>535.1</b>	<b>250.6</b>	<b>390.1</b>	<b>218.8</b>	<b>173.5</b>	<b>174.4</b>	<b>66.4</b>	<b>-</b>	<b>379.8</b>	<b>381.0</b>	<b>0.0</b>
2.1. Claims in kuna	383.6	180.1	353.1	206.4	173.5	174.4	66.4	-	379.8	381.0	0.0
Bridging loans	-	-	-	-	-	-	-	-	379.8	381.0	0.0
Loans under separate decrees	376.7	180.1	353.1	206.4	169.8	174.4	66.4	-	-	-	-
Overdue claims	7.0	-	0.1	-	3.7	-	-	-	-	-	-
2.2. Claims in f/c	151.4	70.5	37.0	12.4	0.0	-	-	-	-	-	-
<b>3. Claims on other domestic sectors</b>	<b>0.3</b>	<b>0.7</b>	<b>0.9</b>	<b>1.1</b>	<b>0.3</b>	<b>21.0</b>	<b>25.4</b>	<b>24.4</b>	<b>24.1</b>	<b>24.0</b>	<b>0.3</b>
<b>4. Claims on DMBs</b>	<b>191.6</b>	<b>223.8</b>	<b>220.2</b>	<b>213.9</b>	<b>43.7</b>	<b>22.1</b>	<b>104.1</b>	<b>33.5</b>	<b>20.1</b>	<b>27.1</b>	<b>314.9</b>
4.1. Credits to DMBs	181.6	221.7	122.8	211.4	42.6	21.1	103.2	30.1	16.5	23.2	310.2
Refinancing of DMBs	139.8	-	-	-	-	-	-	-	-	-	-
Short-term credits against securities portfolio	-	-	25.8	-	-	-	-	-	-	-	-
Lombard credits	5.5	24.0	96.6	211.3	42.5	21.0	103.1	30.0	16.5	23.2	28.9
Other credits	36.3	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.0	0.0	281.3
CNB bills under repurchase agreement	-	197.3	-	-	-	-	-	-	-	-	-
4.2. CNB deposits with DMBs	0.5	1.2	1.3	1.4	-	-	-	2.5	2.7	3.0	3.8
4.3. Overdue claims	9.5	0.9	96.1	1.0	1.1	1.0	0.9	0.9	0.9	1.0	1.0
<b>5. Claims on other banking institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>6. Total (1+2+3+4+5)</b>	<b>4,770.5</b>	<b>8,383.4</b>	<b>10,686.3</b>	<b>13,252.3</b>	<b>13,713.5</b>	<b>14,564.6</b>	<b>15,720.9</b>	<b>16,062.8</b>	<b>15,865.2</b>	<b>15,913.9</b>	<b>16,268.1</b>

**Table C1: Monetary Authorities Accounts (Liabilities)**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>LIABILITIES</b>											
<b>1. Reserve money</b>	<b>2,248.9</b>	<b>4,714.2</b>	<b>6,744.1</b>	<b>8,770.3</b>	<b>8,420.0</b>	<b>9,184.7</b>	<b>9,713.4</b>	<b>10,346.1</b>	<b>9,947.6</b>	<b>9,465.6</b>	<b>9,520.8</b>
1.1. Currency outside banks	1,367.0	2,658.2	3,365.1	4,366.2	4,553.0	4,933.9	5,222.3	5,319.6	5,097.8	5,012.9	4,994.4
1.2. DMBs' cash in vaults	52.2	133.8	131.5	147.4	141.2	152.1	170.7	204.9	173.0	168.3	167.3
1.3. DMBs' deposits	821.5	1,901.3	3,199.0	4,210.9	3,682.9	4,048.2	4,257.5	4,750.8	4,593.3	4,205.0	4,268.6
Giro accounts	54.9	116.1	181.2	899.4	332.2	563.7	442.5	849.8	595.2	283.7	272.6
Statutory reserves	766.6	1,785.2	2,201.8	3,311.5	3,350.7	3,484.4	3,815.0	3,901.0	3,998.1	3,921.3	3,996.0
CNB bills on obligatory basis	-	-	816.0	-	-	-	-	-	-	-	-
1.4. Deposits of other banking institutions	0.0	5.9	45.6	45.9	42.7	50.4	62.7	70.8	83.4	79.3	89.9
1.5. Deposits of other domestic sectors	8.2	15.0	2.8	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.7
<b>2. Restricted and blocked deposits</b>	<b>1.4</b>	<b>40.3</b>	<b>212.2</b>	<b>243.2</b>	<b>96.7</b>	<b>83.0</b>	<b>94.1</b>	<b>101.1</b>	<b>95.1</b>	<b>116.1</b>	<b>108.6</b>
2.1. Restricted deposits	1.4	40.3	54.1	78.7	96.7	83.0	94.1	101.1	95.1	116.1	108.6
2.2. Escrow deposits	-	-	158.1	164.4	-	-	-	-	-	-	-
<b>3. Foreign liabilities</b>	<b>151.7</b>	<b>716.1</b>	<b>1,175.1</b>	<b>1,160.0</b>	<b>1,437.0</b>	<b>1,480.3</b>	<b>1,494.2</b>	<b>1,470.7</b>	<b>1,469.0</b>	<b>1,483.1</b>	<b>1,486.3</b>
3.1. Use of IMF credit	151.3	715.3	1,173.9	1,158.2	1,434.2	1,477.4	1,470.0	1,467.7	1,464.8	1,478.9	1,482.0
3.2. Liabilities to international organizations	0.3	0.8	1.2	1.8	2.8	2.9	24.2	3.0	4.2	4.2	4.2
<b>4. Central government deposits and funds deposits</b>	<b>0.0</b>	<b>793.8</b>	<b>395.5</b>	<b>557.6</b>	<b>838.9</b>	<b>854.6</b>	<b>1,254.9</b>	<b>1,032.7</b>	<b>1,035.6</b>	<b>1,486.5</b>	<b>1,618.2</b>
4.1. Demand deposits	0.0	793.8	395.5	424.6	615.5	594.3	1,087.1	805.7	928.4	1,258.6	1,340.5
Central government demand deposits	-	725.5	338.6	342.0	537.1	448.5	898.5	625.7	698.8	1,063.4	1,130.4
Central government funds demand deposits	0.0	68.3	56.9	82.6	78.4	145.9	188.6	180.1	229.7	195.1	210.1
4.2. Central government f/c deposits	-	-	-	-	-	-	-	147.6	-	-	-
4.3. CNB bills	-	-	-	133.0	223.4	260.3	167.8	79.4	107.2	228.0	277.7
<b>5. CNB bills</b>	<b>21.2</b>	<b>375.1</b>	<b>168.3</b>	<b>665.7</b>	<b>704.6</b>	<b>628.5</b>	<b>811.1</b>	<b>722.0</b>	<b>801.3</b>	<b>895.9</b>	<b>936.5</b>
<b>6. Capital accounts</b>	<b>2,366.0</b>	<b>2,066.0</b>	<b>2,019.4</b>	<b>1,900.1</b>	<b>2,209.1</b>	<b>2,330.5</b>	<b>2,346.1</b>	<b>2,361.8</b>	<b>2,514.5</b>	<b>2,471.2</b>	<b>2,608.8</b>
<b>7. Other items (net)</b>	<b>-18.7</b>	<b>-322.1</b>	<b>-28.3</b>	<b>-44.6</b>	<b>7.1</b>	<b>3.0</b>	<b>7.1</b>	<b>28.5</b>	<b>2.1</b>	<b>-4.5</b>	<b>-11.2</b>
<b>8. Total (1+2+3+4+5+6+7)</b>	<b>4,770.5</b>	<b>8,383.4</b>	<b>10,686.3</b>	<b>13,252.3</b>	<b>13,713.5</b>	<b>14,564.6</b>	<b>15,720.9</b>	<b>16,062.8</b>	<b>15,865.2</b>	<b>15,913.9</b>	<b>16,268.1</b>

Table D1: Deposit Money Banks' Accounts  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>ASSETS</b>											
1. Reserves	860.9	2,033.5	3,302.1	4,359.2	3,828.3	4,208.6	4,434.0	4,963.3	4,770.7	4,380.0	4,449.9
2. Foreign assets	6,212.1	7,078.4	9,273.9	12,518.0	13,439.0	14,029.9	17,303.5	16,126.7	15,733.7	15,996.1	16,371.3
o/w: Claims on former Yugoslavia	969.2	385.9	425.8	247.9	225.8	230.5	228.1	226.2	226.6	224.9	226.2
3. Claims on central government and funds	19,971.9	17,837.0	17,186.5	16,692.7	15,666.9	15,787.3	15,438.6	15,238.7	14,937.8	14,748.7	14,816.8
3.1. Bonds arising from blocked f/c deposits	14,836.8	11,437.3	10,078.2	8,291.1	7,863.1	7,561.3	7,177.1	6,714.3	6,357.9	6,360.4	6,367.2
3.2. Big bonds	3,635.5	4,971.6	5,060.9	2,438.5	2,396.6	2,346.2	2,299.5	2,291.9	2,291.9	2,263.9	2,182.6
3.3. Other claims	1,499.6	1,428.1	2,047.4	5,963.1	5,407.2	5,879.8	5,962.0	6,232.5	6,288.0	6,124.4	6,267.0
4. Claims on other domestic sectors	20,261.7	27,220.8	32,345.8	33,310.0	35,952.9	39,759.7	43,144.8	47,926.1	48,650.9	50,072.5	51,700.5
4.1. Claims on local government and funds	11.4	112.9	147.1	145.4	150.1	149.4	204.4	308.8	339.7	360.9	383.0
4.2. Claims on enterprises	18,348.2	23,733.5	27,686.4	26,814.7	28,624.1	31,085.9	32,863.6	35,282.8	35,718.4	36,602.3	37,634.9
4.3. Claims on households	1,902.1	3,374.4	4,512.3	6,349.9	7,178.8	8,524.4	10,076.8	12,334.5	12,592.8	13,109.3	13,682.5
5. Claims on other banking institutions	10.2	30.0	30.8	38.4	53.1	68.9	74.8	72.9	79.2	81.7	77.5
6. Claims on other financial institutions	15.7	61.8	100.6	139.1	175.2	188.2	207.0	240.9	226.1	242.4	241.0
Total (1+2+3+4+5+6)	47,332.4	54,261.4	62,239.8	67,057.4	69,115.5	74,042.6	80,602.8	84,568.5	84,398.4	85,521.5	87,656.9
<b>LIABILITIES</b>											
1. Demand deposits	1,758.7	3,960.5	4,861.2	6,997.2	6,399.1	7,033.5	7,981.5	8,404.8	7,587.6	7,346.6	7,750.8
2. Savings and time deposits	1,465.6	1,866.9	2,037.9	3,254.7	3,816.0	4,256.7	5,103.8	5,350.8	5,403.0	5,596.5	5,581.3
3. Foreign currency deposits	5,412.3	8,775.3	14,099.4	21,802.0	24,315.3	26,630.2	30,422.1	31,059.6	32,297.7	32,619.9	33,113.4
4. Bonds and money market instruments	48.3	199.0	124.8	129.5	165.8	159.0	181.3	137.0	124.2	114.5	125.9
5. Foreign liabilities	12,066.4	13,134.8	15,148.7	12,466.6	12,859.8	13,734.1	11,649.6	13,806.5	14,199.0	14,892.4	16,268.8
o/w: Liabilities to former Yugoslavia	8,177.1	6,777.5	6,713.6	2,801.3	2,428.2	3,064.0	348.9	212.4	211.9	212.0	210.3
6. Central government and funds' deposits	1,437.8	1,669.4	2,025.6	1,720.9	1,797.1	2,631.7	6,625.4	6,874.2	7,028.6	6,960.1	6,969.2
7. Credit from central bank	275.2	224.0	182.6	267.7	42.9	21.3	104.5	33.7	20.2	27.4	314.2
8. Restricted and blocked deposits	14,261.5	12,081.5	10,656.0	8,219.2	7,508.5	7,226.3	6,087.8	5,849.4	5,122.0	5,075.3	5,081.1
o/w: Households' blocked f/c deposits	13,857.4	11,470.6	9,812.5	7,168.2	6,519.9	6,100.1	4,957.1	4,571.8	4,236.0	4,180.8	4,156.2
9. Capital accounts	11,203.3	13,721.8	15,116.2	15,133.6	15,258.7	15,846.0	16,009.4	16,629.9	15,908.1	16,155.3	17,210.3
10. Other items (net)	-596.6	-1,371.7	-2,012.6	-2,934.0	-3,047.7	-3,496.2	-3,562.7	-3,577.5	-3,292.1	-3,266.5	-4,758.1
Total (1+2+3+4+5+6+7+8+9+10)	47,332.4	54,261.4	62,239.8	67,057.4	69,115.5	74,042.6	80,602.8	84,568.5	84,398.4	85,521.5	87,656.9

