CROATIAN NATIONAL BANK

ANNUAL REPORT

1999

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MACROECONOMIC DEVELOPMENTS IN 1999

I.I International Environment

1.1.1 World

The economic situation in the countries of Southeast Asia that were affected by the financial crisis of 1997 has improved since 1999. However, in late 1998 and early 1999, a crisis broke out in the biggest Latin-American economy – Brazil, which caused instability in whole of Latin America. In addition, the Kosovo crisis and the NATO military action against the Milošević regime had a negative effect on the Southeast European economies.

One of the most unfavorable effects was the "third oil shock" of an increase in oil prices from 12 US$ per barrel (in current dollars) in early 1999 to 25 dollars per barrel (in current dollars), reaching the prices resulting from the first and the second "oil shocks" in the 1970s and 1980s respectively. Consequently, despite some improvements in the Southeast Asian situation, 1999 did not pass without difficulties in the world market.

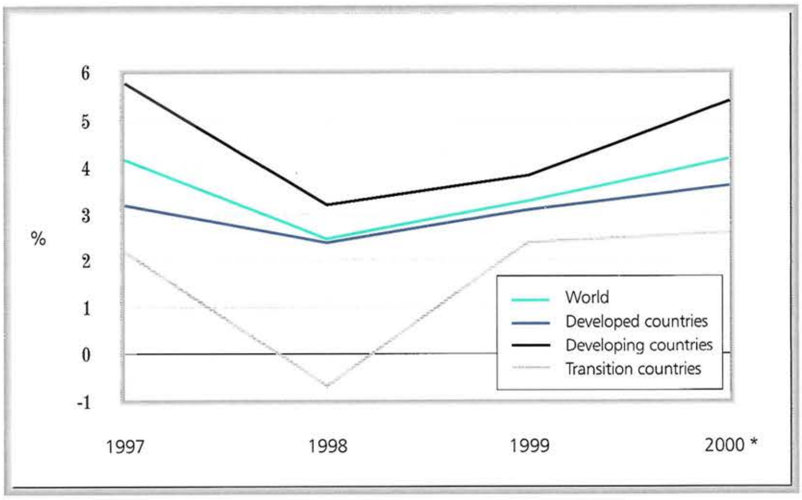
The most powerful economy in the world, that of the USA, continued to grow in 1999. If this continues in 2000, this would be the longest period of growth (over 8 years or 24 quarters) in its recorded economic history (i.e. since mid-19th century). This growth was the greatest contribution to alleviating the consequences of the 1997/98 world financial crises, which was accompanied by poor growth in Europe and recession in Japan. A major source of this growth was the restructuring process that took place in the late 1980s and early 1990s: a rapid technological progress based on fast-growing telecommunications and information sectors. One of the main driving forces of growth was the fiscal restructuring and consolidation of the early 1990s, which turned the severe fiscal deficit of the 1970s and 1980s into a surplus. On the other hand, the Federal Reserves System (Fed) pursued a stable monetary policy that took account of expectations (forward-looking). The main target of this policy was a low inflation rate, which was achieved through a very high growth rate and a low unemployment rate. In 1999, the unemployment rate fell to 4.2 percent, which was the lowest rate in almost the last three decades and lower than the 5 percent rate which was supposed to be the lower limit of natural unemployment (decreased from 6 percent in the early 1990s). Nevertheless, the retail price index shows no sign of growth, indicating an annual inflation rate of 2.2 percent, which is 0.6 percent higher than in 1998 and is mainly a consequence of the oil price increase. These developments in the US economy, along with poor growth in Europe, recession in Japan and uncertainty caused by financial crises in emerging markets, resulted in "taking refuge in the American dollar", investment in financial instruments nominated in dollars and price growth on American stock markets. This additional impulse to growth in the USA helped bring about a nominal effective appreciation of the American dollar of 2.5 percent. In view of such long-lasting growth, an increasing number of economists anticipate a slow-down. This was the basis for decisions in the last three sessions of the Fed's Federal Open Market Committee (FOMC) concerning increased interest rates as a method of preventing possible inflation growth. The highest potential risk is the appearance of a "bubble" on the American stock exchange, i.e. a significant overvaluation of shares. The bursting of the "bubble" would cause a slow-down of growth in the USA, the abandonment of the dollar, inflationary pressure and depreciation, and decline in the growth of the world economy.

In early 1999, the real GDP in Japan started to increase, indicating an upturn after a long period of stagnation and recession caused primarily by weakness in the financial sector. This weakness was partially resolved by government intervention in late 1998 and by government capital injections to major Japanese banks, as well as by a set of incentives for government spending. The process of financial sector strengthening and bank recovery is under way, and measures of banking supervision and control have been intensified, along with regulations about capital adequacy and other measures aimed at providing a more secure banking system. However, the financial system consolidation incurred significant costs that were mainly borne by the Government (this will most probably result in a 10 percent GDP deficit). Furthermore, the restructuring process and improvement of competitiveness of companies which, as in other developed countries, begin with laying off surplus labor (such measures have not yet been implemented in Japan, thanks to the "lifelong employment" system) and the uncertainty resulting from the above mentioned circumstances could challenge the future economic recovery of Japan.

In 1999, growth in the USA, recovery in Japan and faster growth in Europe resulted in a 3 percent real growth in the world economy. There was 3.5 percent growth in the developing countries, while the transition countries grew by only 2.4 percent.

Figure I.1
Increase in Output

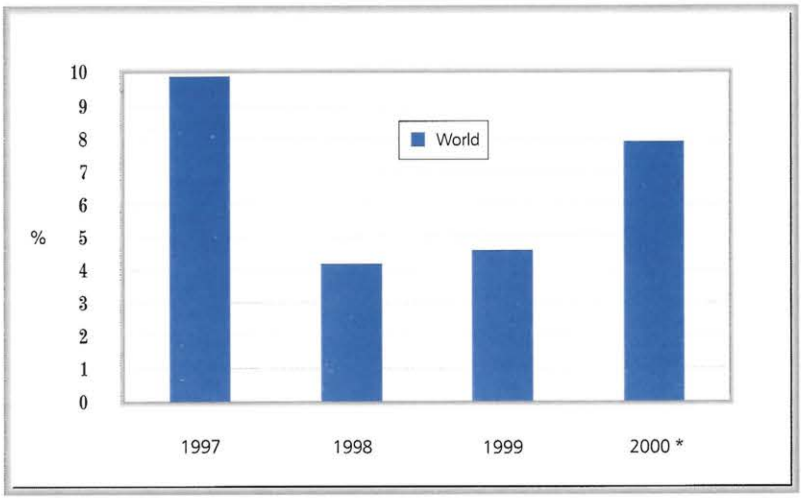
* WEO estimate of 2000



Source: *World Economic Outlook*, IMF, April 2000

Figure I.2
Growth Rate of World Trade

* WEO estimate of 2000

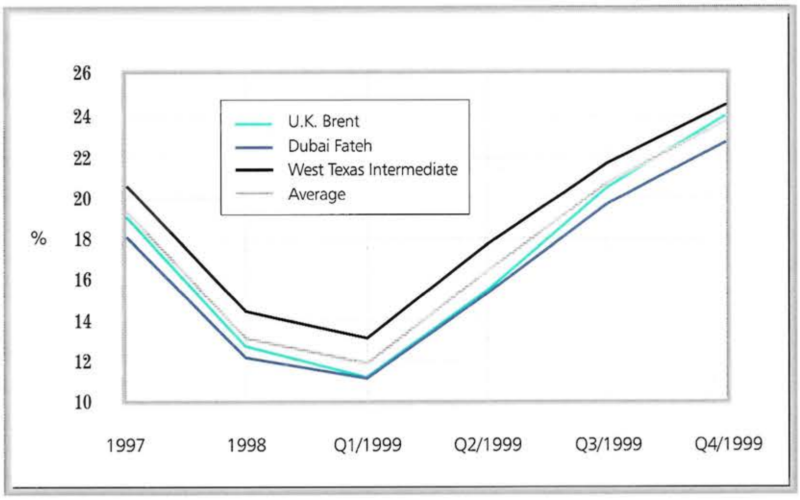


Source: *World Economic Outlook*, IMF, April 2000

Such growth in the world economy was certainly facilitated by the 4.6 percent increase in world trade, which, although lower than the longtime averages of 5 to 6 percent and the 10 percent achieved in 1997, may be considered satisfactory in view of the recent Asian, Russian and the Brazilian crises. The recovery in world trade was definitely supported by an increase in aggregate demand in the USA; however, the oil price increase will probably result in slower recovery. Among the factors inhibiting world trade recovery are difficulties within the World Trade Organization, especially in its functioning, that were manifested during the Seattle Conference of 30 November to 3 December 1999 (the Conference was a failure). Continued WTO inefficiency could be an additional motive for the regional association of countries, particularly after the increasingly successful integration of European countries following the establishment of Economic and Monetary Union.

The growth in the developed countries and their success in keeping prices and inflation in the 1990s at the lowest level since the beginning of this century have facilitated a decrease in world inflation. According to the retail price index, the global price increase approximated 6 percent. The developed countries maintained their inflation at 1.4 percent, whereas retail prices increased by 6.5 percent in the developing countries and by as much as 43.7 percent in the transition countries. An adverse effect on global inflation was the increase in oil prices, which doubled in 1999. The IMF evaluation based on the MULTIMOD global macroeconomic model indicates that a 10 percent increase in oil prices results in about an 0.15 increase in retail prices and a 0.1 percent decrease in real economic activity in the developed countries, which means that the doubling of oil prices in 1999 may account for the 1.5 percent increase in world prices and 1 percent decline in real growth.