Table D2: Deposit Money Banks' Foreign Assets  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Foreign assets in f/c</b>	<b>5,223.3</b>	<b>6,659.8</b>	<b>8,832.8</b>	<b>12,249.5</b>	<b>13,198.0</b>	<b>13,783.2</b>	<b>17,059.3</b>	<b>15,885.8</b>	<b>15,493.1</b>	<b>15,748.0</b>	<b>16,122.4</b>
1.1. Claims on foreign banks	4,714.1	5,581.1	7,960.5	11,206.8	12,548.2	13,115.1	16,514.2	15,219.8	14,880.9	15,123.1	15,458.0
Foreign currencies	437.0	464.4	569.3	631.9	536.1	634.5	573.8	793.8	554.4	551.2	607.4
Demand deposits and f/c savings deposits	2,357.0	2,448.7	3,286.2	5,794.5	6,408.9	6,931.7	7,728.3	6,830.1	6,882.1	7,042.1	7,415.1
Pledged deposits	25.2	45.8	27.9	39.6	25.6	26.0	43.6	48.1	42.1	42.2	47.8
Letters of credit	161.2	145.5	97.5	66.1	68.9	57.5	42.6	44.0	40.7	35.9	33.3
Time and notice deposits	1,544.7	2,301.3	3,803.8	4,482.7	5,278.0	5,141.3	7,804.6	7,008.9	6,888.8	6,990.3	6,905.2
Securities	51.4	60.3	76.1	72.7	74.5	94.8	77.8	88.4	67.0	67.0	39.8
Loans and advances	49.2	22.6	19.2	26.6	56.0	107.7	132.3	284.2	286.6	274.8	292.9
Arrears	-	-	-	15.2	13.7	10.8	-	-	-	-	-
Shares and participations	88.5	92.4	80.4	77.4	86.7	110.8	111.3	122.2	119.3	119.5	116.4
1.2. Claims on foreign nonbanks	509.2	1,078.7	872.3	1,042.7	649.8	668.1	545.1	666.0	612.1	624.9	664.4
Claims on foreign governments	-	-	-	-	-	-	-	-	-	-	-
Claims on other nonresidents	552.9	785.6	572.3	750.5	358.5	374.1	421.2	494.4	437.0	447.3	485.4
Securities	531.2	514.4	536.2	492.5	98.2	94.4	21.8	17.7	18.1	18.0	18.2
Loans and advances	21.7	271.2	36.1	258.0	260.3	279.7	399.4	476.7	418.9	429.4	467.2
Arrears	-47.0	-	7.2	10.9	10.0	11.9	11.0	9.9	10.2	10.3	9.9
Shares and participations	3.4	293.0	292.8	281.3	281.3	282.1	112.9	161.7	164.9	167.3	169.1
<b>2. Foreign assets in kuna</b>	<b>19.6</b>	<b>32.7</b>	<b>15.3</b>	<b>20.6</b>	<b>15.2</b>	<b>16.1</b>	<b>16.1</b>	<b>14.7</b>	<b>14.1</b>	<b>23.3</b>	<b>22.6</b>
2.1. Claims on foreign banks	-	-	-	3.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
2.2. Claims on foreign nonbanks	19.6	32.7	15.3	17.3	13.9	14.8	14.8	13.4	12.8	22.0	21.3
Loans and advances	16.5	28.5	15.3	17.3	13.9	14.8	14.8	13.4	12.8	22.0	21.3
Arrears	3.1	4.1	-	0.0	-	-	-	-	-	-	-
<b>3. Claims on former Yugoslavia</b>	<b>969.2</b>	<b>385.9</b>	<b>425.8</b>	<b>247.9</b>	<b>225.8</b>	<b>230.5</b>	<b>228.1</b>	<b>226.2</b>	<b>226.6</b>	<b>224.9</b>	<b>226.2</b>
3.1. In f/c	968.4	383.0	423.8	244.3	222.0	227.0	224.2	223.0	223.4	221.7	223.3
Claims on foreign banks	864.7	194.7	198.3	159.3	148.0	151.1	148.0	146.8	146.3	144.8	145.5
Claims on foreign nonbanks	103.7	188.3	225.5	85.0	74.0	75.8	76.2	76.2	77.1	76.9	77.8
3.2. In kuna	0.8	2.9	2.1	3.6	3.8	3.5	3.9	3.2	3.2	3.2	2.9
<b>Total (1+2+3)</b>	<b>6,212.1</b>	<b>7,078.4</b>	<b>9,273.9</b>	<b>12,518.0</b>	<b>13,439.0</b>	<b>14,029.9</b>	<b>17,303.5</b>	<b>16,126.7</b>	<b>15,733.7</b>	<b>15,996.1</b>	<b>16,371.3</b>

**Table D3: Deposit Money Banks' Claims on Central Government and Funds**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Bonds (c'part to f/c savings deposits)</b>	<b>14,836.8</b>	<b>11,437.3</b>	<b>10,078.2</b>	<b>8,291.1</b>	<b>7,863.1</b>	<b>7,561.3</b>	<b>7,177.1</b>	<b>6,714.3</b>	<b>6,357.9</b>	<b>6,360.4</b>	<b>6,367.2</b>
<b>2. Big bonds</b>	<b>3,635.5</b>	<b>4,971.6</b>	<b>5,060.9</b>	<b>2,438.5</b>	<b>2,396.6</b>	<b>2,346.2</b>	<b>2,299.5</b>	<b>2,291.9</b>	<b>2,291.9</b>	<b>2,263.9</b>	<b>2,182.6</b>
<b>3. Other claims</b>	<b>1,499.6</b>	<b>1,428.1</b>	<b>2,047.4</b>	<b>5,963.1</b>	<b>5,407.2</b>	<b>5,879.8</b>	<b>5,962.0</b>	<b>6,232.5</b>	<b>6,288.0</b>	<b>6,124.4</b>	<b>6,267.0</b>
3.1. In kuna	532.4	176.3	181.1	4,121.2	3,909.8	4,308.4	4,445.9	4,261.8	4,425.1	4,378.9	4,511.7
3.1.1. Claims on central government	407.4	147.4	166.3	4,100.2	3,892.2	4,308.4	4,225.0	4,191.8	4,352.1	4,234.2	4,312.7
Securities	133.1	144.0	145.6	4,071.6	3,888.7	4,290.3	4,216.2	4,171.7	4,163.1	4,049.3	4,130.6
Loans and advances	10.8	2.5	20.2	11.5	0.3	2.4	5.1	4.6	173.0	176.5	178.1
Arrears	263.4	0.9	0.4	17.1	3.2	15.8	3.8	15.5	16.1	8.4	4.0
3.1.2. Claims on central government funds	125.0	28.9	14.9	21.0	17.6	0.0	220.8	70.0	73.0	144.7	199.1
Securities	-	-	-	21.0	9.5	-	-	-	-	-	-
Loans and advances	124.9	28.7	14.9	0.0	8.1	0.0	220.8	70.0	73.0	144.7	198.4
Arrears	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
3.2. In f/c	967.2	1,251.9	1,866.3	1,841.9	1,497.3	1,571.4	1,516.1	1,970.7	1,862.9	1,745.6	1,755.3
3.2.1. Claims on central government	769.3	1,016.6	1,771.2	1,827.8	1,496.0	1,569.9	1,513.4	1,966.6	1,856.7	1,742.4	1,741.8
Bonds	55.1	271.3	704.7	1,396.2	1,232.9	1,047.3	900.6	1,172.5	1,066.1	1,051.1	1,048.7
Loans and advances	598.1	529.9	678.8	187.9	205.6	350.9	598.9	678.6	783.1	681.2	680.4
Postponed interest arrears	-	84.2	150.9	47.5	49.5	50.5	-	-	-	-	-
Arrears	116.1	131.2	236.8	196.2	8.0	121.2	14.0	115.5	7.5	10.1	12.7
3.2.2. Claims on central government funds	197.9	235.2	95.1	14.1	1.4	1.5	2.7	4.0	6.2	3.2	13.5
Securities	-	-	-	11.8	0.0	0.2	1.4	2.8	4.9	2.0	12.3
Loans and advances	197.9	235.2	95.1	2.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Postponed interest arrears	-	-	-	0.0	0.0	-	-	-	-	-	-
Arrears	-	-	-	0.0	-	-	-	-	-	-	-
<b>Total (1+2+3)</b>	<b>19,971.9</b>	<b>17,837.0</b>	<b>17,186.5</b>	<b>16,692.7</b>	<b>15,666.9</b>	<b>15,787.3</b>	<b>15,438.6</b>	<b>15,238.7</b>	<b>14,937.8</b>	<b>14,748.7</b>	<b>14,816.8</b>

Table D4: Deposit Money Banks' Claims on Other Domestic Sectors  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Claims in kuna</b>	<b>10,122.6</b>	<b>17,126.9</b>	<b>21,296.8</b>	<b>25,222.8</b>	<b>27,667.4</b>	<b>31,394.0</b>	<b>34,777.5</b>	<b>39,483.4</b>	<b>40,114.7</b>	<b>41,429.7</b>	<b>42,830.4</b>
1.1. Bills of exchange	1.0	7.8	53.0	19.1	24.9	31.7	37.7	80.4	83.7	96.3	156.5
1.2. Commercial bills	1,138.7	149.3	23.9	22.9	23.3	25.7	4.8	-	-	-	-
1.3. Bonds	16.2	8.0	8.0	2.1	1.6	2.0	1.7	1.7	1.4	1.4	1.4
1.4. Other short-term securities	-	-	-	-	-	-	0.2	1.1	1.1	1.0	1.2
1.5. Loans and advances	6,618.6	11,536.7	15,749.4	21,203.8	23,877.6	27,242.0	30,396.0	35,034.5	35,472.2	36,770.5	37,859.6
1.6. Arrears	-130.4	161.8	235.6	203.9	259.6	281.8	293.7	282.1	261.8	251.6	315.2
1.7. Shares and participations	2,478.5	5,263.2	5,227.0	3,770.9	3,480.4	3,810.8	4,043.3	4,083.7	4,294.6	4,309.0	4,496.4
<b>2. Claims in f/c</b>	<b>10,139.2</b>	<b>10,094.0</b>	<b>11,048.9</b>	<b>8,087.3</b>	<b>8,285.6</b>	<b>8,365.7</b>	<b>8,367.3</b>	<b>8,442.7</b>	<b>8,536.2</b>	<b>8,642.8</b>	<b>8,870.1</b>
2.1. Securities	0.5	3.6	3.6	2.9	2.9	0.6	0.6	0.6	0.6	0.6	0.6
2.2. Loans and advances	10,240.5	9,071.8	9,801.7	7,088.0	7,345.6	7,463.1	8,163.8	8,246.9	8,298.3	8,430.5	8,612.0
2.3. Postponed interest arrears	-	933.2	1,076.1	807.4	765.7	703.7	17.3	20.3	18.6	20.9	16.1
2.4. Arrears	-101.8	85.3	167.5	189.0	171.4	198.3	185.6	174.9	218.7	190.8	241.4
<b>Total (1+2)</b>	<b>20,261.7</b>	<b>27,220.8</b>	<b>32,345.8</b>	<b>33,310.0</b>	<b>35,952.9</b>	<b>39,759.7</b>	<b>43,144.8</b>	<b>47,926.1</b>	<b>48,650.9</b>	<b>50,072.5</b>	<b>51,700.5</b>

**Table D5: Distribution of Deposit Money Banks' Loans by Domestic Institutional Sectors**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>LOANS IN KUNA</b>											
<b>1. Loans to central government and funds</b>	135.7	31.2	35.1	11.5	8.4	2.4	225.9	74.6	246.0	321.2	376.5
1.1. Loans to central government	10.8	2.5	20.2	11.5	0.3	2.4	5.1	4.6	173.0	176.5	178.1
1.2. Loans to central government funds	124.9	28.7	14.9	0.0	8.1	0.0	220.8	70.0	73.0	144.7	198.4
<b>2. Loans to local government and funds</b>	11.4	93.5	122.5	125.1	130.2	131.9	187.0	293.2	324.4	345.6	367.6
2.1. Loans to other republic funds	0.9	0.0	-	-	-	-	-	-	-	-	-
2.2. Loans to local government and funds	10.5	93.5	122.5	125.1	130.2	131.9	187.0	293.2	324.4	345.6	367.6
<b>3. Loans to enterprises</b>	4,707.8	8,096.2	11,136.6	14,752.1	16,601.3	18,639.4	20,198.3	22,481.9	22,631.7	23,393.8	23,890.2
<b>4. Loans to households</b>	1,899.4	3,347.1	4,490.3	6,326.6	7,146.1	8,470.7	10,010.7	12,259.4	12,516.1	13,031.1	13,601.8
<b>5. Loans to other banking institutions</b>	10.0	29.8	28.5	30.5	45.3	61.1	63.7	68.1	74.5	77.0	72.7
<b>6. Loans to other financial institutions</b>	4.1	34.8	61.1	88.4	88.2	102.8	121.5	161.8	144.8	156.5	155.9
<b>A. Total (1+2+3+4+5+6)</b>	6,768.4	11,632.6	15,874.2	21,334.3	24,019.5	27,408.2	30,807.1	35,339.1	35,937.4	37,325.0	38,464.8
<b>LOANS IN F/C</b>											
<b>1. Loans to central government and funds</b>	796.0	765.2	773.9	190.2	206.9	352.2	600.1	679.9	784.3	682.5	681.6
1.1. Loans to central government	598.1	529.9	678.8	187.9	205.6	350.9	598.9	678.6	783.1	681.2	680.4
1.2. Loans to central government funds	197.9	235.2	95.1	2.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
<b>2. Loans to local government and funds</b>	-	19.4	21.4	18.9	19.0	16.1	16.0	13.1	13.1	13.1	13.2
2.1. Loans to other republic funds	-	-	-	-	-	-	-	-	-	-	-
2.2. Loans to local government and funds	-	19.4	21.4	18.9	19.0	16.1	16.0	13.1	13.1	13.1	13.2
<b>3. Loans to enterprises</b>	10,239.6	9,049.3	9,770.0	7,057.9	7,308.6	7,419.7	8,110.6	8,188.5	8,240.0	8,373.0	8,553.5
<b>4. Loans to households</b>	0.9	3.1	10.3	11.2	18.1	27.3	37.2	45.3	45.1	44.4	45.3
<b>5. Loans to other banking institutions</b>	-	-	-	-	-	-	-	-	-	-	-
<b>6. Loans to other financial institutions</b>	-	-	-	-	-	-	-	-	-	-	-
<b>B. Total (1+2+3+4+5+6)</b>	11,036.4	9,837.0	10,575.6	7,278.2	7,552.5	7,815.3	8,764.0	8,926.7	9,082.6	9,112.9	9,293.6
<b>TOTAL (A+B)</b>	17,804.9	21,469.6	26,449.7	28,612.5	31,572.0	35,223.5	39,571.0	44,265.9	45,020.0	46,438.0	47,758.4

Table D6: Demand Deposits with Deposit Money Banks  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Local governments and funds</b>	142.5	512.8	495.3	683.8	479.8	493.0	528.3	484.2	465.5	425.8	423.9
1.1. Other republic funds	9.7	9.2	14.6	-	-	0.3	0.0	0.0	0.0	0.0	0.0
1.2. Local governments	132.9	503.6	480.6	683.8	479.8	492.7	528.3	484.2	465.5	425.8	423.9
<b>2. Enterprises</b>	1,264.7	2,678.2	3,161.9	4,489.1	3,904.8	4,353.5	5,063.5	5,692.8	4,871.4	4,596.0	4,952.5
<b>3. Households</b>	327.3	752.7	1,156.8	1,646.8	1,870.6	2,059.1	2,190.2	2,213.7	2,208.1	2,314.1	2,372.3
<b>4. Other banking institutions</b>	2.8	0.1	0.1	0.7	0.3	0.5	1.2	0.8	1.3	0.7	0.6
<b>5. Other financial institutions</b>	42.6	47.5	79.6	208.2	177.8	165.8	232.7	203.8	240.9	217.5	197.3
<b>6. Other transferable deposits</b>	0.6	2.1	3.2	3.5	1.2	0.2	0.1	2.2	1.9	0.0	0.0
<b>7. Less: Checks of other banks and checks in collection</b>	-21.8	-32.7	-35.5	-35.0	-35.5	-38.5	-34.6	-192.6	-201.6	-207.5	-195.8
<b>Total (1+2+3+4+5+6+7)</b>	1,758.7	3,960.5	4,861.2	6,997.2	6,399.1	7,033.5	7,981.5	8,404.8	7,587.6	7,346.6	7,750.8