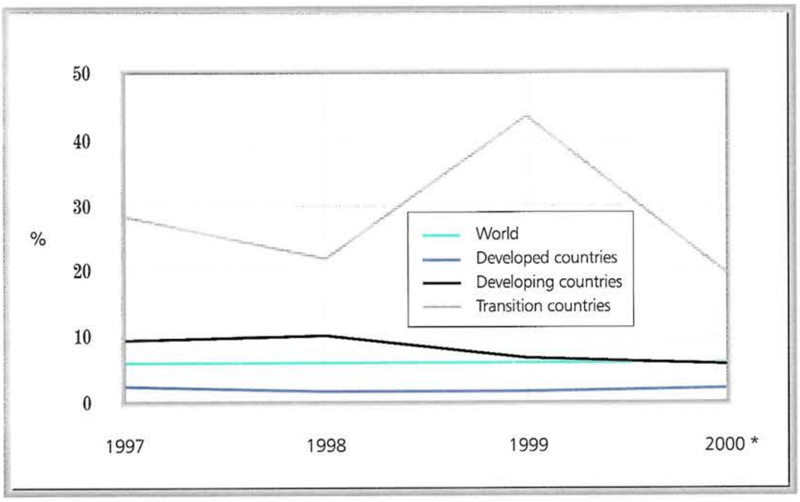
Figure I.3
Trend in Market Oil Prices (USD/barrel)



Source: *World Economic Outlook*, IMF, April 2000

Figure I.4
Inflation (CPI)

* WEO estimate of 2000



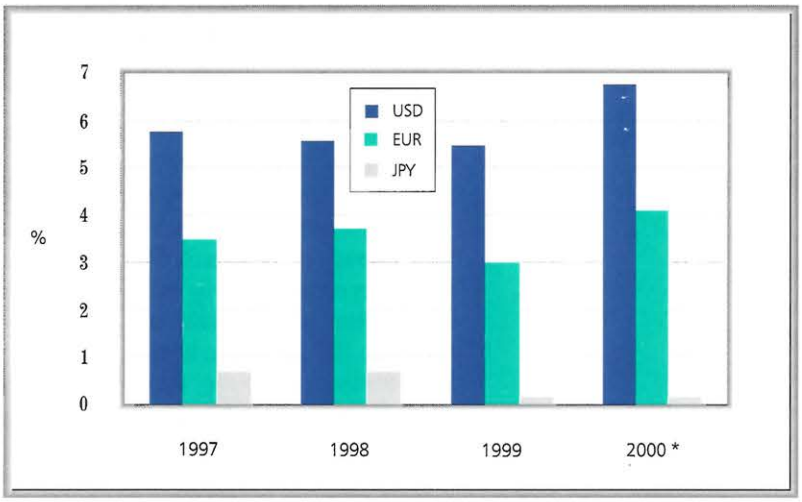
Source: *World Economic Outlook*, IMF, April 2000

As a consequence of the global financial crisis, investment moved from the emerging markets to the developed markets, primarily to the USA. As a result, interest rates on financial instruments nominated in major world currencies (American dollar, Euro and Japanese yen) fell. In Euroland (member states in the European

Economic and Monetary Union), a process of financial markets consolidation was initiated thanks to the establishment of a common economic and financial area following the introduction of the euro.

Figure I.5
Six-month LIBOR on Deposits

* WEO estimate of 2000



Source: *World Economic Outlook*, IMF, April 2000

In 1999, the emerging markets, especially those of South and East Asia, started to recover from the Asian financial crisis of 1997. Korea, Malaysia, Thailand, Singapore and Hong Kong recovered their high growth rates in 1999, while carrying out measures concerning financial system strengthening and the consolidation of huge companies (e.g. Daewoo in Korea), as well as removing the consequences of the financial crisis (especially bad loans). Most of the countries initiated their recovery by fiscal expansion, whereas some of them used their exchange rate policies as an additional instrument for growth stimulation (for example, Malaysia, which adjusted its foreign exchange rate to more competitive values). On the other hand, Indonesia went through a crisis in East Timor, which extended the recession and stagnation resulting from the Asian crisis. The Latin-American countries had less success in 1999. The financial crisis that broke out in Brazil in late 1998 was the result of disbelief in a successful outcome of the fiscal adjustment, leading to a decline in economic activity; however, the decline proved to be smaller than expected, with clear indications of recovery in 1999. Mexico, in contrast, recorded significant growth, mainly stimulated by the long-lasting high growth in the USA – its most important trading partner. In Argentina, Chile, Columbia, Ecuador and Venezuela there was stagnation and recession due to poor fiscal discipline, a high inflation rate and fragile financial systems.

Globalization and the integration of the world financial markets made significant progress, particularly in the 1990s. This was supported by the development of telecommunications, computer networking and the Internet. The advantage of such developments is that they lead to better global savings allocation and an overall improvement in the world economy, not only in the financial sphere but also in the field of real economy. The latest trend in the USA is doing business through the Internet, known as e-commerce or e-business. However, there is also a dark side to this: globalization and the integration of financial systems pose an increasing challenge to the national monetary authorities, particularly those in open economies, through stronger pressure and an unpredictable development of domestic financial systems. That puts additional pressure on exchange rates and challenges the consistency and viability of other economic policies in a country. Lack of confidence on the part of the market and foreign investors in the consistency and viability of economic policies may result in an abrupt capital drain, accompanied by a currency and banking crisis (and even a crisis of the entire financial system). Thus in the1990s, the world went through many crises: from the crisis of the European

Exchange Rate Mechanism (in 1992/93), the Mexican ("tequila") crisis in 1994/95, the Asian crisis (1997/98), the Russian crisis in 1998, to the Brazilian crisis of 1998. Not even the most developed West European countries were spared from crises; many countries were affected only due to the "contagion effect", without having made any major mistakes in pursuing their economic policies.

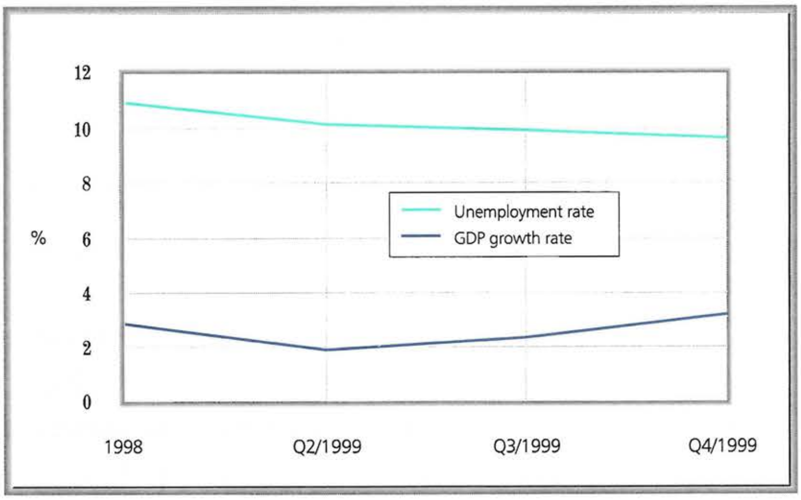
1.1.2 European Union and Euroland

On 1 January 1999, eleven member states of the EU entered the third (and last) stage of establishing Economic and Monetary Union: the stage of introducing a common currency (Euro). This process should be completed by mid 2002, when the euro would become the official currency for all transactions in the Euroland countries. With such a large number of European currencies united in the new common currency, the euro rivals the American dollar as the world reserve currency and challenges its role in global exchange and payments.

The successful introduction of the euro has already had an effect on the world and European foreign currency and bond markets, the world and European banking system and the total capital flow. The lifting of currency restrictions between EMU countries, which also includes the annulment of exchange risks, is an incentive to the integration, development and liquidity of the capital market (i.e. increased securitization in Europe), to the development of the European bond market and international government debt market, and to the consolidation and expansion of banks and competition among them in the wholesale and retail banking markets.

There is no doubt that the euro will have international effects due to its role as an international currency, its participation in world trade and its role as the main reference currency in many countries of Africa and Central and Eastern Europe (transition countries), particularly those preparing to introduce the euro as the national currency.

Figure I.6
Real GDP Growth and Unemployment in Europe



Source: European Central Bank

In late 1999, there were signs of accelerated growth in Euroland, caused by an upturn in production, the consolidation and increased competitiveness of companies and a 12 to 13 percent decrease in the euro exchange rate vs. the American dollar and other major world currencies. This raises hopes that Euroland could take over the role of the global moving force if and when growth in the USA stops. Acceleration of growth in Euroland could have significant effects on the world economy, because the share of Euroland in the world trade exceeds the share of the USA (19 percent vs. 15 percent). Moreover, Euroland is more open than the USA (16 percent vs. 12 percent), which means that an increase in the domestic aggregate demand in

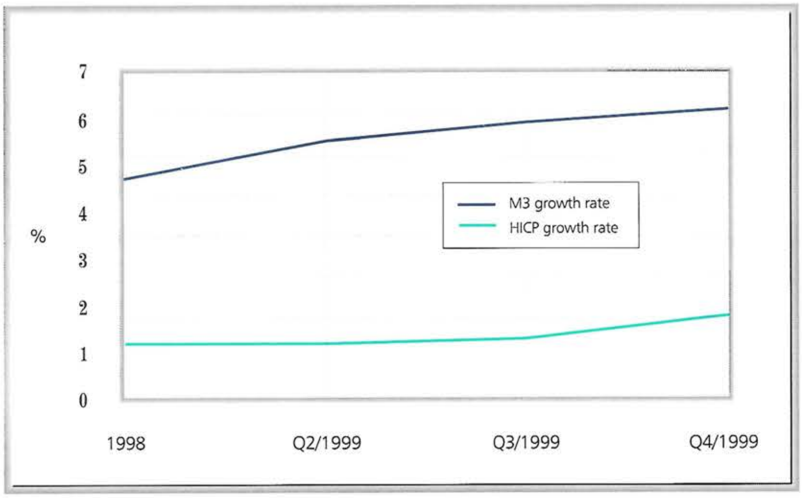
Euroland will cause a more rapid and much larger increase in the demand for export on the part of its main trading partners and the world economy in general.

The accelerated growth resulted in decreased unemployment in the Euroland countries. In late 1999, the unemployment rate fell below 10 percent. However, great differences still persist between labor markets in individual member states despite the establishment of EMU; for example, the unemployment rate was under 3 percent in Luxembourg and the Netherlands, while it amounted to 11 percent in Italy and as much as 15 percent in Spain.

There are still differences between EMU member states concerning their fiscal burdens. Although 1997 and 1998 were the most successful years for converging fiscal positions to the Maastricht criteria for the purpose of qualification for EMU, little has been achieved since then. Convergence is further complicated by the fact that the fiscal policies of the EMU member states are now the only independent set of economic measures available to the national economic policy makers.

Technological progress, globalization, deregulation and liberalization, along with the introduction of the euro, encouraged the consolidation and expansion of the banking sector, thus reducing the number of deposit and savings institutions by 4 percent. The value of mergers and acquisitions of banks in 1999 increased by 35 percent compared to 1998 and by as much as 153 percent in the case of non-banking companies.