**Table D7: Time and Savings Deposits with Deposit Money Banks**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Savings deposits of households</b>	<b>215.2</b>	<b>389.7</b>	<b>494.6</b>	<b>717.3</b>	<b>855.9</b>	<b>936.8</b>	<b>1,070.5</b>	<b>1,108.7</b>	<b>1,107.5</b>	<b>1,167.2</b>	<b>1,125.7</b>
<b>2. Time and notice deposits</b>	<b>1,250.3</b>	<b>1,477.1</b>	<b>1,543.2</b>	<b>2,537.4</b>	<b>2,960.0</b>	<b>3,319.9</b>	<b>4,033.3</b>	<b>4,242.1</b>	<b>4,295.5</b>	<b>4,429.4</b>	<b>4,455.7</b>
2.1. Local governments and funds	41.8	119.8	81.2	89.7	87.6	82.8	110.3	102.6	110.0	108.4	108.6
Other republic funds	5.6	39.7	5.0	1.0	1.0	0.5	0.0	0.0	0.0	0.0	0.0
Local governments	36.2	80.1	76.2	88.7	86.6	82.3	110.3	102.6	110.0	108.4	108.6
2.2. Enterprises	680.0	765.0	784.1	1,039.9	1,243.6	1,400.7	1,784.5	1,771.9	1,652.0	1,695.6	1,701.1
2.3. Households	408.1	425.4	475.1	1,007.6	1,242.4	1,409.8	1,609.9	1,731.8	1,871.0	1,951.5	1,975.2
2.4. Other banking institutions	4.1	3.3	5.1	1.5	2.4	1.2	3.9	2.2	2.9	2.8	2.4
2.5. Other financial institutions	116.3	163.6	197.7	398.6	384.0	425.4	524.7	633.6	659.7	671.0	668.3
<b>Total (1+2)</b>	<b>1,465.6</b>	<b>1,866.9</b>	<b>2,037.9</b>	<b>3,254.7</b>	<b>3,816.0</b>	<b>4,256.7</b>	<b>5,103.8</b>	<b>5,350.8</b>	<b>5,403.0</b>	<b>5,596.5</b>	<b>5,581.3</b>

Table D8: Foreign Currency Deposits with Deposit Money Banks  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Savings deposits</b>	<b>3,843.4</b>	<b>5,482.8</b>	<b>7,952.1</b>	<b>9,242.7</b>	<b>9,610.0</b>	<b>10,198.9</b>	<b>11,579.9</b>	<b>10,736.9</b>	<b>11,182.0</b>	<b>10,892.8</b>	<b>10,851.9</b>
1.1. Local governments and funds	4.0	2.1	6.0	10.5	11.2	43.9	64.0	111.7	115.6	9.0	14.7
Other republic funds	2.9	0.8	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Local governments	1.1	1.4	6.0	10.5	11.2	43.8	64.0	111.7	115.6	9.0	14.7
1.2. Enterprises	1,302.0	1,460.9	1,498.0	1,762.8	1,594.0	2,046.8	2,503.7	1,969.4	1,935.9	1,885.9	1,939.1
1.3. Households	2,524.3	3,978.2	6,407.3	7,407.8	7,955.9	8,051.8	8,943.0	8,585.8	9,042.2	8,931.2	8,831.2
1.4. Other banking institutions	-	-	0.0	0.0	0.0	1.5	4.1	3.8	9.5	12.1	8.4
1.5. Other financial institutions	3.6	29.3	28.3	49.5	33.7	41.6	49.6	52.9	66.6	47.8	49.4
1.6. Other demand deposits	9.4	12.3	12.5	12.1	15.2	13.3	15.6	13.1	12.2	7.0	9.0
<b>2. Time deposits</b>	<b>1,568.9</b>	<b>3,292.5</b>	<b>6,147.3</b>	<b>12,559.2</b>	<b>14,705.3</b>	<b>16,431.3</b>	<b>18,842.2</b>	<b>20,322.7</b>	<b>21,115.8</b>	<b>21,727.1</b>	<b>22,261.5</b>
2.1. Enterprises	224.6	547.2	743.7	1,160.1	1,353.0	1,325.9	1,738.1	1,457.2	1,447.2	1,365.1	1,388.5
2.2. Households	1,308.0	2,642.7	5,276.4	11,193.7	13,152.8	14,908.4	16,884.3	18,644.8	19,456.1	20,141.3	20,642.1
2.3. Other banking institutions	-	-	-	-	-	-	-	-	-	-	-
2.4. Other financial institutions	36.3	102.6	127.2	205.5	199.5	197.0	219.8	220.8	212.5	220.7	230.9
<b>Total (1+2)</b>	<b>5,412.3</b>	<b>8,775.3</b>	<b>14,099.4</b>	<b>21,802.0</b>	<b>24,315.3</b>	<b>26,630.2</b>	<b>30,422.1</b>	<b>31,059.6</b>	<b>32,297.7</b>	<b>32,619.9</b>	<b>33,113.4</b>

**Table D9: Bonds and Money Market Instruments**  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Money market instruments (net)</b>	3.3	1.5	0.2	0.9	1.0	0.9	1.0	7.0	7.5	7.5	7.5
<b>2. Bonds (net)</b>	12.8	47.8	42.9	55.6	86.3	86.2	85.8	19.1	18.0	18.0	18.0
<b>3. Other domestic borrowing</b>	32.2	149.7	81.7	73.0	78.6	71.9	94.5	111.0	98.7	88.9	100.3
3.1. Local governments and funds	0.8	14.8	9.9	7.3	6.6	5.8	0.0	0.0	0.0	0.0	0.0
Other republic funds	0.8	14.8	9.9	7.3	6.6	5.8	0.0	0.0	0.0	0.0	0.0
Local governments	0.0	0.0	0.0	-	-	-	-	-	-	-	-
3.2. Enterprises	3.9	5.6	3.9	4.0	4.6	1.8	1.0	10.3	11.0	11.9	11.7
3.3. Other banking institutions	1.3	13.4	6.7	6.6	21.8	15.7	24.8	24.7	22.5	22.1	14.2
3.4. Other financial institutions	26.3	115.8	61.2	55.1	45.6	48.5	68.6	75.9	65.2	54.9	74.3
<b>Total (1+2+3)</b>	<b>48.3</b>	<b>199.0</b>	<b>124.8</b>	<b>129.5</b>	<b>165.8</b>	<b>159.0</b>	<b>181.3</b>	<b>137.0</b>	<b>124.2</b>	<b>114.5</b>	<b>125.9</b>

Table D10: Deposit Money Banks' Foreign Liabilities  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Foreign liabilities in f/c</b>	<b>3,860.9</b>	<b>6,329.7</b>	<b>8,397.8</b>	<b>9,583.7</b>	<b>10,254.0</b>	<b>10,485.7</b>	<b>11,184.6</b>	<b>13,332.0</b>	<b>13,676.7</b>	<b>14,363.9</b>	<b>15,716.4</b>
1.1. Liabilities to foreign banks	2,294.5	4,056.9	5,285.9	6,568.4	6,632.7	6,648.8	6,614.9	8,771.8	9,099.2	9,751.3	10,962.5
Current accounts	218.8	105.2	117.0	205.7	238.8	269.9	214.2	292.9	259.6	247.9	243.6
Time and notice deposits	298.1	371.4	1,152.8	979.6	806.2	1,353.8	1,311.5	2,365.5	2,359.3	2,791.4	3,069.7
Letters of credit	1.0	2.6	1.9	0.6	0.3	0.3	0.1	8.0	7.2	6.8	7.0
Loans and advances	1,776.5	2,527.2	2,740.9	3,932.6	4,183.4	4,048.0	5,088.9	6,105.3	6,473.0	6,705.1	7,642.1
Postponed interest arrears	-	1,050.6	1,273.2	1,449.9	1,404.0	976.9	0.1	0.1	0.1	0.1	0.1
1.2. Liabilities to foreign nonbanks	1,566.5	2,272.8	3,111.9	3,015.3	3,621.3	3,836.9	4,569.7	4,560.3	4,577.5	4,612.6	4,753.9
Savings and time deposits	450.5	608.9	1,204.2	1,496.8	2,095.6	2,184.7	2,182.5	2,056.3	2,084.5	2,135.1	2,239.8
Sight deposits	373.6	401.1	654.2	667.6	625.6	609.2	656.0	608.4	596.8	587.4	622.9
Time and notice deposits	76.9	207.8	549.9	829.2	1,470.0	1,575.6	1,526.5	1,447.8	1,487.7	1,547.8	1,616.9
Loans and advances	1,116.0	1,558.7	1,825.7	1,433.2	1,436.9	1,535.2	2,285.5	2,400.9	2,389.3	2,380.6	2,424.3
Postponed interest arrears	-	105.3	82.1	85.3	88.7	117.0	101.7	103.1	103.7	96.8	89.7
<b>2. Foreign liabilities in kuna</b>	<b>28.4</b>	<b>27.6</b>	<b>37.2</b>	<b>81.5</b>	<b>177.6</b>	<b>184.3</b>	<b>116.1</b>	<b>262.1</b>	<b>310.4</b>	<b>316.5</b>	<b>342.1</b>
2.1. Liabilities to foreign banks	1.0	4.8	7.5	30.0	117.1	119.9	51.6	187.1	180.7	188.1	218.3
Demand deposits	1.0	4.8	6.4	27.0	16.7	57.0	26.1	52.3	45.8	46.2	39.9
Time and notice deposits	-	-	1.1	3.0	-	44.1	16.5	128.4	133.4	133.7	149.4
Loans and advances	-	-	-	-	100.4	18.9	9.1	6.4	1.5	8.3	29.0
2.2. Liabilities to foreign nonbanks	27.4	22.8	29.7	51.5	60.5	64.4	64.5	75.0	129.7	128.4	123.8
Demand deposits	27.1	20.7	29.6	22.1	29.2	30.2	33.9	42.0	40.6	39.4	34.1
Time and notice deposits	0.2	2.2	0.1	29.4	31.3	34.3	30.6	33.1	89.0	89.0	89.7
Loans and advances	-	-	-	-	-	-	-	-	-	-	-
<b>3. Liabilities to former Yugoslavia</b>	<b>8,177.1</b>	<b>6,777.5</b>	<b>6,713.6</b>	<b>2,801.3</b>	<b>2,428.2</b>	<b>3,064.0</b>	<b>348.9</b>	<b>212.4</b>	<b>211.9</b>	<b>212.0</b>	<b>210.3</b>
3.1. In f/c	8,109.5	6,771.2	6,709.8	2,797.0	2,423.8	3,059.5	344.2	207.6	207.0	207.2	205.4
o/w: Loans from foreign banks	8,097.7	6,725.0	6,469.0	2,553.6	2,177.7	2,988.9	308.6	170.2	169.8	170.0	168.0
3.2. In kuna	67.5	6.3	3.8	4.3	4.5	4.5	4.7	4.8	4.8	4.8	4.8
<b>Total (1+2+3)</b>	<b>12,066.4</b>	<b>13,134.8</b>	<b>15,148.7</b>	<b>12,466.6</b>	<b>12,859.8</b>	<b>13,734.1</b>	<b>11,649.6</b>	<b>13,806.5</b>	<b>14,199.0</b>	<b>14,892.4</b>	<b>16,268.8</b>

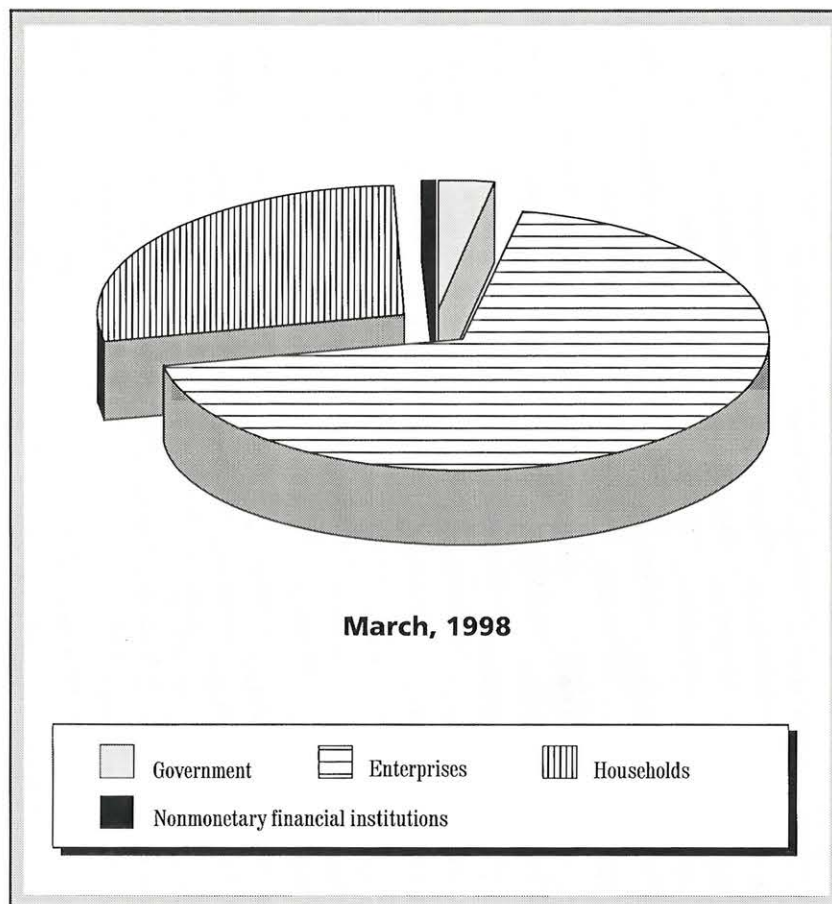
Table D11: Central Government and Funds Deposits with Deposit Money Banks  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. In kuna</b>	<b>1,122.1</b>	<b>1,511.5</b>	<b>1,760.4</b>	<b>1,585.3</b>	<b>1,577.7</b>	<b>1,967.2</b>	<b>2,221.6</b>	<b>2,385.8</b>	<b>2,409.4</b>	<b>2,374.8</b>	<b>2,375.6</b>
1.1. Central government deposits	494.0	178.1	179.3	131.2	69.5	161.4	126.3	82.1	68.6	65.3	87.3
Demand deposits	445.5	16.9	17.9	23.3	8.3	89.2	75.4	31.7	15.1	16.0	30.9
Time and notice deposits	32.1	145.5	126.5	77.4	33.3	45.2	24.2	21.7	25.3	23.5	30.5
Loans and advances	16.3	15.7	34.9	30.5	28.0	27.0	26.7	28.7	28.2	25.8	25.8
1.2. Central government funds deposits	628.1	1,333.4	1,581.1	1,454.1	1,508.2	1,805.8	2,095.3	2,303.7	2,340.8	2,309.5	2,288.3
Demand deposits	187.4	352.8	253.2	102.8	133.0	186.7	48.3	85.7	120.9	76.2	55.8
Time and notice deposits	43.3	129.5	200.7	38.0	37.7	48.6	38.0	19.4	20.7	21.7	21.8
Loans and advances	397.4	851.1	1,127.2	1,313.3	1,337.5	1,570.5	2,009.1	2,198.6	2,199.2	2,211.5	2,210.7
<b>2. In f/c</b>	<b>315.8</b>	<b>157.9</b>	<b>265.2</b>	<b>135.7</b>	<b>219.3</b>	<b>664.4</b>	<b>4,403.7</b>	<b>4,488.4</b>	<b>4,619.2</b>	<b>4,585.2</b>	<b>4,593.6</b>
2.1. Central government deposits	315.8	118.8	145.4	54.2	175.5	653.6	4,390.0	4,483.7	4,614.6	4,577.0	4,578.2
Savings deposits	315.8	118.8	134.3	48.8	170.2	102.2	111.3	160.1	249.7	238.0	167.2
Time and notice deposits	-	-	11.1	5.3	5.4	-	-	0.1	0.2	0.1	0.1
Refinanced loans and advances	-	-	-	-	-	551.4	4,278.8	4,323.5	4,364.6	4,339.0	4,410.9
2.2. Central government funds deposits	0.0	39.1	119.8	81.5	43.8	10.8	13.7	4.7	4.6	8.2	15.4
Savings deposits	0.0	39.1	21.2	58.2	43.8	10.8	13.7	4.7	4.6	8.2	15.4
Time and notice deposits	-	-	98.6	23.4	-	-	-	-	-	-	-
<b>Total (1+2)</b>	<b>1,437.8</b>	<b>1,669.4</b>	<b>2,025.6</b>	<b>1,720.9</b>	<b>1,797.1</b>	<b>2,631.7</b>	<b>6,625.4</b>	<b>6,874.2</b>	<b>7,028.6</b>	<b>6,960.1</b>	<b>6,969.2</b>