Figure I.7
HICP and M3 Developments in Europe



Source: European Central Bank

The success of EMU and the euro mostly depends on the performance of the European System of Central Banks (ESCB) and the European Central Bank (ECB), as the main monetary institution to replace (and maintain) the credibility of the Deutsche Bundesbank. After only a year of the euro and the ECB as the monetary authority, it is difficult to evaluate its performance. However, significant progress has been made in the standardization and co-ordination of national central banks and the ECB, in the interstate money market which, based on TARGET (the system set up for settlements within the EU) has experienced an increase in transactions (in the first half of 1999 the volume of transactions increased by 40 percent compared to 1998), and in interest rate harmonization, with the acceptance by the money markets of all member states of EURIBOR (Euro Interbank Offered Rate – average of rates offered by certain banks in Euroland) and EONIA (Euro OverNight Index Average – for big payments in the London overnight broker market) as their reference interest rates. The purchase and repurchase market and the short-term government securities market have not yet been fully integrated, which obstructs the ECB in pursuing its monetary policy by using open-market instruments. According to its establishment charter, which is part of the Maastricht Treaty, the primary objective of the ECB is price stability, to be achieved by a combination of money targeting and price targeting. The reference value for prices is an increase of up to 2 percent per annum in the HICP index (the European harmonized consumer price index), and the reference value for money is a growth of up to 5 percent per annum in the European M3 (the broadest monetary aggregate at the EMU level) – data obtained from Mr. Willem F Duisenberg, President of the ECB. In terms of the inflation target, the ECB was rather successful in 1999 because the price increase as measured by HICP amounted to 1.7 percent, while in terms of the money target, the increase in the European M3 was just above the planned limit and amounted to 6.2 percent.

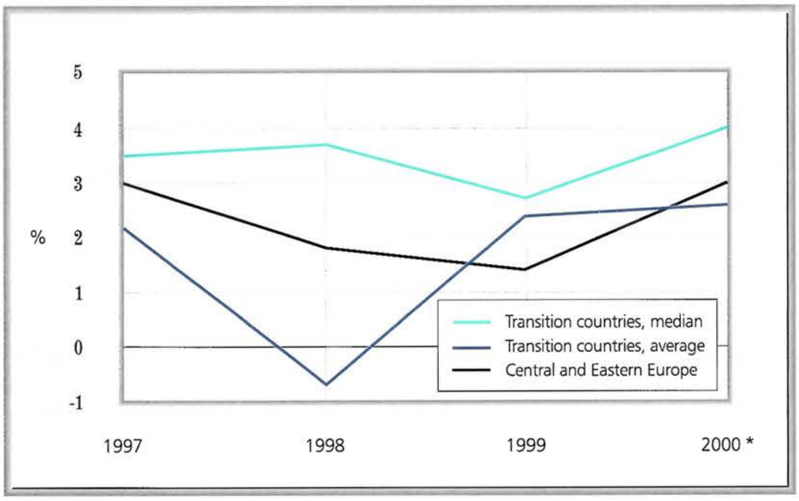
Apart from significant consolidation in the banking sector, the most intensive development was observed in the bond market, where the transaction volume in 1999 rose by more than 80 percent compared to 1998. This increase was partially caused by a growing demand for financing larger companies resulting from mergers and acquisitions, for which financing through banks became insufficient. A significant breakthrough was also made in the stock market, by the stronger integration and association at the European level of several minor stock exchanges from various countries (e.g. EURO.NM), and in the total securities market through a more intensive information flow and arbitration among the leading European financial and stock exchange centers. In 1999, total capitalization of the European stock markets increased by more than 70 percent.

Such a recovery and consolidation of the real and financial sectors in Europe will certainly support future growth in European countries and encourage economic growth and development in countries trading with EMU members, i.e. Central and East European countries. Moreover, after consolidation of the financial sector and reduction of the yield and price of money, financial relationships between Central and East European countries and EMU members will continue to improve.

1.1.3 Central and Eastern Europe

The Russian crisis had a considerable impact on the transition countries in Eastern Europe that have closer trade relations with Russia. These countries were already known for having less success in the transition process. Thus the gap between the "successful" transition countries (Poland, the Czech Republic, Hungary and Slovenia) and the "less successful" grew wider. The "less successful" transition countries of Southeast Europe were also adversely affected by the Kosovo crisis and the NATO military action against Serbia.

Figure I.8
Output in Transition Countries



* WEO estimate of 2000

Note: The transition countries in Central and Eastern Europe include: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldavia, Poland, Rumania, Slovakia, Slovenia and Ukraine.

Source: *World Economic Outlook*, IMF, April 2000

The Russian crisis resulted in a slow-down in economic growth in Ukraine, Belarus, the Trans-Caucasian countries and Central Asia, and the Baltic countries, which, despite their entering into economic relations with the European Union, still have close relations with Russia and the other countries of the former Soviet bloc.

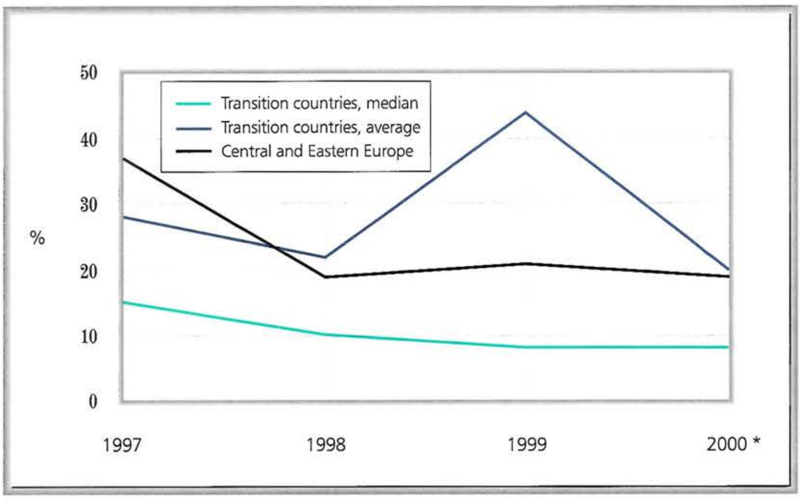
Hungary and Poland maintained their high growth rates (3.7 percent), as did Slovenia (3 percent). However, this growth was restricted by the slowdown in growth in the European Union.

In 1999, the Czech Republic and Slovakia stagnated due to more restrictive monetary and fiscal policies that were intended for correcting the internal and external imbalance (especially in fiscal terms). In addition, their fragile financial systems are a serious obstruction to faster economic growth.

By introducing currency management in 1998, Bulgaria stopped unfavorable economic developments and achieved an extremely high growth rate, which was slowed down by the Kosovo crisis in 1999. Rumania, Macedonia, Albania and Bosnia and Herzegovina also suffered serious damage due to the Kosovo crisis. As a result of a large influx of refugees, a cut in trade, growing uncertainty and expenses caused by the nearby war activities, all these countries were confronted with increased balance of payments and budget deficits. Albania and Macedonia provided accommodation for the largest number of refugees (their number corresponds to 13 percent of their total population), which meant heavy strains on their budgets. According to IMF estimates, the Kosovo crisis caused deficits of a total of USD 1 billion in the balance of payments of these countries. The budget deficits amounted to an additional USD 450 million, so that the total damage came to about USD 1.5 billion. A part of the loss will be covered by donations from Western countries within the framework of the Stability Pact for Southeast Europe.

Figure I.9 Inflation in Transition Countries

* WEO estimate of 2000



Source: *World Economic Outlook*, IMF, April 2000.

Sources:

World Economic Outlook, IMF, October 1999, Washington, D.C.
OECD Economic Outlook, OECD, December 1999, Paris
Monthly Report, Deutsche Bundesbank, February 2000, Frankfurt
Monthly Bulletin, ECB, various issues, 1999, Frankfurt

I.2 General Characteristics of the Croatian Economy in 1999

The main characteristics of the Croatian economy in 1999 were: mild recession, with an 0.3 percent fall in GDP, accompanied by a further increase in unemployment; further consolidation in the banking system, and a second banking crisis but with the CNB playing a considerably more active role as a result of the new Banking Law that had been passed at the end of 1998; a stagnation in monetary and credit aggregates; a further reduction in the balance of payments current account deficit and interest rates; and a substantial deterioration in the fiscal position.

In 1999, Croatia suffered a recession caused by: unresolved structural problems in the economy, ranging from the privatization and restructuring of companies to an inadequate and increasingly deteriorating public expenditure structure; a second banking system crisis, which led to the bankruptcy and exit from the market of several small and medium-sized deposit institutions; the Kosovo crisis; and relatively poor growth in the countries that are Croatia's major trading partners. As a result, final demand, both foreign and domestic, fell for the first time since stabilization. Net exports of goods and services was the single component which positively effected growth, since the fall in imports caused by the recession was greater than the fall in exports. In such conditions, unemployment continued to grow as expected: in the first half of 1999, the internationally comparable rate of unemployment, measured by the Labor Force Survey (International Labor Organization), amounted to 12.6 percent.

Monetary policy completely reflected the economic stagnation, which was also evidenced by stagnation in the monetary and credit aggregates. Total liquid assets decreased by 0.6 billion kuna in 1999 to 55.4 billion kuna. The M4 structure did not change in 1999 compared to 1998: foreign exchange deposits still accounted for 64 percent of M4, kuna deposits (deposit money and kuna savings) for 30 percent and currency in circulation for 11 percent; at the end of 1998, these shares were 65 percent, 30 percent and 10 percent respectively, which is almost identical to the end of 1999. Over the past years (since 1994), the share of foreign exchange deposits in M4 has increased with the increase in their amount. When foreign exchange deposits reached two-thirds of M4, they ceased to increase further, but their decline should not be expected in the near future. Such a large share represents a restriction which monetary policy must take into account in the future, regardless of success in maintaining exchange rate and price stability. During 1999, the money supply grew by a modest 0.3 billion kuna, amounting to 13.8 billion kuna at the end of the year. The increase was mainly caused by a growth of 0.2 billion kuna in currency in circulation, and only to a smaller extent by an increase in demand deposits (0.1 million kuna). Household demand deposits increased by 0.2 billion kuna (8 percent) and corporate demand deposits decreased by 0.1 billion kuna (2 percent). Such movements confirm a continued deterioration in corporate sector liquidity. The announced payment of government arrears in 2000 will favorably affect the recovery of demand deposits. As is usually the case with small and open economies with large currency substitution, monetary policy was unable to play an active role but had to focus on maintaining stability, which was seriously compromised by the pressures on the exchange rate, especially at the beginning of the year, partly due to problems in certain banks that were forced to exit the market. Another circumstance preventing a more active monetary policy was the failure to restrain the fiscal expansion that has characterized the Croatian economy over the last several years.

The most intense pressure was placed on the kuna in the foreign exchange market in the first quarter, but exchange rate stability was maintained by CNB intervention and tightening of monetary policy. The kuna depreciated by almost 4 percent in the first quarter of 1999 and over the year fell against the German mark by 5 percent compared to the end-year exchange rate or 7.1 percent on the average annual exchange rate basis. This depreciation was useful for the development of the fundamentals; however, it was more important to prevent an uncontrolled weakening of the kuna at the beginning of the year, which could have led to an excessive loss in its value due to self-fulfilling expectations and a great "balance sheet problem". The daily nominal exchange rate of the kuna depreciated by 11.2 percent, crucially influenced by a 22.4 percent appreciation of the US dollar. The real effective exchange rate of the kuna deflated by producers' and retail prices depreciated by 6.21 percent and 7.07 percent respectively. The changes in both indicators of the kuna real effective exchange rate point to an improvement in the price competitiveness of domestic exporters in 1999 relative to the most important foreign trade partners; this was the result of a stronger depreciation of the kuna exchange rate than the relative growth in domestic prices compared to foreign countries.

Inflation was maintained at a low, stable level of 4.4 percent on December basis, or 4.2 percent if the year-on-year average in 1999 is taken into account. The inflationary pressures due to kuna depreciation, an increase in the prices of petroleum products and telecommunication services and an increase in excise duties on tobacco products and certain luxury goods did not significantly threaten price stability in conditions of aggregate demand decline.

The balance of payments current account deficit continued to decline, which is to be expected in conditions of reduced economic activity. This decline would have been greater if there had not been the Kosovo crisis, which resulted in exports of domestic services being much lower than planned. During 1999, there was a decrease in both the export and import of goods, but imports declined more, leading to a decrease in the trade deficit. There was a complete change in the financing of the current account deficit compared to the period before 1997; in 1999, as forecast in last year's Annual Report, foreign direct investment continued to increase, almost fully covering the current account deficit, and became the most important source of financing. This role of foreign direct investment will continue in 2000, and will, at a later point, increasingly depend on Croatia's ability to attract greenfield investment, that is, investment in new companies or capital injections in existing companies rather than their purchase, which has so far been predominant in the structure of foreign direct investment.

Interest rate movements were characterized by a fall in all interest rates, excluding those on CNB bills and Ministry of Finance treasury bills (the CNB began to decrease interest rates on CNB bills only in March 2000). At the beginning of 1999, the average daily interest rate on the money market exceeded 16 percent, under the influence of the banking crisis, but it progressively decreased as the banking crisis was resolved, reaching 12.5 percent at year end. The commercial banks' lending rates fell by more than 2 percentage points during 1999 and by more than 3 percentage points compared to February 2000. This interest rate fall was partly caused by the consolidation of the banking system, that is, the exit from the market of certain banks with high interest rates. On the other hand, the banking crisis was a good lesson for both clients and banks, warning that the level of deposit interest rates cannot be the only criterion when making a deposit. Banks reduced their deposit interest rates and aimed at attracting clients by the quality and range of their services, which is positive for both the development of banking products and services and for reducing the costs of sources of funds for banks, in view of the fact that deposits account for approximately 55 percent of banks' liabilities.

As a result of the banking system crisis at the beginning of 1999, banks reduced their deposit interest rates and moderately increased their lending interest rates, so that the overall spread between the lending and deposit interest rates ranged from 9.5 to 12 percentage points, depending on whether the difference was measured by the banks' kuna activity (a greater difference due to the inclusion of currency risk) or foreign exchange activity. At the beginning of 2000, this difference was reduced to 8 (without currency risk) to 9.5 percentage points. The CNB's decision to support the reduction of interest rates (by reducing the reserve requirements and reducing its lending and deposit interest rates) and the government's intention to settle its arrears and prevent the generation of new ones should be an additional incentive for interest rate reduction. Naturally, as we have been repeating for years, structural problems should also be resolved, such as the microeconomic inefficiency of banks and the protection of creditors through expediting court procedures for collecting claims.

In the 1998 to 2000 period, the CNB proposed, within the process of banking market consolidation, the initiation of bankruptcy proceedings in 16 banks and 5 savings banks. Rehabilitation processes were started in two banks (Dubrovačka and Croatia banka). It can be said that most of the "second banking crisis" (as opposed to "the first crisis" in the major state banks that were rehabilitated in the mid-nineties) is behind us. After the exit from the market of several small and medium-sized bad banks and the sale of the rehabilitated state banks to strategic investors, the Croatian banking system will be in a much better state than ever since the country gained its independence: foreign investors will account for approximately 70 percent of the market in terms of assets, interest rates are falling, and banks' business results are considerably improved. The cost of "the second banking system crisis" can, at this point, be estimated at 800 million dollars (excluding income earned from the expected privatization of rehabilitated banks).

The main characteristics of fiscal 1999 include a considerable mismatch between revenues and expenditures during the year, a budget rebalance, a government and consolidated government deficit, an increased deficit in extrabudgetary funds and a fiscal policy nearing the zone of unsustainability. The current deficit/surplus trend, as a measure of fiscal policy sustainability, arouses the greatest concern: according to data on budget outturn, current savings amounted to 1.5 billion kuna compared to 7.1 billion kuna the previous year, an evidently negative trend. Since capital expenditures include expenditures with the character of current expenditures (transfers to extrabudgetary funds), it is clear that current savings in 1999 was even less; indeed, the transfer of 2.1 billion kuna from capital expenditures to current expenditures would result in a 0.6 billion kuna current deficit. Taking this into account, there was not only an overall deficit but also a current deficit in 1999, which brought fiscal policy closer to the zone of unsustainability.

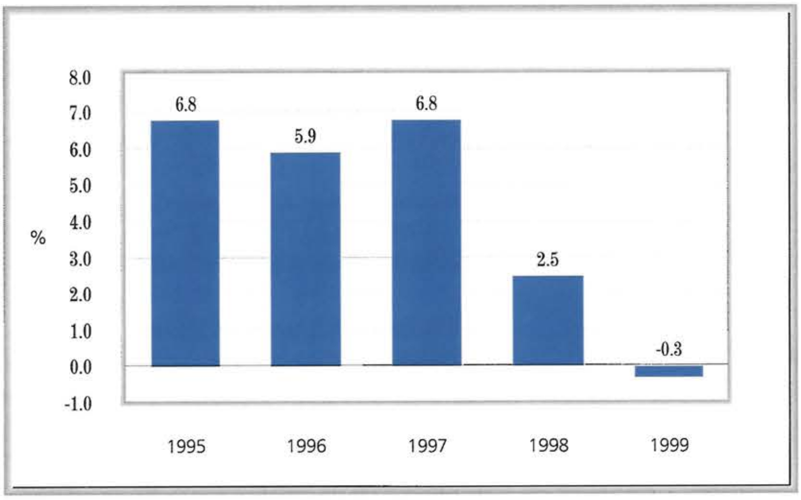
Extrabudgetary funds have remained the main problem in implementing fiscal policy. In 1999, the negative trend continued from the previous years, which is confirmed by an increased deficit in the extrabudgetary funds account. In 1999, the aggregate deficit in extrabudgetary funds amounted to 13.2 billion kuna on the consolidated basis, an increase of 45.9 percent compared to the previous year. In view of large transfers of budget funds to extrabudgetary funds, the consolidated government account balance is only somewhat less favorable than the unconsolidated balance, amounting to -2.8 billion kuna. It should be noted that this deficit was mostly run up by the Croatian Pension Insurance Institute (8.2 billion kuna), Croatian Health Insurance Institute (3.2 billion kuna) and Child Benefit Fund (1.1 billion kuna). The redirection of an increasingly larger share of budget revenues to extrabudgetary funds is the main obstacle to reducing the tax burden.

Therefore, it is important to point out the unsustainability of further deficit in the pension and health care system in the existing conditions. In order to resolve this problem, it is necessary to immediately establish expenditure control mechanisms and to carry out the needed reform of the pension and health care system.

1.2.1 Economic Activity

A 1.6 percent growth in GDP in the last quarter of 1999 compared to the same quarter of the previous year ended the series of GDP decreases of the four previous quarters. During 1999 as a whole, GDP decreased by 0.3 percent compared to the previous year. Apart from the ever-present structural weaknesses, the decrease was caused by the banking sector problems, the crisis in the region (particularly the Kosovo crisis in the first half of the year), domestic political uncertainty and risk, and low real growth rates in the countries that are Croatia's most important trading partners. Both domestic and foreign demand declined in real terms compared to the previous year. Following a five-year period of overall domestic growth, at a rate higher than 6 percent between 1994 and 1997 and at a modest 2.5 percent in 1998, GDP declined in 1999.

Figure I.10
Real Gross Domestic Product, annual rate of change

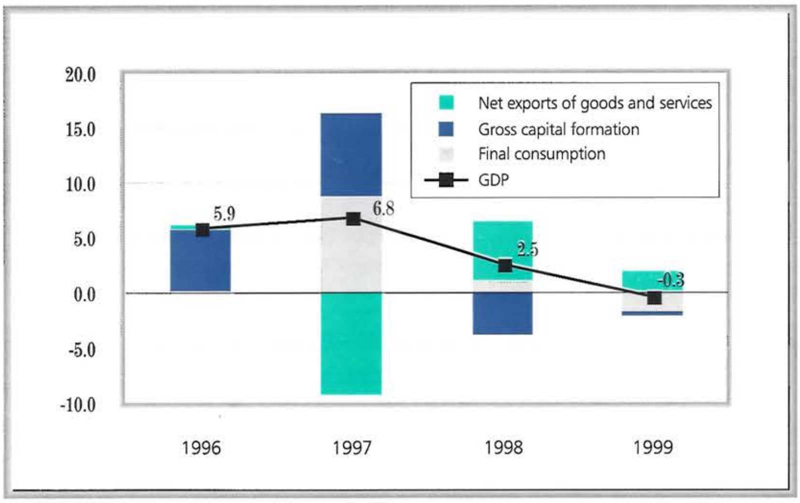


Source: CBS

The GDP decline in 1999 is a result of a fall in final consumption (household and government consumption) and gross capital formation (gross fixed capital formation and change in stock) that prevailed over a positive net export of goods and services. The fall in final consumption was mainly caused by a 3.0 percent fall in household consumption compared to the previous year. Gross capital formation in fixed capital declined considerably, by 5.9 percent. Although there was a decrease in exports, there was also a 3.9 percent decrease in imports, resulting in the contribution of net exports to GDP.