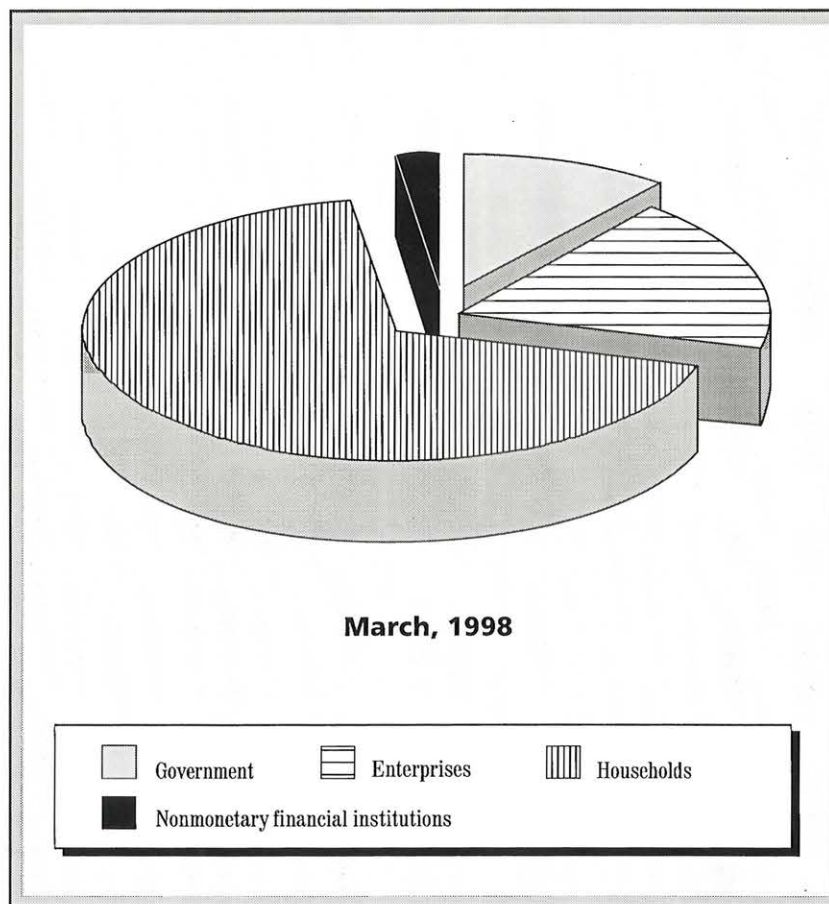
Table D12: Restricted and Blocked Deposits with Deposit Money Banks  
End of period, millions of kuna

	1993	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>1. Restricted deposits</b>	<b>404.1</b>	<b>589.7</b>	<b>687.0</b>	<b>889.7</b>	<b>885.4</b>	<b>1,028.2</b>	<b>1,050.6</b>	<b>1,198.6</b>	<b>809.6</b>	<b>818.1</b>	<b>848.4</b>
1.1. In kuna	79.6	156.6	271.3	249.0	208.3	273.9	311.5	260.0	273.0	288.1	258.4
1.2. In f/c	324.5	433.0	415.6	640.8	677.0	754.3	739.1	938.5	536.7	530.0	590.0
<b>2. Blocked f/c deposits</b>	<b>13,857.4</b>	<b>11,491.8</b>	<b>9,969.0</b>	<b>7,329.4</b>	<b>6,623.1</b>	<b>6,198.1</b>	<b>5,037.2</b>	<b>4,650.8</b>	<b>4,312.4</b>	<b>4,257.1</b>	<b>4,232.6</b>
2.1. Central government	-	19.6	67.9	66.8	68.6	72.6	71.1	69.9	71.2	71.2	71.3
2.2. Enterprises	-	1.6	88.7	94.5	34.6	25.4	9.0	9.1	5.1	5.1	5.1
2.3. Households	13,857.4	11,470.6	9,812.5	7,168.2	6,519.9	6,100.1	4,957.1	4,571.8	4,236.0	4,180.8	4,156.2
<b>Total (1+2)</b>	<b>14,261.5</b>	<b>12,081.5</b>	<b>10,656.0</b>	<b>8,219.2</b>	<b>7,508.5</b>	<b>7,226.3</b>	<b>6,087.8</b>	<b>5,849.4</b>	<b>5,122.0</b>	<b>5,075.3</b>	<b>5,081.1</b>

Graph D1: Distribution of Deposit Money Banks' Loans



Graph D2: Distribution of Deposit Money Banks' Deposits



Note:

Sector "Government" includes central government and funds and local governments and funds.

Sector "Nonmonetary financial institutions" includes other banking institutions and nonbank financial institutions.

Table E1: Savings Banks' Accounts  
End of period, millions of kuna

	1994	1995	1996	1997				1998		
	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Dec.	Jan.	Feb.	Mar.
<b>ASSETS</b>										
1. Reserves	6.3	48.1	50.3	50.8	58.4	69.1	82.4	92.1	89.5	98.5
2. Foreign assets	4.2	22.7	31.7	31.7	43.9	51.1	59.1	64.1	58.9	54.8
3. Claims on central government and funds	0.2	1.6	0.7	0.0	0.6	0.0	0.1	0.1	0.1	0.1
4. Claims on other domestic sectors	377.9	372.0	379.8	412.0	462.5	536.4	666.1	703.5	771.3	815.8
4.1. Claims on local government and funds	0.1	-	-	-	-	-	-	-	-	-
4.2. Claims on enterprises	249.3	141.0	114.6	131.9	141.1	170.0	204.4	216.1	238.6	252.2
4.3. Claims on households	128.5	231.0	265.3	280.1	321.4	366.4	461.8	487.4	532.8	563.7
5. Claims on DMBs	35.8	18.9	24.1	41.1	32.6	59.6	54.2	71.4	83.1	84.7
6. Claims on other financial institutions	0.3	0.2	1.1	0.7	1.4	2.0	6.0	4.7	5.7	6.4
Total (1+2+3+4+5+6)	424.6	463.5	487.8	536.4	599.3	718.2	867.9	935.9	1,008.7	1,060.4
<b>LIABILITIES</b>										
1. Demand deposits	9.3	8.8	11.0	11.4	14.6	19.0	19.8	18.7	19.2	21.9
2. Time and savings deposits	182.1	127.4	138.7	153.6	175.4	207.7	261.2	286.7	312.9	322.7
3. Foreign currency deposits	8.0	-	15.5	26.8	68.8	138.2	223.4	268.3	309.7	348.0
4. Bonds	68.0	34.9	27.3	46.5	51.5	70.3	72.7	75.7	82.2	75.9
5. Foreign liabilities	0.1	1.3	0.8	0.8	1.0	0.4	0.5	0.5	0.8	4.3
6. Central government deposits	5.6	-	-	0.3	0.3	0.6	0.5	0.3	0.1	0.1
7. Credit from central bank	0.6	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Restricted deposits	6.3	6.4	2.1	0.9	0.7	1.1	0.9	0.6	0.7	0.4
9. Capital accounts	125.7	276.1	307.2	312.7	347.8	361.0	397.1	398.5	401.9	404.1
10. Other items (net)	19.1	8.6	-14.8	-16.6	-60.8	-79.9	-108.2	-113.5	-118.8	-117.0
Total (1+2+3+4+5+6+7+8+9+10)	424.6	463.5	487.8	536.4	599.3	718.2	867.9	935.9	1,008.7	1,060.4

**Table F1: Credit Rates of Croatian National Bank**  
In percentage, on annual basis

Year	Month	CNB discount rate	Credit rates							
			On lombard credits <sup>1)</sup>	On intervention credits	On daily credits for overcoming short-term illiquidity problems <sup>2)</sup>	On special credits for payment of blocked f/c deposits	On special credits <sup>1)</sup>	On advances on the account of statutory reserves <sup>1)</sup>	On inaccurately calculated statutory reserves <sup>1)</sup>	On arrears
1	2	3	4	5	6	7	8	9	10	11
1992	December	1,889.39	2,840.09	-	6,881.51	-	-	4,191.93	6,881.51	4,191.93
1993	December	34.49	46.78	-	289.60	-	-	101.22	289.60	166.17
1994	December	8.50	18.00	19.00	17.00	-	14.00	-	19.00	22.00
1995	December	8.50	25.49	19.00	17.00	12.00	-	-	19.00	22.00
1996	September	6.50	13.00 <sup>3)</sup>	19.00	17.00	-	-	-	19.00	18.00
	October	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
	November	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
	December	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
1997	January	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
	February	6.50	11.00	19.00	17.00	-	-	-	19.00	18.00
	March	5.90 <sup>4)</sup>	9.50 <sup>4)</sup>	19.00	17.00	-	-	-	19.00	18.00
	April	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	May	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	June	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	July	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	August	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	September	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	October	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	November	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	December	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
1998	January	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	February	5.90	9.50	19.00	17.00	-	-	-	19.00	18.00
	March	5.90	9.50	19.00	17.00	-	14.00	-	19.00	18.00

1) Breaks in the series of data are explained in the Notes on Methodology.  
2) Since May 8, 1996.  
3) Weighted averages on interest rates on lombard credits, in the period June 1995 to September 1996, are presented in column 4. Since September 11, 1996 interest rate on lombard credits is set by the CNB as 11% on annual basis.  
4) Since March 12, 1997.

**Table F2: Deposit Rates of Croatian National Bank**  
In percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB <sup>1)</sup>	Interest rates on CNB bills on obligatory basis	Interest rates on CNB bills on voluntary basis <sup>1)</sup>			
				Due in 7 days	Due in 35 days	Due in 91 days	Due in 182 days
1	2	3	4	5	6	7	8
1992	December	367.60	556.66	1,057.67	1,889.39	-	-
1993	December	0.00	-	67.84	63.08	97.38	-
1994	December	5.15	-	9.00	12.00	14.00	-
1995	December	5.50	16.50	12.00	25.54	27.00	-
1996	September	5.50	-	-	7.98	9.49	-
	October	5.50	-	-	8.00	9.49	-
	November	5.50	-	-	8.00	9.50	-
	December	5.50	-	-	8.00	9.50	-
1997	January	5.50	-	-	7.50	9.00	-
	February	5.50	-	-	7.50	9.00	-
	March	5.50	-	-	7.50	9.00	-
	April	5.50	-	-	7.06	8.52	-
	May	5.50	-	-	7.00	8.50	9.50
	June	4.50	-	-	7.00	8.50	-
	July	4.50	-	-	7.00	8.50	9.50
	August	4.50	-	-	7.00	8.50	9.50
	September	4.50	-	-	7.94	9.00	9.89
	October	4.50	-	-	8.00	8.97	9.82
	November	4.50	-	-	8.00	9.00	10.00
	December	4.50	-	-	8.00	9.00	10.00
1998	January	4.50	-	-	8.00	9.00	9.75
	February	4.50	-	-	8.48	9.50	10.00
	March	4.50	-	-	8.57	9.68	10.06

1) Breaks in the series of data are explained in the Notes on Methodology.