With regard to the GDP changes according to consumption category for the years after the introduction of statistical calculation, the influence of final consumption was insignificant in 1996, significant in 1997 due to an increase in household consumption, positive but very small in 1998, and negative in 1999. The share of household consumption in GDP has continuously decreased over the past five years, falling from 63.9 percent in 1995 to 57.4 percent in 1999. In the last quarter of 1999, the downward trend in household consumption of the previous five quarters ended, which was good news for the retail trade. Imports of durable and non-durable consumer goods decreased by 4-5 percent compared to the previous year, measured in kuna. A lack of demand was also noticeable in the domestic production of non-durable consumer goods, since their production decreased by 5.8 percent in comparison with the previous year. Government consumption in 1999 was reduced by only 0.1 percent compared to the previous year, but it began to increase again in the second half of the year.

Figure I.11
Contribution of Consumption Categories to GDP Changes Compared to the Previous Year, percentage points



Source: CBS

During the years of post-war reconstruction, investment gave a strong fillip to GDP growth. Gross fixed capital formation grew by 37.6 percent in 1996, by 23.3 percent in 1997 and by 3.0 percent in 1998. In 1999, this upward trend was reversed; in that year, gross fixed capital formation decreased by 5.9 percent compared to 1998. Together with movements in inventory, gross investments had a negative effect on GDP in 1998 and 1999. The share of gross capital formation in GDP grew from 17.6 percent in 1995 to 23.2 percent in 1999. The downward trend of investments in fixed assets continued in the last quarter of 1999, down 11.8 percent compared to the same quarter of the previous year.

Net exports of goods and services had a negative effect on GDP in 1997, due to a considerable increase in imports of goods and services (25.1 percent in real terms), but a positive effect over the next two years due to a rise in exports and a decline in imports in 1998 and a decline in exports but a greater decline in imports in 1999. Exports of goods and services rose at very impressive rates (higher than GDP growth) from 1996 to 1998, but this trend was reversed in 1999 with a decrease of 0.2 percent. The decrease in exports of goods and services was due to poor results in the first and second quarters of 1999; however, the growth recorded in the third and fourth quarters point to an export recovery, as do the strong growth in exports of services in 2000 (after the decline recorded last year due to the Kosovo crisis), growth in exports of goods as a consequence of higher growth rates in Croatia's major exports markets (Germany and Italy) and the removal of some trade barriers. Exports of goods decreased as a result of fiercely competitive conditions in foreign markets and low growth rates in their economies. Of the branches of industry that account for the majority of exports, exports grew in 1999 in the areas of other transport equipment and the chemical and petroleum industries; a merchandise trade surplus was recorded in the areas of other transport equipment and the petroleum industry. Exports of goods to EU and CEFTA countries also increased, whereas exports to developing European countries decreased. Imports of goods and services declined over the past two years; however, an increase of 2.5 percent in the fourth quarter of 1999 compared to the same quarter of the previous year ended the downward trend of the five previous quarters.

In 1999, according to the National Classification of Economic Activities, gross value added decreased in real terms in construction (7.7 percent), hotels and restaurants (4.4 percent), trade (4.2 percent) and transportation (3.4 percent), whereas positive rates were recorded in the other branches of industry.

Three areas in Table I.1 – mining and extraction, the processing industry and the electricity, gas and water supply – together form a sector of industry which accounted for 20.3 percent of gross value added in 1999. Indeed, industry is the major source of exports of goods. According to gross value added, industry has had a positive growth rate since 1996, although it slowed to 1.2 percent in 1999. According to physical volume, industrial production fell by 1.4 percent in 1999 compared to the previous year; this was mainly the result of lower production in the major divisions of the processing industry: food and beverages (7.0 percent), publishing and printing (4.7 percent), and non-metallic mineral products (2.0 percent).

Table I.1

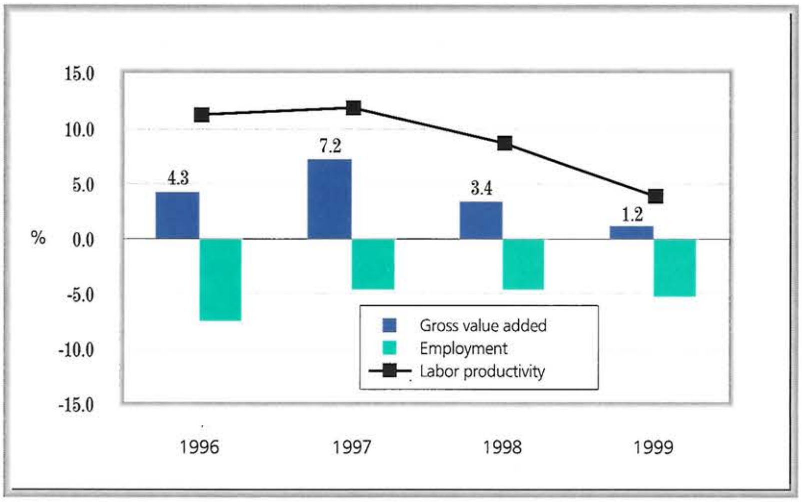
GDP Structure According to the National Classification of Economic Activities, at current prices, in %

		1995	1996	1997	1998*	1999*
A	Agriculture, hunting and forestry	8.3	8.2	7.6	7.0	6.9
B	Fishing	0.2	0.2	0.2	0.1	0.1
C	Mining and quarrying	0.2	0.2	0.5	0.4	0.4
D	Processing industry	19.5	18.2	18.4	16.6	16.7
E	Electricity, gas and water supply	3.1	3.2	3.0	3.2	3.2
F	Construction	4.7	5.5	6.0	5.6	5.6
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	9.7	10.3	10.5	9.6	9.5
H	Hotels and restaurants	2.1	2.5	2.6	2.5	2.3
I	Transport, storage and communication	7.9	7.4	7.3	7.7	8.1
J	Financial intermediation	3.4	3.7	3.3	3.9	4.1
K	Real estate, renting and business activities	8.6	8.7	8.6	8.8	9.2
L	Public administration and defense; compulsory social security	7.2	7.6	7.7	8.6	8.9
M	Education	2.9	3.2	3.1	3.5	3.8
N	Health and social work	2.7	3.3	3.6	3.9	4.0
O	Other community, social and personal activities	2.0	2.0	2.0	2.0	2.1
P	Private households with employed persons	0.0	0.0	0.0	0.0	0.0
Q	Extra-territorial organizations and bodies	...	...	...	...	...
	Financial intermediation services indirectly measured	-2.3	-2.6	-3.1	-3.7	-3.7
	Gross value added (basic prices)	**80.2**	**81.6**	**81.5**	79.9	**81.2**
	Taxes on products less subsidies on products	19.8	18.4	18.5	20.1	18.8
	GDP (market prices)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Previous results
Source: CBS

Construction is a branch of the economy that traditionally employs a large number of otherwise unemployed on a seasonal basis, exports part of its services and is not insignificant in the gross value added figure. It experienced exceptionally high growth rates in 1996 and 1997, due to the reconstruction process, and moderate growth in 1998; however, the first negative growth rate was recorded in 1999. The downward trend in construction began in the last quarter of 1998, becoming more intense toward the end of 1999. Poor investment activity was evident in construction and its segment related to residential construction. In 1999, demand for construction as measured by net orders decreased by 22 percent in nominal terms compared to the previous year, and square meters of completed apartments declined by approximately 30 percent.

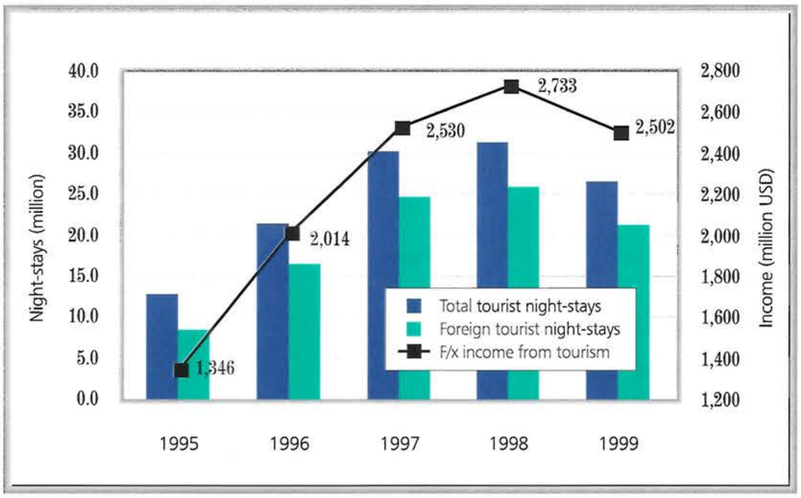
Figure I.12
Industrial Production, Rates of Change of Gross Value Added, Employment and Labor Productivity



Source: CBS

Tourism recorded poorer results in 1999 than in 1998 in terms of both physical and financial indicators. The number of registered tourists was 4.7 million, which was 13 percent less than in 1998. These tourists stayed for 26.6 million nights, 15 percent less than in the previous year; the number of tourist nights was smaller in each quarter of 1999 compared to the same quarter of 1998, and the greatest fall, amounting to 24.1 percent, was recorded in the second quarter as a consequence of the Kosovo crisis. Regarding the number of tourist nights, tourists from five countries predominated: Germany, Slovenia, the Czech Republic, Italy and Austria, accounting for 77.5 percent of all tourist nights. Income from tourism in 1999 was 2,502 million US dollars, which is 232 million US dollar down on 1998.

Figure I.13
Tourist Overnights and Foreign Exchange Income from Tourism



Source: CBS

1.2.2 Money Supply and International Reserves

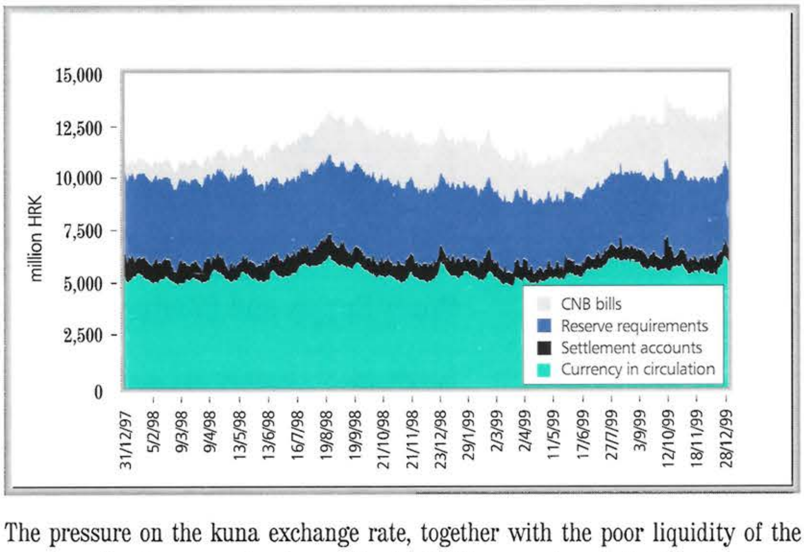
In 1999, monetary policy was completely determined by the government's developmental budget and fiscal policy for that year. It seemed that, due to necessary adjustments to fiscal policy, monetary policy would be restrictive, since only by pursuing such a monetary policy would the central bank be able to fulfil its key task of maintaining domestic currency stability (prices and exchange rate) and the liquidity of payments in the country and abroad, when the government was becoming the agent of the main financial flows through its increased consumption and planned, mainly foreign, financing of the budget deficit.

In other words, it was anticipated that in 1999 reserve money would be created at a slower rate and that its growth would be slowed, along with money multiplier and total money supply growth, primarily as a result of government operations and fiscal measures. However, very soon, at the beginning of the year, during January and February, the inflow of current budget revenues became irregular and slowed down, liquidity declined and government bodies became net debtors to their suppliers; thus instead of an increase in liquidity in the economy, there was a further decline. Balances in companies' accounts decreased and there was a decline in demand deposits, which amounted on average to 7 percent per month during these two months; as a result, the money supply also decreased, as is otherwise usually the case at the beginning of the year. The lack of liquidity in the economy caused economic entities that already had liquidity problems and then failed to collect their claims to become insolvent, thus increasing the number of insolvent entities.

Economic entities with liquidity problems had large amounts of uncollected and overdue claims and so posed a threat to their creditors, primarily their deposit institutions, whose risk exposure was continuously increasing due their own to poor collection of claims. The liquidity decline at the beginning of 1999 particularly hit banks carrying over liquidity problems from the previous year. These banks were unable to maintain their liquidity independently and had to turn to the money market for capital, accepting any price.

These developments, coupled with a fear of even less favorable conditions, undermined confidence in macroeconomic stability, inducing sound banks to withdraw from the money market and act as they generally did when considerable disturbances occurred in the market: they used their surplus liquidity (the average balance in the settlement accounts of all banks with the central bank amounted to 500 million kuna in the first quarter, compared to 700 million kuna at the end of the previous year, whereas the overall amount of CNB bills purchased by commercial banks fell from 2.2 to 1.6 billion kuna) for buying foreign exchange, primarily from the central bank, in order to protect themselves from currency risk in case even more significant market changes occurred. This resulted in a 2.3 percent fall in the value of the kuna against the German mark in the first two months of 1999, and a 3.9 percent fall in the first three months.

Figure I.14
Structure and Daily Changes of Reserve Money and CNB Bills in 1998 and 1999



The pressure on the kuna exchange rate, together with the poor liquidity of the economy, the government and some banks, led the monetary authorities to undertake frequent foreign exchange auctions in the foreign exchange market in order to prevent a stronger kuna depreciation and its potential effect on producers' prices.

At the same time, they created new instruments and "windows" toward the central bank as the lender of last resort. Additionally, in January, the central bank granted a short-term loan of 1.6 billion kuna to the government for bridging the gap between revenues and expenditures. The loan amount was five times larger than the short-term loans extended to the government in the previous years, which also indicates that the liquidity of the government accounts was substantially impaired.

All the activities undertaken in that respect by the Croatian National Bank in the first quarter of 1999 were completely different from what had been planned before the beginning of the year. Therefore, it can be said that the monetary policy pursued in 1999 was by no means restrictive. On the contrary, the level of kuna and foreign exchange flows for creating reserve money indicates a more expansionary monetary policy compared to that pursued in 1998, when the supply of reserve money M0 was 3.8 percent lower than in 1997. In 1999, M0 grew by 3.5 percent on December basis compared to 1998. The value of money multiplier m1 of 1.345 did not change but remained the same both in 1998 and 1999, and thus the M1 money supply grew rapidly (-1.5 percent in 1998 and 2.4 percent in 1999).

Figure I.15
Monthly Growth Rates of M0 and M1

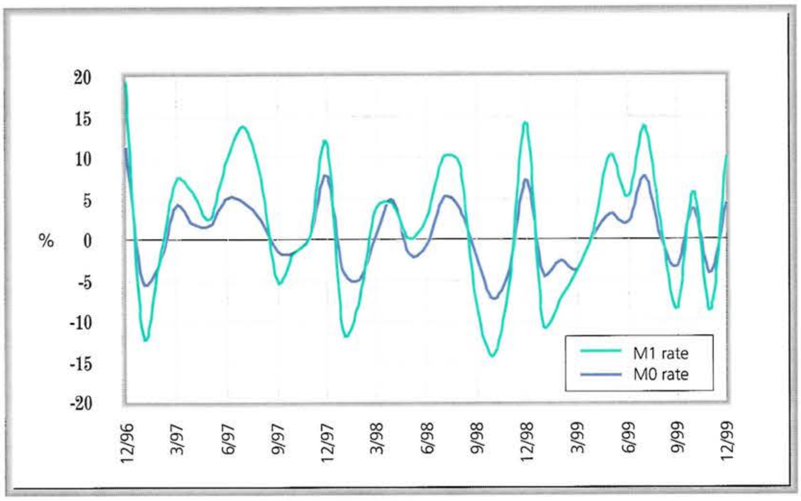
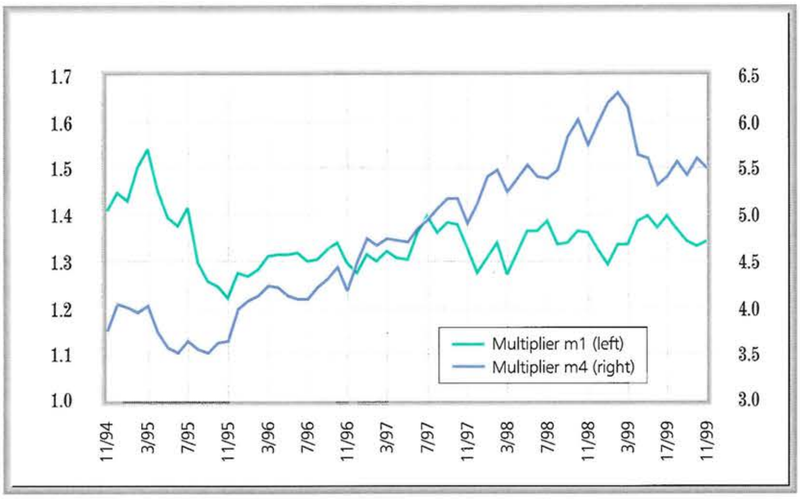


Figure I.16
Changes in Multipliers m1 and m4



Foreign exchange transactions had an almost neutral influence on the creation of reserve money in 1999, since a total net amount of only 11 million US dollars was bought throughout the whole year. However, the central bank provided access to adequate amounts of foreign exchange for banks through foreign exchange transactions at the auctions, in order to stabilize the market and relieve the depreciation pressures. Nine foreign exchange auctions were held in the first three months, and 33 over the whole year, where a net amount of 963 million US dollars was sold to banks and 7 billion kuna net withdrawn from them, which represented the main outflow of liquidity from the commercial banks' settlement accounts with the central bank. In a total of twenty foreign exchange transactions with the state, the central bank bought 983 million US dollars net and generated 7.2 billion kuna. The government used 1.4 billion kuna of this amount to repay the short-term loan to the Croatian National Bank at the end of the year and the remaining amount to settle its debts towards the budget users and suppliers; this increased to some extent the balance in accounts in the economy and the level of demand deposits, thus increasing M1.

Figure I.17
Structure of the Croatian National Bank's Foreign Assets, December 31, 1999

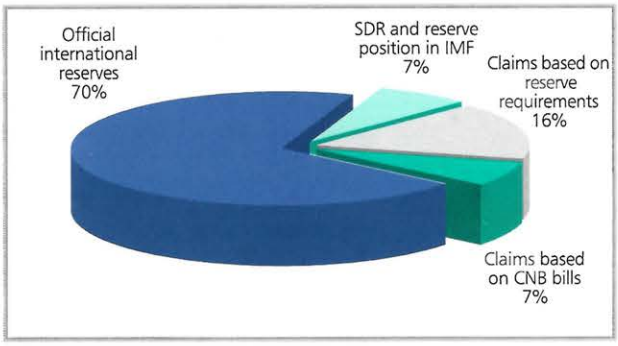
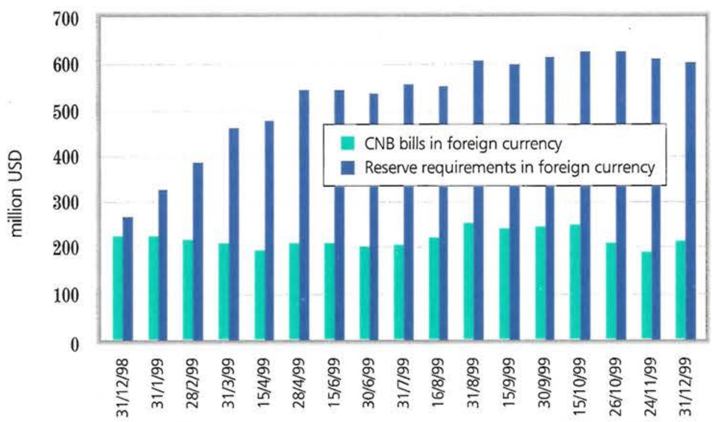


Figure I.18
Changes in Reserve Requirements and CNB Bills in Foreign Currency in 1999



The central bank increased its foreign assets by 209 million US dollars to 3 billion US dollars at end December 1999 through its net trade of 11 million US dollars, the successful management of its foreign exchange assets abroad and through full application of the reserve requirements instruments. The obligatory allocation of part of the commercial banks' reserve requirements to the international reserves of the central bank, which began in September 1998 and ended in the second quarter of 1999, resulted in a more rapid growth in the central bank's foreign assets which, up to that point, had grown in parallel with growth in M1, the kuna counterbalance to foreign liquidity.