**Table F3: Deposit Money Banks' Reserves on Obligatory Basis**  
Daily averages and percentages, millions of kuna and %

Year	Month	Reserve requirement (RR)	Weighted average reserve requirement in % of res. base	Statutory reserves deposited with the CNB	Statutory reserves deposited with the CNB in % of RR	Other deposits with the CNB on obligatory basis	Total reserve requirement	Total reserve requirement in % of res. base	Weighted average remuneration in % of total RR	Use of obligatory reserves
1	2	3	4	5	6=[5/3]*100	7	8=3+7	9	10	11
1993	December	894.9	25.32	804.0	89.84	19.8	914.7	25.88	1.97	143.6
1994	December	1,826.0	26.20	1,779.2	97.44	188.3	2,014.3	28.90	5.63	3.5
1995	December	2,431.8	30.90	2,215.9	91.12	826.5	3,258.4	41.40	7.93	45.9
1996	September	3,123.8	32.25	2,843.8	91.04	429.9	3,553.7	36.68	5.85	0.1
	October	3,360.4	34.07	3,055.1	90.92	218.6	3,579.0	36.28	5.43	0.2
	November	3,499.8	35.13	3,172.1	90.64	71.1	3,570.9	35.84	5.12	0.2
	December	3,652.9	35.91	3,312.0	90.67	-	3,652.9	35.91	5.50	0.1
1997	January	3,689.7	35.92	3,338.7	90.49	-	3,689.7	35.92	5.50	0.3
	February	3,706.3	35.93	3,357.6	90.59	-	3,706.3	35.93	5.50	0.2
	March	3,663.3	35.89	3,326.1	90.79	-	3,663.3	35.89	5.50	0.2
	April	3,669.3	34.92	3,330.7	90.77	-	3,669.3	34.92	5.50	0.1
	May	3,792.4	34.72	3,438.1	90.66	-	3,792.4	34.72	5.50	0.1
	June	3,786.2	33.38	3,431.6	90.63	-	3,786.2	33.38	4.50	0.2
	July	3,754.1	31.92	3,389.9	90.30	-	3,754.1	31.92	4.50	0.0
	August	3,994.4	31.94	3,588.3	89.83	-	3,994.4	31.94	4.50	0.0
	September	4,240.1	31.99	3,802.4	89.68	-	4,240.1	31.99	4.50	0.0
	October	4,284.7	31.99	3,846.8	89.78	-	4,284.7	31.99	4.50	0.0
	November	4,327.8	32.00	3,902.9	90.18	-	4,327.8	32.00	4.50	0.0
	December	4,348.8	32.02	3,914.2	90.01	-	4,348.8	32.02	4.50	0.5
1998	January	4,434.1	32.02	3,983.4	89.84	-	4,434.1	32.02	4.50	0.3
	February	4,361.8	32.00	3,916.7	89.79	-	4,361.8	32.00	4.50	0.5
	March	4,436.3	31.98	3,978.1	89.67	-	4,436.3	31.98	4.50	28.2

**Table F4: Deposit Money Banks' Liquidity Indicators**  
Daily averages and percentages, millions of kuna and %

Year	Month	Free reserves	Primary liquidity ratio (in %)	Secondary liquidity sources*	CNB bills on voluntary basis
1	2	3	4	5	6
1993	December	- 18.5	-0.52	188.0	1.9
1994	December	119.5	1.72	393.7	210.2
1995	December	49.4	0.63	199.4	218.7
1996	September	365.0	3.77	55.0	1 018.7
	October	308.2	3.12	56.1	893.6
	November	300.3	3.01	29.7	940.8
	December	267.9	2.63	98.5	780.9
1997	January	323.2	3.15	47.5	653.5
	February	246.1	2.39	29.8	729.6
	March	229.8	2.25	37.0	756.0
	April	219.4	2.09	53.5	675.9
	May	119.0	1.09	62.1	594.6
	June	149.9	1.32	50.3	619.4
	July	426.8	3.63	23.1	700.5
	August	292.3	2.34	101.3	826.2
	September	206.8	1.56	47.7	808.9
	October	134.0	1.00	52.7	775.9
	November	235.3	1.74	67.8	795.0
	December	396.3	2.92	32.7	728.9
1998	January	384.2	2.77	9.8	702.5
	February	457.9	3.36	9.3	825.8
	March	316.3	2.28	110.0	877.9

**Table G1: Deposit Money Banks' Credit Rates**  
Weighted averages of monthly interest rates, in % on annual basis

Year	Month	Money market interest rates		Interest rates on credits in kuna			Interest rates on credits in kuna indexed to f/c			Interest rates on credits in f/c		
		On daily market	On overnight market	Total average	On short-term credits	On long-term credits	Total average	On short-term credits	On long-term credits	Total average	On short-term credits	On long-term credits
1	2	3	4	5	6	7	8	9	10	11	12	13
1992	December	2,182.26	2,182.26	2,332.92	2,384.89	1,166.29	20.41	9.90	21.41	....	....	....
1993	December	86.90	34.49	59.00	59.00	78.97	21.84	19.00	23.14	....	....	....
1994	December	17.76	8.50	15.39	15.43	13.82	11.99	12.38	11.65	....	....	....
1995	December	27.15	27.26	22.32	22.56	13.48	19.56	21.62	14.33	15.73	16.56	12.27
1996	September	8.47	7.45	18.67	19.11	10.76	21.91	26.78	10.93	19.58	20.94	10.69
	October	9.55	8.38	17.99	18.54	10.84	20.83	24.14	12.37	20.97	22.08	9.75
	November	10.10	9.62	20.20	20.36	15.71	19.92	24.47	11.62	22.11	23.05	14.14
	December	10.41	9.66	18.46	19.35	11.51	18.97	22.56	12.12	19.28	21.11	10.95
1997	January	11.40	10.54	17.62	17.68	14.57	20.08	23.28	13.11	23.45	24.21	13.40
	February	11.12	10.04	17.17	17.27	14.39	17.64	20.42	12.64	20.38	20.57	19.48
	March	11.56	10.41	16.89	17.03	14.21	18.11	21.15	12.96	19.10	20.34	11.35
	April	11.48	10.51	16.87	16.96	14.51	16.97	19.27	12.84	17.69	18.51	12.28
	May	11.18	9.91	15.79	16.20	10.92	16.55	19.46	12.11	17.86	18.57	11.48
	June	11.12	9.99	15.30	15.40	13.35	15.42	18.31	11.94	16.69	20.57	8.86
	July	10.19	8.94	14.96	15.16	12.49	15.23	17.61	11.98	15.51	16.83	10.42
	August	8.77	7.69	14.24	14.26	13.94	15.67	18.59	12.53	13.56	16.45	7.57
	September	8.79	7.28	14.29	14.30	14.24	15.82	18.44	13.02	15.25	16.62	8.84
	October	8.62	7.60	14.59	14.70	13.15	15.92	18.45	12.86	18.69	20.96	11.04
	November	8.54	7.57	13.73	13.91	12.04	15.54	17.68	12.62	17.48	17.90	15.14
	December	9.41	8.46	14.06	14.12	13.24	14.40	16.92	12.25	13.56	14.58	10.05
1998	January	10.18	8.98	14.68	14.69	14.40	15.37	17.19	12.90	16.05	16.85	12.67
	February	9.27	8.13	14.50	14.48	14.96	15.23	17.32	12.77	15.52	15.81	13.87
	March	10.79	9.87	14.81	14.84	14.04	15.16	16.90	12.87	14.62	16.26	9.93
Relative significance <sup>1)</sup>		13.23	11.00	28.17	26.95	1.22	37.89	21.53	16.36	9.69	7.18	2.51

1) These data represent percentages of related credits in total credits included in calculation of weighted averages of monthly interest rates (for the last month included in this table).

Table G2: Deposit Money Banks' Deposit Rates  
Weighted average of monthly interest rates in % on annual basis

Year	Month	Interest rates on deposits in kuna			Interest rates on time and savings deposits in kuna indexed to f/c	Interest rates on deposits in f/c		
		Total average	On demand deposits	On time and savings deposits <sup>1)</sup>		Total average	On demand deposits	On time and savings deposits <sup>1)</sup>
1	2	3	4	5	6	7	8	9
1992	December	434.47	184.69	1,867.18	6.04	....	....	....
1993	December	27.42	18.16	52.16	5.91	....	....	....
1994	December	5.03	3.55	9.65	6.95	....	....	....
1995	December	6.10	3.88	13.65	12.69	4.57	2.82	6.83
1996	September	4.69	2.74	10.70	11.44	4.50	1.48	6.97
	October	4.46	2.55	10.20	10.23	4.82	1.37	7.52
	November	4.31	2.26	10.38	10.02	5.03	1.58	7.61
	December	4.15	2.19	10.19	9.46	5.09	1.44	7.77
1997	January	4.18	2.20	9.75	9.82	4.51	1.39	6.76
	February	4.33	2.24	9.81	9.49	4.22	1.44	6.18
	March	4.43	2.12	10.11	8.57	4.27	1.43	6.13
	April	4.44	2.17	10.25	9.21	4.38	1.64	6.11
	May	4.43	2.13	9.83	9.53	4.48	1.61	6.23
	June	4.33	2.09	9.62	10.31	4.44	1.82	6.07
	July	4.21	2.05	9.56	7.98	4.25	1.59	5.93
	August	4.22	2.06	9.37	9.45	4.09	1.59	5.66
	September	4.32	2.07	9.25	8.75	4.34	1.64	6.00
	October	4.25	2.11	8.84	6.84	4.21	1.61	5.74
	November	4.07	1.96	8.63	8.82	4.53	1.66	6.14
	December	4.35	2.19	9.10	7.63	4.77	1.75	6.36
1998	January	4.67	2.21	9.54	7.34	5.13	1.76	6.92
	February	4.45	2.23	8.59	7.39	5.55	1.79	7.44
	March	4.51	2.23	8.93	7.69	5.45	1.80	7.23

1) From December 1992 through June 1995, data in column 5 represent weighted averages of monthly interest rates on end-of-month outstanding deposits. Since July 1995, data represent weighted averages of monthly interest rates on new deposits in reporting month.

**Table G3: Deposit Money Banks' Trade with Foreign Exchange**  
 Millions of Deutsche Mark, current exchange rate

	1994	1995	1996	1997				1997				1998
				Q1	Q2	Q3	Q4	Mar.	Jun.	Sept.	Dec.	Jan.
<b>A. Purchases of foreign exchange</b>												
1. Legal persons	2,861.3	3,295.9	3,933.5	1,052.1	1,112.0	1,332.5	1,405.5	401.8	376.5	432.7	558.0	419.7
2. Natural persons	3,380.1	3,549.9	4,156.0	695.9	954.1	1,475.2	969.2	257.7	350.8	355.2	366.4	215.1
2.1. Residents	2,512.8	2,909.1	3,422.2	652.9	807.2	955.8	900.2	239.7	280.5	272.5	344.8	199.2
2.2. Non-residents	867.2	640.8	733.9	43.0	146.9	519.4	69.0	18.0	70.3	82.7	21.6	15.9
3. Commercial banks	375.0	599.9	768.1	287.2	498.8	545.3	629.0	103.6	184.5	236.5	209.1	185.7
4. Croatian National Bank	434.0	334.1	120.1	95.3	16.3	0.0	0.0	0.0	5.7	0.0	0.0	64.1
<b>Total (1+2+3+4)</b>	<b>7,050.4</b>	<b>7,779.8</b>	<b>8,977.7</b>	<b>2,130.5</b>	<b>2,581.2</b>	<b>3,353.0</b>	<b>3,003.6</b>	<b>763.1</b>	<b>917.5</b>	<b>1,024.4</b>	<b>1,133.5</b>	<b>884.6</b>
<b>B. Sales of foreign exchange</b>												
1. Legal persons	3,845.8	5,000.4	6,679.7	1,813.4	2,147.3	2,238.0	2,629.4	650.7	764.3	840.7	977.5	699.6
2. Natural persons	1,221.8	1,502.7	1,560.3	412.0	433.4	465.1	500.4	149.7	142.1	168.1	179.7	144.5
2.1. Residents	1,221.8	1,502.7	1,560.3	411.9	433.3	464.7	499.7	149.7	142.1	168.0	179.7	144.5
2.2. Non-residents	0.0	0.0	0.0	0.1	0.1	0.4	0.7	0.0	0.0	0.1	0.0	0.0
3. Commercial banks	375.0	599.9	766.1	287.2	498.8	545.3	629.0	103.6	184.5	236.5	209.1	185.7
4. Croatian National Bank	1,407.0	663.3	676.1	12.5	173.7	254.4	63.6	8.5	117.6	0.0	63.6	0.0
<b>Total (1+2+3+4)</b>	<b>6,849.6</b>	<b>7,766.3</b>	<b>9,682.3</b>	<b>2,525.1</b>	<b>3,253.2</b>	<b>3,502.8</b>	<b>3,822.3</b>	<b>912.5</b>	<b>1,208.5</b>	<b>1,245.3</b>	<b>1,429.9</b>	<b>1,029.8</b>
<b>C. Net purchasing (A-B)</b>												
1. Legal persons	-984.5	-1,704.5	-2,746.1	-761.4	-1,035.2	-905.5	-1,224.1	-248.9	-387.8	-408.0	-419.6	-279.9
2. Natural persons	2,158.3	2,047.2	2,595.7	283.9	520.7	1,010.1	468.8	108.0	208.7	187.1	186.7	70.6
2.1. Residents	1,291.0	1,406.4	1,861.9	241.0	373.9	491.1	400.5	90.0	138.4	104.5	165.1	54.7
2.2. Non-residents	867.2	640.8	733.9	42.9	146.8	519.1	68.3	18.0	70.3	82.6	21.6	15.9
3. Croatian National Bank	-973.0	-329.2	-556.0	82.8	-157.4	-254.4	-63.6	-8.5	-111.9	0.0	-63.6	64.1
<b>Total (1+2+3)</b>	<b>200.8</b>	<b>13.6</b>	<b>-706.6</b>	<b>-394.7</b>	<b>-671.9</b>	<b>-149.8</b>	<b>-818.9</b>	<b>-149.4</b>	<b>-291.0</b>	<b>-220.9</b>	<b>-296.5</b>	<b>-145.2</b>

Table H1: Balance of Payments - Summary (preliminary data)  
Millions of US dollars

	1993	1994	1995	1996	1997*	1997			
						Q1*	Q2*	Q3*	Q4*
<b>A. CURRENT ACCOUNT (1+6)</b>	<b>599.8</b>	<b>785.9</b>	<b>-1,283.2</b>	<b>-880.8</b>	<b>-2,282.9</b>	<b>-648.2</b>	<b>-693.4</b>	<b>353.6</b>	<b>-1,294.9</b>
<b>1. Goods, services, and income (2+5)</b>	<b>173.5</b>	<b>262.8</b>	<b>-2,083.2</b>	<b>-1,908.6</b>	<b>-3,134.7</b>	<b>-856.7</b>	<b>-926.6</b>	<b>173.8</b>	<b>-1,525.2</b>
1.1. Credit	6,400.2	7,307.8	7,471.5	8,282.8	8,693.7	1,851.9	1,961.8	3,041.3	1,838.6
1.2. Debit	-6,226.7	-7,045.0	-9,554.7	-10,191.4	-11,828.4	-2,708.6	-2,888.5	-2,867.5	-3,363.8
<b>2. Goods and services (3+4)</b>	<b>297.4</b>	<b>339.4</b>	<b>-2,029.8</b>	<b>-1,887.2</b>	<b>-3,050.4</b>	<b>-807.2</b>	<b>-893.3</b>	<b>164.2</b>	<b>-1,514.1</b>
2.1. Credit	6,271.1	7,158.2	7,252.2	8,024.0	8,370.0	1,802.2	1,893.6	2,910.8	1,763.4
2.2. Debit	-5,973.7	-6,818.8	-9,282.0	-9,911.2	-11,420.4	-2,609.4	-2,786.9	-2,746.6	-3,277.5
<b>3. Goods</b>	<b>-960.4</b>	<b>-1,322.5</b>	<b>-3,237.5</b>	<b>-3,651.2</b>	<b>-5,072.5</b>	<b>-912.9</b>	<b>-1,264.5</b>	<b>-1,192.8</b>	<b>-1,702.3</b>
3.1. Credit	3,903.8	4,260.4	4,632.7	4,545.8	4,376.4	1,202.3	1,024.9	1,051.9	1,097.3
3.2. Debit	-4,864.2	-5,582.9	-7,870.2	-8,197.0	-9,448.9	-2,115.2	-2,289.4	-2,244.7	-2,799.6
<b>4. Services</b>	<b>1,257.8</b>	<b>1,661.9</b>	<b>1,207.7</b>	<b>1,764.0</b>	<b>2,022.1</b>	<b>105.7</b>	<b>371.2</b>	<b>1,357.0</b>	<b>188.2</b>
4.1. Credit	2,367.3	2,897.8	2,619.5	3,478.2	3,993.6	599.9	868.7	1,858.9	666.1
4.2. Debit	-1,109.5	-1,235.9	-1,411.8	-1,714.2	-1,971.5	-494.2	-497.5	-501.9	-477.9
<b>5. Income</b>	<b>-123.9</b>	<b>-76.6</b>	<b>-53.4</b>	<b>-21.4</b>	<b>-84.3</b>	<b>-49.5</b>	<b>-33.3</b>	<b>9.6</b>	<b>-11.1</b>
5.1. Credit	129.1	149.6	219.3	258.8	323.7	49.7	68.2	130.5	75.2
5.2. Debit	-253.0	-226.2	-272.7	-280.2	-408.0	-99.2	-101.6	-120.9	-86.3
<b>6. Current transfers</b>	<b>426.3</b>	<b>523.1</b>	<b>800.0</b>	<b>1,027.8</b>	<b>851.8</b>	<b>208.5</b>	<b>233.2</b>	<b>179.8</b>	<b>230.3</b>
6.1. Credit	605.2	665.9	968.8	1,178.6	946.5	228.9	254.4	203.4	259.8
6.2. Debit	-178.9	-142.8	-168.8	-150.8	-94.7	-20.4	-21.2	-23.6	-29.5
<b>B. CAPITAL AND FINANCIAL ACCOUNT</b>	<b>-147.4</b>	<b>-269.3</b>	<b>775.2</b>	<b>1,464.2</b>	<b>2,582.8</b>	<b>694.2</b>	<b>410.2</b>	<b>-258.0</b>	<b>1,736.4</b>
<b>B1. Capital account</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B2. Financial account, excl. reserves</b>	<b>302.0</b>	<b>519.5</b>	<b>1,265.4</b>	<b>1,883.0</b>	<b>2,807.8</b>	<b>632.7</b>	<b>484.3</b>	<b>-96.8</b>	<b>1,787.6</b>
<b>1. Direct investment</b>	<b>76.6</b>	<b>94.7</b>	<b>82.6</b>	<b>509.0</b>	<b>196.1</b>	<b>65.1</b>	<b>121.5</b>	<b>93.6</b>	<b>-84.2</b>
1.1. Abroad	-18.5	-6.8	-5.6	-20.4	-150.3	-9.2	-9.8	-10.7	-120.6
1.2. In Croatia	95.1	101.5	88.2	529.4	346.3	74.3	131.3	104.3	36.4
<b>2. Portfolio investment</b>	<b>-0.1</b>	<b>8.7</b>	<b>4.7</b>	<b>27.2</b>	<b>174.2</b>	<b>87.4</b>	<b>43.0</b>	<b>33.7</b>	<b>10.1</b>
2.1. Assets	-0.5	1.0	0.1	6.2	11.2	0.0	0.2	11.0	0.0
2.2. Liabilities	0.4	7.7	4.6	21.0	163.0	87.4	42.8	22.7	10.1
<b>3. Other investment</b>	<b>225.5</b>	<b>416.1</b>	<b>1,178.1</b>	<b>1,346.8</b>	<b>2,437.5</b>	<b>480.1</b>	<b>319.9</b>	<b>-224.1</b>	<b>1,861.6</b>
3.1. Assets	74.3	171.9	406.7	788.9	185.5	127.5	217.9	-679.3	519.4
3.2. Liabilities	151.2	244.2	771.4	557.9	2,252.0	352.6	102.0	455.2	1,342.2
<b>B3. Reserve Assets</b>	<b>-449.4</b>	<b>-788.8</b>	<b>-490.2</b>	<b>-418.8</b>	<b>-225.0</b>	<b>61.5</b>	<b>-74.1</b>	<b>-161.2</b>	<b>-51.2</b>
<b>C. NET ERRORS AND OMISSIONS</b>	<b>-452.4</b>	<b>-516.6</b>	<b>508.0</b>	<b>-583.4</b>	<b>-299.8</b>	<b>-45.9</b>	<b>283.2</b>	<b>-95.6</b>	<b>-441.5</b>

Table H2: Balance of Payments - Goods and Services (preliminary data)  
Millions of US dollars

	1993	1994	1995	1996	1997*	1997			
						Q1*	Q2*	Q3*	Q4*
<b>1. Goods</b>	<b>-960.4</b>	<b>-1,322.5</b>	<b>-3,237.5</b>	<b>-3,651.2</b>	<b>-5,072.5</b>	<b>-912.9</b>	<b>-1,264.5</b>	<b>-1,192.8</b>	<b>-1,702.3</b>
1.1. Credit	3,903.8	4,260.4	4,632.7	4,545.8	4,376.4	1,202.3	1,024.9	1,051.9	1,097.3
1.1.1. Exports fob in trade statistics	3,903.8	4,260.4	4,632.7	4,511.8	4,341.2	1,195.8	1,015.5	1,045.3	1,084.6
1.1.2. Adjustments for coverage	0.0	0.0	0.0	34.0	35.2	6.5	9.4	6.6	12.7
1.2. Debit	-4,864.2	-5,582.9	-7,870.2	-8,197.0	-9,448.9	-2,115.2	-2,289.4	-2,244.7	-2,799.6
1.2.1. Imports cif in trade statistics	-4,666.4	-5,229.3	-7,509.9	-7,787.9	-9,122.6	-2,040.7	-2,193.1	-2,156.9	-2,731.9
1.2.2. Adjustments for coverage	-530.6	-727.9	-901.6	-970.7	-977.0	-220.1	-252.7	-241.6	-262.6
1.2.3. Adjustments for classification	332.8	374.3	541.3	561.6	650.7	145.6	156.4	153.8	194.9
<b>2. Services</b>	<b>1,257.8</b>	<b>1,661.9</b>	<b>1,207.7</b>	<b>1,764.0</b>	<b>2,022.1</b>	<b>105.7</b>	<b>371.2</b>	<b>1,357.0</b>	<b>188.2</b>
2.1. Transportation	341.5	317.5	307.6	316.4	266.1	72.8	75.9	73.6	43.8
2.1.1. Credit	696.2	665.2	707.2	732.1	664.9	170.6	179.1	174.1	141.1
2.1.2. Debit	-354.7	-347.7	-399.6	-415.7	-398.8	-97.8	-103.2	-100.5	-97.3
2.2. Travel	926.1	1,405.4	929.6	1,499.2	2,007.7	97.1	374.9	1,321.5	214.2
2.2.1. Credit	1,300.7	1,801.4	1,350.5	2,014.1	2,529.1	242.9	510.4	1,456.0	319.8
2.2.2. Debit	-374.6	-396.0	-420.9	-514.9	-521.4	-145.8	-135.5	-134.5	-105.6
2.3. Other services	-9.8	-61.0	-29.5	-51.6	-251.7	-64.2	-79.6	-38.1	-69.8
2.3.1. Credit	370.4	431.2	561.8	732.0	799.6	186.4	179.2	228.8	205.2
2.3.2. Debit	-380.2	-492.2	-591.3	-783.6	-1,051.3	-250.6	-258.8	-266.9	-275.0
<b>Total (1+2)</b>	<b>297.4</b>	<b>339.4</b>	<b>-2,029.8</b>	<b>-1,887.2</b>	<b>-3,050.4</b>	<b>-807.2</b>	<b>-893.3</b>	<b>164.2</b>	<b>-1,514.1</b>

Table H3: Balance of Payments - Income and Current Transfers (preliminary data)  
Millions of US dollars

	1993	1994	1995	1996	1997*	1997			
						Q1*	Q2*	Q3*	Q4*
<b>1. Income</b>	<b>-123.9</b>	<b>-76.6</b>	<b>-53.4</b>	<b>-21.4</b>	<b>-84.3</b>	<b>-49.5</b>	<b>-33.3</b>	<b>9.6</b>	<b>-11.1</b>
1.1. Compensation of employees	17.1	35.3	38.7	14.6	55.6	12.1	12.8	13.9	16.8
1.1.1. Credit	17.1	35.3	38.7	14.6	70.2	14.1	20.2	16.5	19.4
1.1.2. Debit	0.0	0.0	0.0	0.0	-14.6	-2.0	-7.4	-2.6	-2.6
1.2. Direct investment income	0.3	12.5	1.3	11.4	-53.1	-4.8	-50.9	1.7	1.0
1.2.1. Credit	0.4	13.2	7.0	17.5	13.5	1.1	4.4	5.8	2.2
1.2.2. Debit	-0.1	-0.7	-5.7	-6.1	-66.6	-6.0	-55.3	-4.1	-1.2
1.3. Portfolio investment income	0.0	0.1	-0.1	-2.0	-4.2	0.6	-1.6	-1.7	-1.5
1.3.1. Credit	0.0	0.1	0.2	0.2	2.5	0.8	0.4	1.3	0.0
1.3.2. Debit	0.0	0.0	-0.3	-2.2	-6.7	-0.2	-2.0	-3.0	-1.5
1.4. Other investment income	-141.3	-124.5	-93.3	-45.4	-82.7	-57.4	6.4	-4.3	-27.4
1.4.1. Credit	111.6	101.0	173.4	226.5	237.4	33.7	43.2	106.9	53.6
1.4.2. Debit	-252.9	-225.5	-266.7	-271.9	-320.1	-91.1	-36.8	-111.2	-81.0
<b>2. Current transfers</b>	<b>426.3</b>	<b>523.1</b>	<b>800.0</b>	<b>1,027.8</b>	<b>851.8</b>	<b>208.5</b>	<b>233.2</b>	<b>179.8</b>	<b>230.3</b>
2.1. General government	249.7	235.3	279.9	154.5	32.8	14.1	7.7	5.3	5.7
2.1.1. Credit	255.7	261.9	309.2	193.4	55.5	18.4	11.7	10.8	14.6
2.1.2. Debit	-6.0	-26.6	-29.3	-38.9	-22.7	-4.3	-4.0	-5.5	-8.9
2.2. Other sectors	176.6	287.8	520.1	873.3	819.0	194.4	225.5	174.5	224.6
2.2.1. Credit	349.5	404.0	659.6	985.2	891.0	210.5	242.7	192.6	245.2
2.2.2. Debit	-172.9	-116.2	-139.5	-111.9	-72.0	-16.1	-17.2	-18.1	-20.6
<b>Total (1+2)</b>	<b>302.4</b>	<b>446.5</b>	<b>746.6</b>	<b>1,006.4</b>	<b>767.5</b>	<b>159.0</b>	<b>199.9</b>	<b>189.4</b>	<b>219.2</b>

**Table H4: Balance of Payments - Other Investments (preliminary data)**  
Millions of US dollars

	1993	1994	1995	1996	1997*	1997			
						Q1*	Q2*	Q3*	Q4*
<b>1. Assets</b>	<b>74.3</b>	<b>171.9</b>	<b>406.7</b>	<b>788.9</b>	<b>185.5</b>	<b>127.5</b>	<b>217.9</b>	<b>-679.3</b>	<b>519.4</b>
1.1. Currency and deposits	74.3	171.9	406.7	788.9	185.5	127.5	217.9	-679.3	519.4
1.1.1. Banks	-210.6	-189.5	-467.1	-622.6	-341.1	-41.6	-27.4	-540.7	268.6
1.1.2. Other sectors	284.9	361.4	873.8	1,411.5	526.6	169.1	245.3	-138.6	250.8
<b>2. Liabilities</b>	<b>151.2</b>	<b>244.2</b>	<b>771.4</b>	<b>557.9</b>	<b>2,252.0</b>	<b>352.6</b>	<b>102.0</b>	<b>455.2</b>	<b>1,342.2</b>
2.1. Loans	-118.5	-21.5	430.7	404.5	2,250.6	352.9	104.8	454.0	1,338.9
2.1.1. Monetary authorities	-24.0	108.3	97.6	-4.3	37.3	39.5	-2.2	0.0	-
2.1.1.1. Use of Fund credit and loans	-24.0	108.3	97.6	-4.3	37.3	39.5	-2.2	0.0	-
2.1.1.1.1. Drawings	-	117.0	103.0	-	39.5	39.5	-	-	-
2.1.1.1.2. Repayments	-24.0	-8.7	-5.4	-4.3	-2.2	-	-2.2	0.0	-
2.1.2. General government	-7.8	-4.6	93.5	309.9	596.6	274.2	22.0	235.0	65.4
2.1.2.1. Long-term	-7.8	-4.6	-6.5	301.2	596.6	274.2	22.0	235.0	65.4
2.1.2.1.1. Drawings	3.7	7.6	9.4	349.8	706.8	338.1	33.1	252.5	83.1
2.1.2.1.2. Repayments	-11.5	-12.2	-15.9	-48.6	-110.2	-63.9	-11.0	-17.5	-17.8
2.1.2.2. Short-term (net)	-	-	100.0	8.7	-	-	-	-	-
2.1.3. Banks	-115.8	-41.7	176.2	-52.6	645.9	57.1	-23.8	-2.1	614.8
2.1.3.1. Long-term	-133.2	-56.7	-94.2	57.1	370.5	17.1	-120.5	8.0	466.0
2.1.3.1.1. Drawings	55.2	69.4	72.0	167.5	621.1	29.0	28.7	31.5	532.0
2.1.3.1.2. Repayments	-188.4	-126.1	-166.2	-110.4	-250.6	-11.9	-149.2	-23.5	-66.0
2.1.3.2. Short-term (net)	17.4	15.0	270.4	-109.7	275.4	40.0	96.7	-10.1	148.8
2.1.4. Other sectors	29.1	-83.5	63.4	151.6	970.8	-17.9	108.8	221.1	658.7
2.1.4.1. Long-term	-50.7	-78.3	-36.1	79.4	775.9	-1.8	39.7	214.6	523.3
2.1.4.1.1. Drawings	94.7	104.5	233.7	327.0	1,035.8	30.4	100.7	259.2	645.5
2.1.4.1.2. Repayments	-145.4	-182.8	-269.8	-247.6	-260.0	-32.2	-61.0	-44.6	-122.2
2.1.4.2. Short-term (net)	79.8	-5.2	99.5	72.2	194.9	-16.1	69.1	6.5	135.4
2.2. Other liabilities (short-term)	269.7	265.8	340.7	153.4	1.4	-0.3	-2.8	1.2	3.3
2.2.1. General government	-	-	0.3	13.0	-	-	-	-	-
2.2.2. Banks	221.6	165.8	209.5	10.1	1.4	-0.3	-2.8	1.2	3.3
2.2.3. Other sectors	48.1	100.0	130.9	130.3	-	-	-	-	-
<b>Total (1+2)</b>	<b>225.5</b>	<b>416.1</b>	<b>1,178.1</b>	<b>1,346.8</b>	<b>2,437.5</b>	<b>480.1</b>	<b>319.9</b>	<b>-224.1</b>	<b>1,861.6</b>