Figure 1.19
International Reserves of the CNB: Level and Monthly Growth Rates

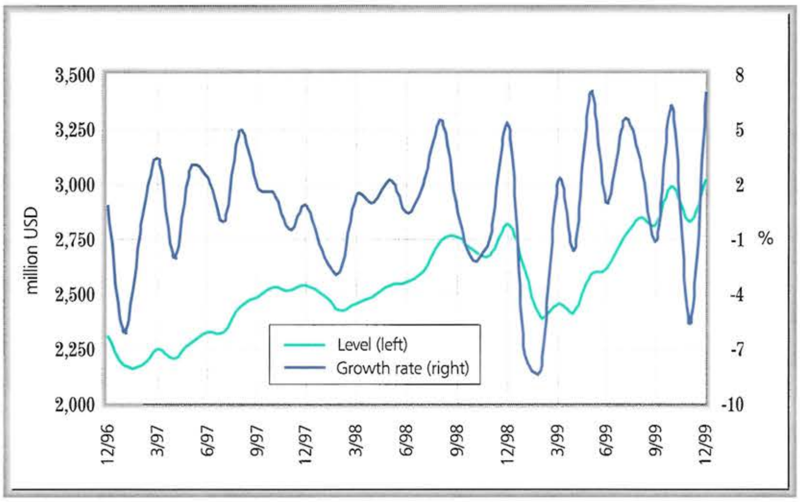
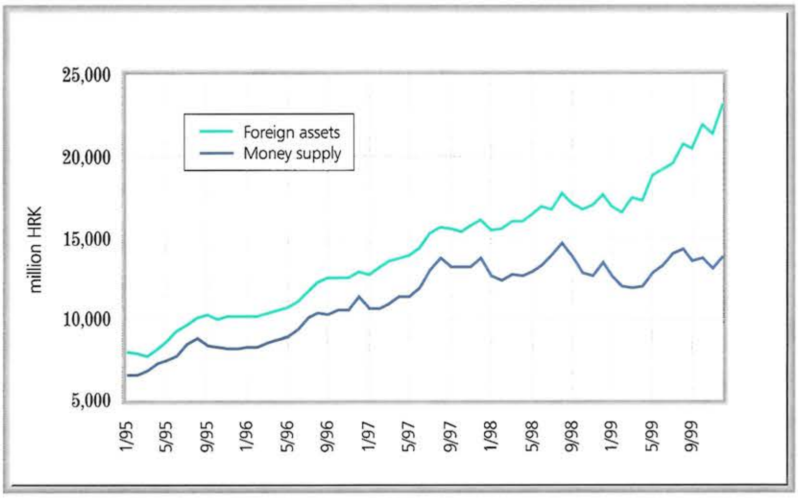


Figure 1.20
The CNB Foreign Assets (International Reserves) and Money Supply M1



The kuna activities of the central bank in 1999 included a particularly strong flow creating reserve money, and, at the same time, a strong outflow through foreign exchange transactions and a much milder outflow through the reduction of the kuna reserve requirements, which was reduced because the kuna base for calculating reserve requirements spilled over into foreign exchange deposits in the attempt to avoid depreciation of the kuna during the first half of the year. In 1998, the average level of CNB placements to the government and commercial banks amounted to 0.7 billion kuna (263 million kuna placed with the government and 451 million kuna with commercial banks through various instruments), whereas in 1999, the average level reached 2.8 billion kuna (1.2 billion kuna placed with the government and 1.6 billion kuna with commercial banks). A particularly abundant supply to the banking system of additional liquid assets from the central bank's primary issue was recorded at the end of the first and second quarters.

This was a period of the most intense distortions in the banking system. That there could be a banking crisis was presage in the first half of 1998 with the events surrounding Dubrovačka banka and the shock of illiquidity due to connections between banks; however, that there really was a banking crisis was identified at the beginning of 1999 with the reluctance of sound banks to conduct transactions in the money market in order to avoid exposure to risky placements, since not all the 'incurable' banks had been detected at that point. By end July, bankruptcy proceedings had been proposed for five banks, one bank was rehabilitated, and a temporary administrator was appointed in three banks. The central bank had to grant a total of 1.4 billion kuna in liquidity loans and other loans for maintaining liquidity (pre-rehabilitation and intervention loans). At the same time, some banks had a very high level of liquidity, since there was no significant extension of loans to the private sector in 1999; successful banks placed their surplus liquidity in CNB bills or held a relatively large amount of their free assets in vaults or settlement accounts with the central bank, due to which an adequate level of reserve money was maintained. In 1999, the currency in circulation growth slowed, and the lowest rate of growth (4.2 percent) was recorded since gaining monetary independence.

Figure 1.21
Banks' Settlement Account with the CNB and Loans for Maintaining Liquidity

Note: Daily data from January 1, 1997 to December 31, 1999.

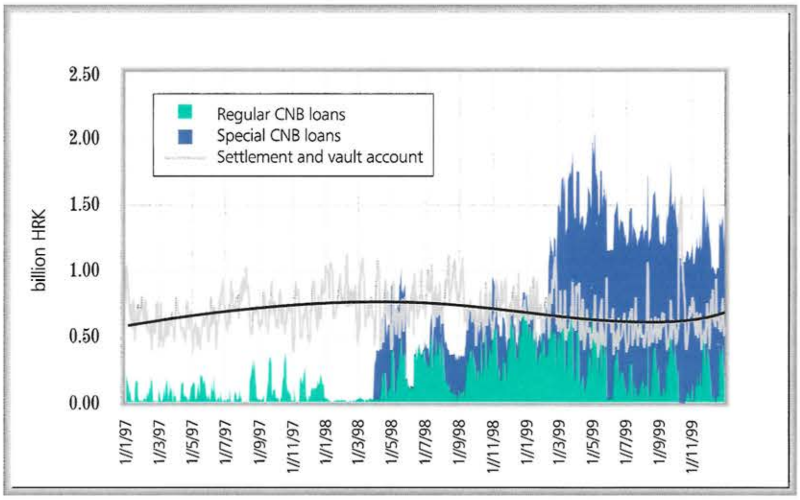
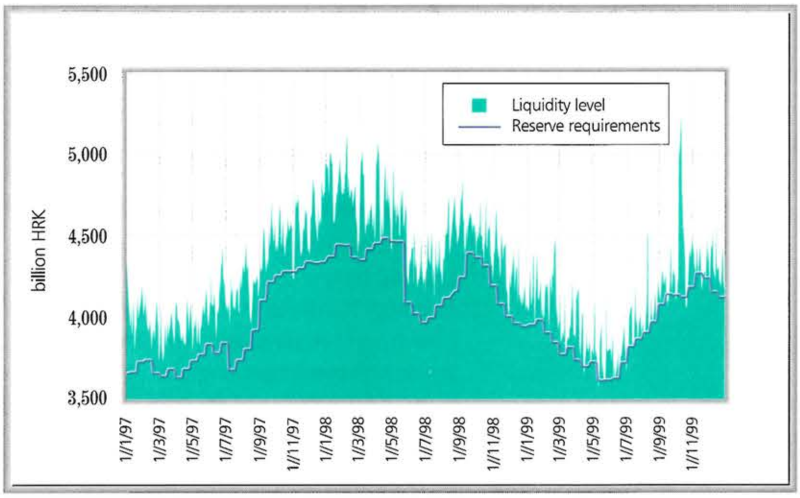


Figure 1.22
Maintaining Banks' Liquidity in the Period from 1997 to 1999

Note: Daily data from January 1, 1997 to December 31, 1999.



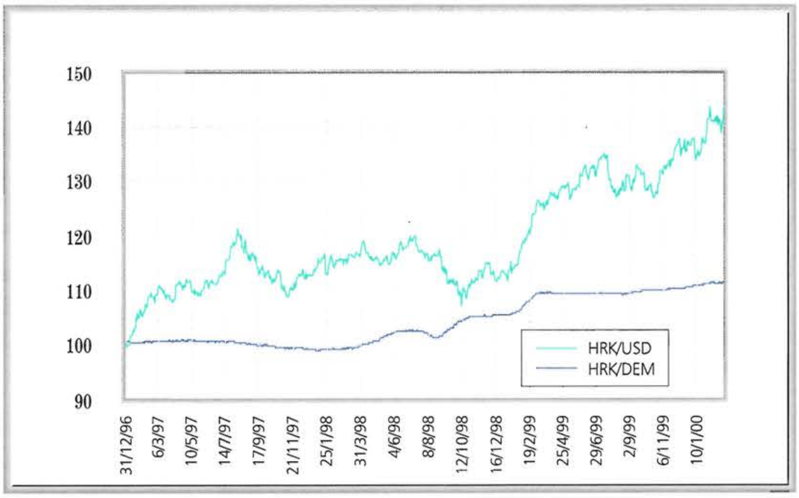
1.2.3 Exchange Rate and the Aggregate Price Level

During 1999, a satisfactory level of kuna exchange rate stability was maintained, together with strengthening of the CNB international reserves on an annual basis and stability of domestic prices. In 1999, the kuna depreciated against the German mark by a total of 5 percent, if the exchange rate on December 31, 1999 of 3.93 kuna to the German mark is compared with the exchange rate of 3.74 kuna on the same day the year before. The annual average exchange rate in 1999 was 3.88 kuna to the mark, which indicates a 7.1 percent depreciation of the exchange rate compared to the average exchange rate of 3.62 kuna in 1998.

The kuna depreciated most in the first quarter, when end-quarter exchange rates are compared, by a total of 3.86 percent. The greatest fall in the kuna exchange rate was recorded in February, amounting to 2.44 percent. The kuna generally depreciates most in the first quarter due to a seasonally adjusted increase in demand for foreign currency required for servicing debts abroad that are falling due in this period when small foreign exchange inflow is usually recorded. A more intense fluctuation of the exchange rate in the first quarter was also caused by an increased demand for foreign exchange due to uncertainty in the economic system caused by the banking crisis and expectations of further kuna depreciation.

Nevertheless, the exchange rate of the kuna against the German mark stabilized in March due to the central bank's interventions in the foreign exchange market, a foreign exchange inflow from selling Eurobonds, and the introduction of certain restrictive monetary policy measures. By the end of the year, the exchange rate depreciated within an acceptable range. It depreciated the least in May, by only 0.01 percent, and the most in September, by 0.57 percent, whereas it appreciated during April, and in July and August 1999 (0.07 percent and 0.03 percent respectively), despite the reduced foreign exchange inflow from tourism due to the war operations in Kosovo. Although fiscal expansion continued until the end of the year, it did not significantly influence the kuna depreciation, since it was financed by a foreign exchange inflow from the privatization of companies and the placement of government bonds in the world financial markets. Pressures for foreign currency demand, which increased in November and December due to a rise in the kuna liquidity of the economy (after the government settled part of its due obligations), were relieved by somewhat greater interventions by the central bank compared to the interventions in the second and third quarter, so that the exchange rate depreciated by only 0.5 percent during these two months.