Table H5: International Reserves and Banks' Foreign Exchange Reserves  
End of period, millions of US dollars

International Reserves of the Croatian National Bank								Banks' foreign exchange reserves
Year	Month	Total	Special drawing rights	Reserve position in the Fund	Foreign exchange			
					Total	Currency and deposits	Bonds and notes	
1991	December	-	-	-	-	-	-	200.9
1992	December	166.8	-	-	166.8	166.8	-	502.3
1993	December	616.2	3.7	-	612.5	612.5	-	712.9
1994	December	1,405.0	4.5	-	1,400.5	1,400.5	-	902.4
1995	December	1,895.2	139.8	-	1,755.4	1,651.0	104.3	1,369.5
1996	September	2,295.1	129.6	-	2,165.4	2,056.3	109.1	2,072.3
	October	2,312.5	128.0	-	2,184.5	2,074.6	109.9	2,077.8
	November	2,292.5	126.2	-	2,166.3	1,979.8	186.4	2,050.2
	December	2,314.0	125.6	-	2,188.4	2,016.6	171.8	1,992.1
1997	January	2,173.1	121.8	-	2,051.3	1,816.4	234.9	1,913.8
	February	2,177.8	119.2	-	2,058.5	1,744.9	313.6	2,014.0
	March	2,252.4	156.6	-	2,095.9	1,745.6	350.2	2,033.7
	April	2,208.1	153.8	-	2,054.3	1,716.2	338.1	1,952.1
	May	2,271.9	155.4	-	2,116.5	1,838.1	278.4	1,931.0
	June	2,326.5	155.0	-	2,171.5	1,765.0	406.4	2,061.1
	July	2,326.2	151.7	-	2,174.5	1,817.8	356.6	2,322.3
	August	2,442.4	152.4	-	2,290.1	1,872.9	417.2	2,546.7
	September	2,487.8	150.7	-	2,337.1	1,987.9	349.2	2,601.8
	October	2,527.1	152.7	-	2,374.4	1,996.8	377.6	2,448.3
	November	2,515.6	148.5	-	2,367.1	1,946.6	420.5	2,330.5
	December	2,539.0	147.1	-	2,391.9	2,011.7	380.2	2,333.2
1998	January	2,404.1	143.2	-	2,260.8	1,984.6	276.2	2,284.2
	February	2,424.6	143.5	-	2,281.0	2,031.1	250.0	2,353.9
	March	2,457.6	140.9	-	2,316.7	2,054.6	262.1	2,362.0

Table H6: Midpoint Exchange Rates of Croatian National Bank (period average)

Year	Month	HRK/100 ATS	HRK/100 FRF	HRK/100 ITL	HRK/100 CHF	HRK/GBP	HRK/USD	HRK/100 DEM	HRK/XEU
1992		2.4304	5.0419	0.0209	19.0597	0.3753	0.2643	17.1018	0.3402
1993		30.5485	62.1058	0.2240	243.3869	5.3694	3.5774	215.5526	4.1336
1994		52.4804	107.9560	0.3715	438.1763	9.1662	5.9953	369.2018	7.0874
1995		51.8734	104.7969	0.3213	442.5311	8.2530	5.2300	364.9342	6.7578
1996		51.3722	106.2735	0.3522	440.4976	8.4799	5.4338	361.4536	6.8047
1997		50.5322	105.6355	0.3619	424.6962	10.0816	6.1571	355.5932	6.9597
1996	September	50.5430	104.4095	0.3520	435.2483	8.3357	5.3487	355.6333	6.7352
	October	50.6437	105.3510	0.3572	433.0685	8.6162	5.4490	356.2751	6.8221
	November	50.6604	105.3683	0.3557	423.5404	8.9299	5.3818	356.4890	6.8419
	December	50.5956	105.3243	0.3614	416.4327	9.1814	5.5169	356.0212	6.8623
1997	January	50.6307	105.5680	0.3646	410.4601	9.4731	5.6813	356.2051	6.9086
	February	50.6882	105.6570	0.3612	411.1264	9.6607	5.9557	356.6996	6.9194
	March	50.7702	105.9315	0.3580	413.5243	9.7433	6.0575	357.3151	6.9342
	April	50.8002	106.1420	0.3610	418.2252	9.9465	6.1053	357.5270	6.9692
	May	50.7712	105.9952	0.3617	424.8144	9.9338	6.0921	357.3329	6.9628
	June	50.7080	105.7193	0.3633	427.4369	10.1121	6.1564	356.8433	6.9670
	July	50.7210	105.7686	0.3664	431.0980	10.6707	6.3732	356.8693	7.0342
	August	50.5753	105.5941	0.3643	432.7590	10.4966	6.5476	355.8687	6.9988
	September	50.4038	105.5169	0.3634	430.6829	10.1537	6.3444	354.7000	6.9548
	October	50.2126	105.3162	0.3608	427.2444	10.1127	6.2197	353.3938	6.9389
	November	50.0684	105.2406	0.3596	433.7589	10.2858	6.1041	352.3813	6.9664
	December	50.0366	105.1769	0.3590	435.2233	10.3898	6.2473	352.0600	6.9622
1998	January	49.9611	104.9728	0.3572	432.5183	10.4250	6.3693	351.4890	6.9382
	February	50.0213	104.9903	0.3566	436.2793	10.4636	6.3843	351.9478	6.9453
	March	50.1530	105.2431	0.3584	433.3662	10.6813	6.4376	352.8519	6.9933
	April	50.5785	106.1442	0.3603	428.9143	10.8144	6.4653	355.8486	7.0520

Table H7: Midpoint Exchange Rates of Croatian National Bank (end of period)

Year	Month	HRK/100 ATS	HRK/100 FRF	HRK/100 ITL	HRK/100 CHF	HRK/GBP	HRK/USD	HRK/100 DEM	HRK/XEU
1992		7.0357	14.5244	0.0542	54.6218	1.2065	0.7982	49.5000	0.9645
1993		54.0504	112.0052	0.3813	447.1653	9.7148	6.5619	380.1812	7.2622
1994		51.6285	105.2510	0.3465	428.8893	8.7842	5.6287	363.2100	6.9024
1995		52.6742	108.5365	0.3358	461.8693	8.2345	5.3161	370.5900	6.8122
1996		50.6253	105.5662	0.3626	409.8835	9.3590	5.5396	356.2200	6.8636
1997		49.9445	105.0510	0.3577	433.2003	10.4756	6.3031	351.1000	6.9472
1996	September	50.6388	105.3156	0.3566	432.7272	8.4700	5.4255	356.2400	6.7939
	October	50.6786	105.3726	0.3544	429.2314	8.7319	5.3869	356.5800	6.8264
	November	50.6125	104.8419	0.3612	420.6835	9.2058	5.4659	356.1800	6.8768
	December	50.6253	105.5662	0.3626	409.8835	9.3590	5.5396	356.2200	6.8636
1997	January	50.6416	105.6052	0.3635	409.7032	9.4688	5.8452	356.3300	6.9060
	February	50.7687	105.9568	0.3591	408.4832	9.8192	6.0366	357.3200	6.9402
	March	50.7929	106.1326	0.3582	414.0791	9.7846	5.9917	357.4800	6.9480
	April	50.8625	106.2010	0.3612	420.5253	10.0748	6.2002	357.9600	6.9895
	May	50.6920	105.6032	0.3600	428.3852	9.9443	6.0822	356.7700	6.9410
	June	50.7376	105.8077	0.3649	428.1669	10.2998	6.1665	357.0000	6.9972
	July	50.6793	105.7915	0.3655	431.0001	10.6721	6.5598	356.5700	7.0284
	August	50.4569	105.5592	0.3629	429.5431	10.3453	6.3804	355.0800	6.9763
	September	50.3737	105.5727	0.3623	429.3889	10.0759	6.2390	354.5100	6.9452
	October	50.0960	105.2322	0.3593	432.6325	10.0869	6.0603	352.5900	6.9344
	November	50.1166	105.3767	0.3601	436.4977	10.4293	6.2253	352.7100	6.9861
	December	49.9445	105.0510	0.3577	433.2003	10.4756	6.3031	351.1000	6.9472
1998	January	49.9850	104.8998	0.3566	436.2448	10.4940	6.4224	351.7000	6.9362
	February	50.1420	105.2034	0.3577	435.6138	10.5114	6.3848	352.7900	6.9740
	March	50.3495	105.7106	0.3592	431.6791	10.9064	6.4907	354.2200	7.0352
	April	50.8200	106.6631	0.3619	429.8106	10.7228	6.4313	357.5700	7.0692

**Table H8: External Debt**  
Millions of US dollars

	1993	1994	1995	1996	1997						1998
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sept.	Oct.	Nov.	Dec.*	Jan.
<b>Outstanding debt</b>											
<b>1. Medium and long term credits</b>	<b>2,431.3</b>	<b>2,771.0</b>	<b>3,111.3</b>	<b>4,397.2</b>	<b>4,770.5</b>	<b>4,694.4</b>	<b>5,135.5</b>	<b>5,467.1</b>	<b>5,485.2</b>	<b>6,123.1</b>	<b>6,125.9</b>
<b>1.1. Official creditors</b>	<b>1,041.4</b>	<b>1,187.8</b>	<b>1,318.0</b>	<b>1,889.6</b>	<b>1,909.8</b>	<b>1,840.6</b>	<b>1,836.7</b>	<b>1,859.6</b>	<b>1,800.7</b>	<b>1,867.0</b>	<b>1,842.1</b>
1.1.1. International financial organizations	319.6	404.0	493.7	673.1	741.8	753.2	758.6	772.3	769.1	851.0	846.7
1.1.2. Foreign governments	721.8	783.8	824.3	1,216.5	1,168.0	1,087.4	1,078.1	1,087.3	1,031.6	1,016.0	995.4
<b>1.2. Private creditors</b>	<b>1,389.9</b>	<b>1,583.2</b>	<b>1,793.3</b>	<b>2,507.6</b>	<b>2,860.7</b>	<b>2,853.8</b>	<b>3,298.8</b>	<b>3,607.5</b>	<b>3,684.5</b>	<b>4,256.1</b>	<b>4,283.8</b>
1.2.1. Foreign banks	1,266.5	1,392.8	1,508.8	2,198.2	2,534.0	2,504.0	2,920.4	3,127.9	3,285.4	3,788.0	3,799.0
o/w: Guaranteed by government agencies	244.9	301.9	297.3	191.8	177.8	175.2	164.6	166.5	165.0	167.0	163.3
1.2.2. Foreign nonbanks	123.4	190.4	284.5	309.4	326.7	349.8	378.4	479.6	399.1	468.1	484.8
o/w: Guaranteed by government agencies	18.0	29.5	37.5	21.9	19.5	18.1	18.5	17.8	17.4	17.6	17.9
<b>2. Short-term credits</b>	<b>54.6</b>	<b>50.5</b>	<b>225.1</b>	<b>411.2</b>	<b>277.7</b>	<b>355.9</b>	<b>352.9</b>	<b>391.3</b>	<b>428.9</b>	<b>538.5</b>	<b>643.7</b>
<b>2.1. Foreign banks</b>	<b>10.5</b>	<b>15.7</b>	<b>136.2</b>	<b>278.6</b>	<b>167.9</b>	<b>242.5</b>	<b>243.8</b>	<b>279.6</b>	<b>297.4</b>	<b>370.1</b>	<b>470.4</b>
<b>2.2. Foreign nonbanks</b>	<b>44.1</b>	<b>34.8</b>	<b>88.9</b>	<b>132.6</b>	<b>109.8</b>	<b>113.4</b>	<b>109.1</b>	<b>111.7</b>	<b>131.5</b>	<b>168.4</b>	<b>173.3</b>
<b>Total (1+2)</b>	<b>2,485.9</b>	<b>2,821.5</b>	<b>3,336.4</b>	<b>4,808.4</b>	<b>5,048.2</b>	<b>5,050.3</b>	<b>5,488.4</b>	<b>5,858.4</b>	<b>5,914.1</b>	<b>6,661.6</b>	<b>6,769.6</b>
<b>o/w: Nonreported principal payments</b>	<b>543.4</b>	<b>753.5</b>	<b>950.5</b>	<b>197.5</b>	<b>160.1</b>	<b>229.5</b>	<b>277.3</b>	<b>282.9</b>	<b>290.1</b>	<b>241.9</b>	<b>275.2</b>
<b>Memo: nonreported interest payments</b>	<b>152.4</b>	<b>245.1</b>	<b>324.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Croatian beneficiaries' outstanding debt.

Data for end 1996, and 1997 include Paris and London Club rescheduling agreements and nonallocated debt.

Table I1: Consolidated Central Government  
Millions of kuna

	1994	1995	1996	1997				1998	
				Q1	Q2	Q3	Q4	Jan.	Feb.
<b>TOTAL REVENUE AND GRANTS</b>									
1. Budgetary central government	23,142.6	27,980.8	31,367.5	6,695.1	8,617.6	8,945.6	9,587.8	2,921.7	3,634.2
2. Extrabudgetary funds	13,739.6	15,302.3	17,029.1	4,455.1	4,694.9	4,882.5	5,466.6	1,710.4	1,960.3
2.1. Pension fund	7,165.1	8,720.4	9,584.7	2,551.0	2,692.0	2,741.5	3,037.8	952.8	1,075.4
2.2. Health insurance fund	3,775.2	4,558.1	5,196.3	1,324.2	1,419.0	1,465.8	1,615.2	492.0	673.7
2.3. Employment fund	556.7	691.2	676.1	148.2	151.2	160.8	178.1	52.6	57.4
2.4. Child benefit fund	689.4	782.1	878.5	224.2	238.9	250.2	263.4	84.7	85.9
2.5. Road fund <sup>1)</sup>	1,117.5	-	-	-	-	-	-	-	-
2.6. Public water management fund	435.7	550.5	693.5	207.6	193.9	264.2	372.0	128.3	67.9
<b>A. Total (1+2)</b>	<b>36,882.3</b>	<b>43,283.1</b>	<b>48,396.6</b>	<b>11,150.3</b>	<b>13,312.5</b>	<b>13,828.1</b>	<b>15,054.4</b>	<b>4,632.1</b>	<b>5,594.5</b>
<b>TOTAL EXPENDITURE AND LENDING</b> (minus repayments)									
3. Budgetary central government	20,732.4	26,189.3	27,591.9	6,665.1	7,089.8	7,845.2	7,809.4	2,422.2	2,688.6
4. Extrabudgetary funds	14,736.9	17,976.8	21,282.1	5,837.4	6,250.1	6,523.3	6,911.7	2,198.0	2,575.1
4.1. Pension fund	6,685.6	8,860.7	10,459.8	3,171.1	3,510.6	3,517.4	3,596.0	1,242.0	1,255.4
4.2. Health insurance fund	5,255.7	7,083.1	8,357.5	2,012.4	2,071.1	2,228.1	2,431.2	670.5	1,073.1
4.3. Employment fund	416.1	445.9	676.2	169.8	203.2	175.6	165.5	52.7	54.8
4.4. Child benefit fund	665.2	820.6	853.2	252.2	221.8	273.8	255.9	83.4	79.6
4.5. Road fund <sup>1)</sup>	1,207.0	-	-	-	-	-	-	-	-
4.6. Public water management fund	507.4	766.6	935.5	231.8	243.4	328.4	463.1	149.5	112.3
<b>B. Total (3+4)</b>	<b>35,469.3</b>	<b>44,166.1</b>	<b>48,874.0</b>	<b>12,502.5</b>	<b>13,340.0</b>	<b>14,368.5</b>	<b>14,721.0</b>	<b>4,620.2</b>	<b>5,263.7</b>
<b>C. Overall surplus/deficit (A-B)</b>	<b>1,413.0</b>	<b>-883.0</b>	<b>-477.4</b>	<b>-1,352.2</b>	<b>-27.4</b>	<b>-540.4</b>	<b>333.3</b>	<b>12.0</b>	<b>330.7</b>
5. Budgetary central government (1-3)	2,410.3	1,791.5	3,775.6	30.0	1,527.8	1,100.4	1,778.4	499.6	945.6
6. Extrabudgetary funds (2-4)	-997.3	-2,674.6	-4,253.0	-1,382.2	-1,555.3	-1,640.8	-1,445.1	-487.6	-614.8

1) Included in government budget in 1995. Source: Ministry of Finance

Table 12: Budgetary Central Government Operations  
Millions of kuna

	1992	1993	1994	1995	1996	1997				1998	
						Q1	Q2	Q3	Q4	Jan.	Feb.
<b>1. Total revenue</b>	<b>547.4</b>	<b>8,382.2</b>	<b>23,142.6</b>	<b>27,880.8</b>	<b>31,367.5</b>	<b>6,695.1</b>	<b>8,617.6</b>	<b>8,945.6</b>	<b>9,587.8</b>	<b>2,921.7</b>	<b>3,634.2</b>
1.1. Current revenue	547.0	8,371.2	22,788.9	27,287.1	30,244.3	6,630.2	8,544.0	8,807.3	9,403.5	2,881.7	3,582.0
1.1.1. Tax revenue	502.1	7,891.8	22,377.5	26,505.4	28,530.4	6,138.2	8,038.5	8,387.0	8,774.5	2,802.5	3,345.7
1.1.2. Nontax revenue	45.0	479.3	411.4	781.8	1,713.9	492.0	505.6	420.3	629.0	79.3	236.3
1.2. Capital revenue	0.3	11.0	353.8	593.7	1,123.1	64.9	73.6	138.3	184.3	40.0	52.1
<b>2. Grants</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
2.1. Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Capital	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>A. Total revenue and grants (1+2)</b>	<b>547.4</b>	<b>8,382.2</b>	<b>23,142.6</b>	<b>27,980.8</b>	<b>31,367.5</b>	<b>6,695.1</b>	<b>8,617.6</b>	<b>8,945.6</b>	<b>9,587.8</b>	<b>2,921.7</b>	<b>3,634.2</b>
<b>3. Total expenditure</b>	<b>564.6</b>	<b>8,403.4</b>	<b>22,282.8</b>	<b>28,475.6</b>	<b>30,972.8</b>	<b>7,803.3</b>	<b>8,672.8</b>	<b>8,647.4</b>	<b>9,271.6</b>	<b>2,868.1</b>	<b>3,312.6</b>
3.1. Current expenditure	519.8	7,738.1	20,360.5	25,495.2	25,930.1	7,003.0	7,520.5	7,447.3	7,609.0	2,641.9	3,054.0
3.2. Capital expenditure	44.5	661.3	1,922.3	2,980.4	5,042.7	800.3	1,152.3	1,200.2	1,662.7	226.2	258.6
<b>4. Lending minus rep.</b>	<b>-9.7</b>	<b>-88.8</b>	<b>316.0</b>	<b>220.6</b>	<b>528.7</b>	<b>218.2</b>	<b>-85.8</b>	<b>337.6</b>	<b>141.1</b>	<b>0.6</b>	<b>2.2</b>
<b>B. Total expenditure and net lending (3+4)</b>	<b>554.9</b>	<b>8,314.6</b>	<b>22,598.8</b>	<b>28,696.2</b>	<b>31,501.5</b>	<b>8,021.5</b>	<b>8,587.0</b>	<b>8,985.0</b>	<b>9,412.8</b>	<b>2,868.7</b>	<b>3,314.8</b>
<b>5. Current account surplus without grants (1.1.-3.1.)</b>	<b>27.3</b>	<b>633.1</b>	<b>2,428.4</b>	<b>1,791.9</b>	<b>4,314.3</b>	<b>-372.8</b>	<b>1,023.5</b>	<b>1,360.0</b>	<b>1,794.5</b>	<b>239.8</b>	<b>528.0</b>
<b>6. Current account surplus with current grants (5+2.1.)</b>	<b>27.3</b>	<b>633.1</b>	<b>2,428.4</b>	<b>1,791.9</b>	<b>4,314.3</b>	<b>-372.8</b>	<b>1,023.5</b>	<b>1,360.0</b>	<b>1,794.5</b>	<b>239.8</b>	<b>528.0</b>
<b>7. Gross fixed capital formation <sup>1)</sup></b>	<b>44.2</b>	<b>650.3</b>	<b>1,235.0</b>	<b>1,040.5</b>	<b>1,113.9</b>	<b>255.3</b>	<b>500.5</b>	<b>280.2</b>	<b>480.5</b>	<b>87.4</b>	<b>25.6</b>
<b>8. Gross capital formation <sup>2)</sup></b>	<b>44.2</b>	<b>650.3</b>	<b>1,415.0</b>	<b>1,040.5</b>	<b>1,113.9</b>	<b>255.3</b>	<b>500.5</b>	<b>280.2</b>	<b>480.5</b>	<b>87.4</b>	<b>25.6</b>
<b>C. Overall surplus/deficit (A-B)</b>	<b>-7.5</b>	<b>67.6</b>	<b>543.9</b>	<b>-715.4</b>	<b>-134.0</b>	<b>-1,326.4</b>	<b>30.6</b>	<b>-39.4</b>	<b>175.0</b>	<b>53.0</b>	<b>319.3</b>
<b>9. Foreign financing</b>	<b>0.0</b>	<b>0.0</b>	<b>47.3</b>	<b>686.0</b>	<b>803.9</b>	<b>1,613.6</b>	<b>6.7</b>	<b>1,032.2</b>	<b>333.3</b>	<b>65.7</b>	<b>83.1</b>
<b>10. Domestic financing</b>	<b>7.5</b>	<b>-67.6</b>	<b>-591.2</b>	<b>29.4</b>	<b>-669.9</b>	<b>-287.3</b>	<b>-37.3</b>	<b>-992.8</b>	<b>-508.3</b>	<b>-118.7</b>	<b>-402.4</b>
10.1. From other government	0.0	-18.5	0.0	0.0	0.0	58.0	-58.0	0.0	0.0	0.0	0.0
10.2. From monetary authorities	0.0	67.0	-617.3	396.0	-152.7	-101.9	-13.1	-224.7	-15.1	352.0	-344.7
10.3. From deposit money banks	-4.0	-106.2	-63.8	0.0	-308.4	-501.8	43.6	-589.3	-309.7	-470.7	-144.2
10.4. Other domestic financing	11.5	-9.9	89.9	-366.6	-208.8	258.5	-9.8	-178.8	-183.5	0.0	86.4
<b>D. Total financing (9+10)</b>	<b>7.5</b>	<b>-67.6</b>	<b>-543.9</b>	<b>715.4</b>	<b>134.0</b>	<b>1,326.4</b>	<b>-30.6</b>	<b>39.4</b>	<b>-175.0</b>	<b>-53.0</b>	<b>-319.3</b>

1) Net purchase of fixed capital formation.

2) Net purchase of fixed capital formation and net purchase of shares. Source: Ministry of Finance

Table J1: Retail Prices, Costs of Living and Manufacturing Producer's Prices Indices

Year	Month	Chain indices			Monthly year-on-year indices			Cumulative year-on-year indices		
		Retail prices	Costs of living	Manufactur. prod. prices	Retail prices	Costs of living	Manufactur. prod. prices	Retail prices	Costs of living	Manufactur. prod. prices
1992	December	122.4	125.3	129.1	1,053.4	1,026.3	1,120.9	745.4	694.7	846.6
1993	December	99.5	100.6	98.5	1,249.7	1,225.1	1,175.6	1,616.6	1,591.3	1,610.4
1994	December	100.2	100.9	100.2	97.0	102.5	94.5	197.5	207.2	177.7
1995	December	100.2	100.7	100.5	103.7	104.6	101.6	102.0	104.0	100.8
1996	September	100.1	100.1	100.1	103.1	104.2	101.1	103.5	104.4	101.4
	October	100.6	100.7	100.0	103.2	104.0	100.6	103.5	104.4	101.3
	November	100.5	100.6	101.6	103.5	104.1	101.7	103.6	104.4	101.3
	December	100.0	100.4	100.3	103.4	103.7	101.5	103.5	104.3	101.4
1997	January	101.0	101.5	103.0	104.2	104.3	104.3	104.2	104.3	104.3
	February	100.0	100.2	100.1	103.7	103.6	102.0	104.0	103.9	101.9
	March	100.1	100.3	99.3	103.9	103.6	102.2	104.0	103.8	102.0
	April	100.1	100.2	100.0	104.4	104.5	101.9	104.1	104.0	101.9
	May	100.4	101.1	100.2	103.6	104.2	102.3	103.9	104.0	102.0
	June	100.2	100.4	100.2	103.4	104.2	102.1	103.8	104.0	102.0
	July	99.7	98.7	99.8	102.7	103.2	102.0	103.7	103.9	102.0
	August	100.8	100.2	101.2	103.5	104.3	103.4	103.6	104.0	102.2
	September	100.3	100.1	100.0	103.7	104.2	103.3	103.7	104.0	102.3
	October	100.2	100.1	100.1	103.3	103.7	103.3	103.6	104.0	102.4
	November	100.4	101.0	100.3	103.1	104.1	101.9	103.6	104.0	102.3
	December	100.7	101.2	99.9	103.8	104.9	101.6	103.6	104.1	102.3
1998	January	102.4	102.8	99.2	105.3	106.3	99.6	105.3	106.3	99.6
	February	100.4	100.7	99.9	105.7	107.0	99.7	105.5	106.7	99.7
	March	100.2	100.5	98.1	105.8	107.2	99.3	105.6	106.8	99.5
	April	100.3	100.5	100.2	105.9	107.6	99.4	105.7	107.0	99.5

Source: Central Bureau of Statistics

**Table J2: Average Monthly Net Wages**  
In current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1992	December	74.4	120.2	681.7	409.4
1993	December	1,073.2	105.2	1,442.1	1,605.3
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	September	2,028.0	97.3	111.1	111.0
	October	2,071.0	102.1	112.1	111.1
	November	2,124.0	102.6	112.1	111.3
	December	2,217.0	104.4	117.7	111.8
1997	January	2,274.0	102.6	118.2	118.2
	February	2,196.0	96.6	115.1	116.6
	March	2,271.0	103.4	118.3	117.2
	April	2,313.0	101.9	116.8	117.1
	May	2,361.0	102.1	114.2	116.5
	June	2,406.0	101.9	120.7	117.2
	July	2,395.0	99.5	115.6	117.0
	August	2,402.0	100.3	115.2	116.8
	September	2,394.0	99.7	118.1	116.9
	October	2,437.0	101.8	117.7	117.0
	November	2,525.0	103.6	118.9	117.1
	December	2,544.0	100.8	114.8	116.9
1998	January	2,501.0	98.3	110.0	110.0
	February	2,475.0	99.0	112.7	111.4

Source: Central Bureau of Statistics

## 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 subsectors: 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. 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 Company, State Agency for Deposit Insurance and Bank Rehabilitation and Croatian Guarantee Agency, and following central government funds: Croatian health insurance fund, state retirement funds, employment agency, Croatian Privatization Fund, Croatian water company 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' indiscipline 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 account 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* are mainly import deposits. Blocked foreign currency deposits were funds deposited on a special account with the CNB for the purpose of covering the unpaid liabilities 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 Central bank for Reconstruction and Development and State Agency for Deposit Insurance and Bank Rehabilitation.

*CNB bills* are CNB bills on voluntary basis excluding CNB bills voluntary subscribed by the Central 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.

*Reserves* with the central bank are: kuna cash in vaults and kuna deposits with 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 collaterals 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.

*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 deposit money banks, 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 since 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.

Data shown in column 8 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 9 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 10. 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 indiscipline, in accordance with the late interest regulations (shown in column 11).

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 10). 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 indiscipline, shown in column 11.

**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.

**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, banks have been required to deposit at least 75% of the total reserve requirement on a special account with the CNB).

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), and special statutory reserves.

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.

**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 (until

December 1994, this amount is decreased by the portion of voluntarily registered CNB bills used by banks to maintain the prescribed minimal liquidity).

**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. From December 1993 until May 1995, interest rates on overnight loans were identical to the CNB discount rate. Until December 1993 and since July 1995, interest rates charged for overnight loans equaled to daily weighted average interest rates reached on the daily money market.

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 State Statistical Agency are modified in accordance with the compilation method of the IMF: merchandise imports, which are shown in the State Statistical Agency'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 peace-keeping 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 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).

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.



## LIST OF ABBREVIATIONS AND SYMBOLS

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

## ABBREVIATIONS FOR CURRENCIES

HRK	- Croatian kuna
ATS	- Austrian schilling
FRF	- French franc
DEM	- German mark
CHF	- Swiss franc
GBP	- British pound
ITL	- Italian lira
USD	- US dollar
SDR	- Special drawing rights
SIT	- Slovenian tolar
XEU	- European currency unit

## SYMBOLS

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

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