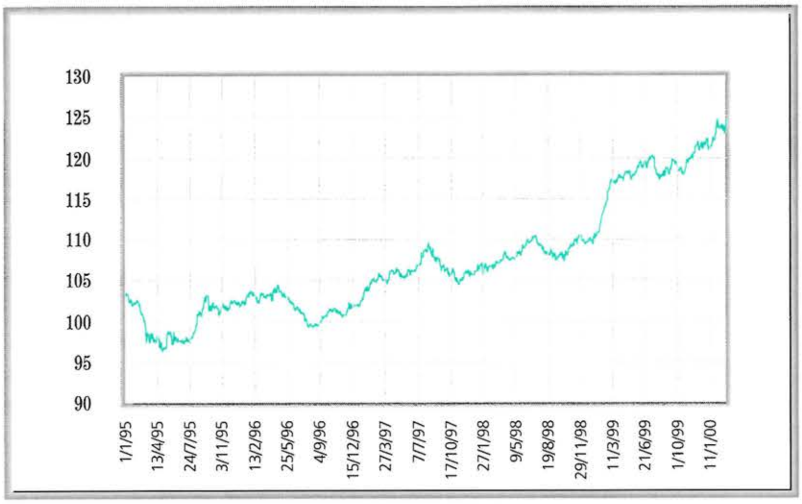
Figure 1.23
Index of Daily Nominal Exchange Rate of the Kuna against the DEM and USD, December 31, 1996=100



During 1999, the daily nominal effective exchange rate of the kuna depreciated by 11.2 percent compared to 1998, when the effective exchange rate depreciated by only 3.6 percent. This weakening of the kuna effective exchange rate was primarily caused by a 22.4 percent depreciation in the kuna exchange rate versus the US dollar from 7.65 kuna on December 31, 1999 to 6.25 kuna at the CNB midpoint exchange rate on the same day in 1998. However, since the exchange rate of the kuna against the dollar fluctuated considerably over the year, the kuna depreciation, based on the comparison of annual average exchange rates (7.11 kuna to the dollar in 1999 and 6.36 kuna in 1998), amounted to 11.8 percent, which is significantly less than the depreciation on the end-year basis. The weakening of the kuna against the dollar in 1999 reflected the depreciation of the euro against the US dollar on the world foreign exchange market.

Figure I.24
Index of Daily Nominal Effective Exchange Rate of the Kuna*, 1995=100

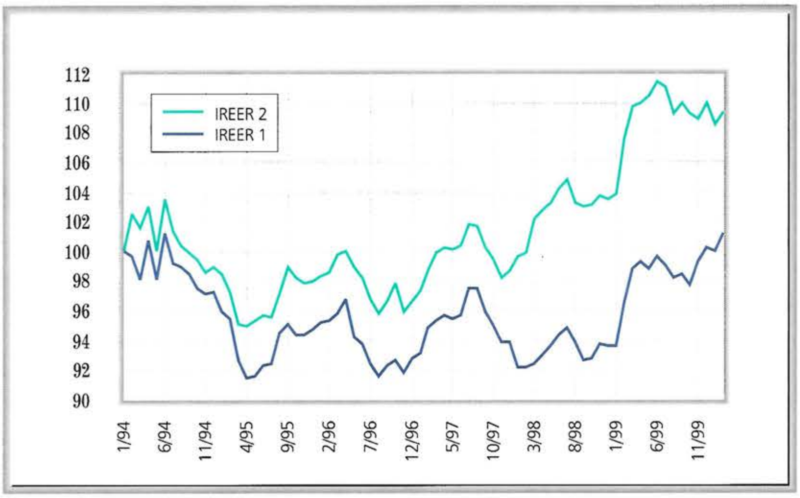
* A fall in the index indicates kuna appreciation



The real effective exchange rate of the kuna deflated by producers' prices has depreciated at the annual level for three consecutive years: it depreciated by 2.17 percent in 1997, 4.9 percent in 1998 and 6.21 percent in 1999. Depreciation of the real effective exchange rate of the kuna deflated by retail prices was particularly strong in 1999, amounting to 7.07 percent (depreciation in real terms was 1.23 percent in 1997 and 0.34 percent in 1998). The changes in both indicators of the real effective exchange rate of the kuna point to an improvement in the price competitiveness of domestic exporters relative to the most important foreign trade partners in 1999, as a result of a stronger depreciation of the kuna exchange rate than the relative growth in domestic prices compared to foreign countries.

Figure I.25
Index of Real Effective Exchange Rate of the Kuna* Deflated by Retail Prices (IREERI) and Producers' Prices (IREER2), January 1994=100

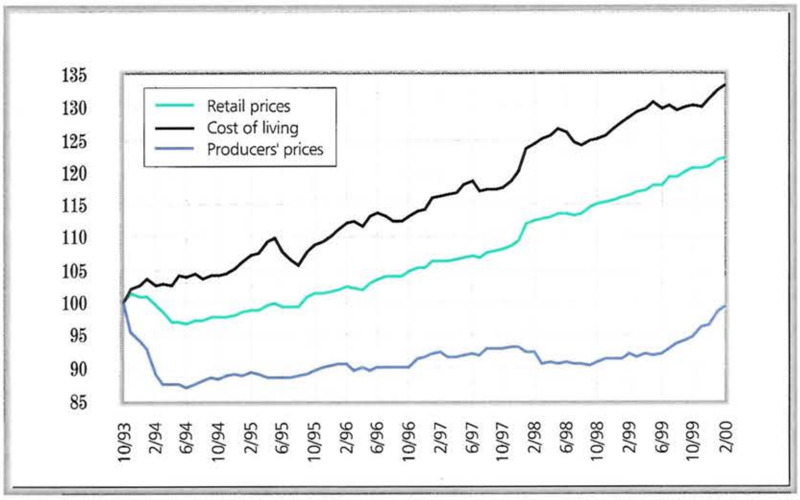
*An increase in the index indicates real depreciation of the kuna



The annual rate of inflation of 4.4 percent, measured by retail prices on a December-to-December basis, or 4.2 percent on a year-on-year basis, shows that the satisfactory level of price stability that has been recorded for the last six years was maintained in 1999. Following a 3 percent deflation in 1994, the annual rate of inflation on a December-to-December basis did not exceed 4 percent, except in 1998 when the annual increase in prices was 5.4 percent due to the increase in prices in January that year following the introduction of value added tax. The annual inflation in the cost of living amounted to 3.6 percent in 1999 on a December-to-December basis, or 3.5 percent on a year-on-year basis. Inflation in producers' prices in December 1999 compared to December 1998 was 5.9 percent, or 2.6 percent on a year-on-year basis. In conditions of a declining aggregate demand, the inflationary pressures of kuna depreciation, increases in prices of petroleum products and telecommunication services and increases in excise duties on tobacco products and certain luxury goods did not significantly threaten price stability.

Regarding the changes in the retail price index during 1999, the inflationary pressures were greatest in the third quarter. The increase in prices of petroleum and petroleum products and tobacco products (due to an increase in excise duties) considerably influenced the culmination of the inflationary pressure in July 1999, when the monthly increase in prices amounted to 1.1 percent, despite a significant seasonal decrease in prices of agricultural products. The annual inflation rate rose from 3.8 percent at the end of the second quarter to 5.1 percent at the end of July. Additionally, it is possible that the strongest pressure of the kuna nominal exchange rate depreciation (during 1998 and in the first quarter of 1999) on prices occurred in that part of the year. Despite an average 8 percent increase in the prices of petroleum derivatives in July 1999, pressure to increase the prices of these products continued due to a continuous rise in petroleum prices in the world market and considerable kuna weakening against the US dollar; however, the government approved a new price increase in petroleum derivatives of 10 percent only in the next year, in January 2000. The inflationary pressures, particularly strong at the beginning of the third quarter of 1999, gradually decreased after September, so that the year-on-year inflation rate of 4.4 percent at the end of 1999 was 0.7 percent lower than the inflation rate in July that year. The annual increase in retail prices of the following goods was above the average: tobacco products (26.9 percent) and non-food industrial products (4.8 percent).

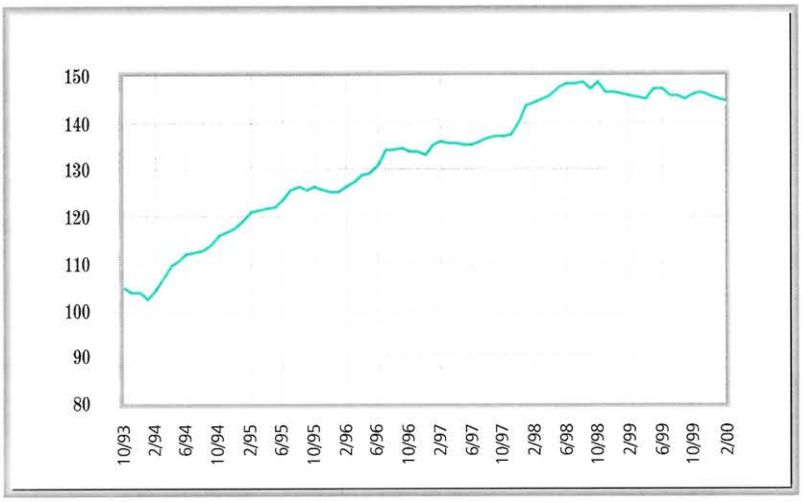
Figure I.26
Retail Price, Cost of Living and Producers' Price Index, October 1993=100



Since the introduction of the stabilization program, the increase in the prices of services in the retail price index had been generally greater than the increase in the prices of goods. However, during 1999 these movements changed. The prices of goods increased by 4.6 percent at the annual level, whereas the prices of services rose by 3.9 percent, which is significantly less than the annual increase in prices of services in 1997 and 1998, when it amounted to 8.2 and 9.2 percent respectively. Looking at the index structure of the prices of services in the retail price index, particularly high growth is evident in the prices of post and telecommunication services, which amounted to 22.6 percent at the annual level. This was a result of the price correction of telephone impulses prior to the sale of Croatian Telecom to a foreign strategic partner. The only other service that recorded above average growth at the annual level was transport services (4.7 percent).

That the increase in the prices of goods exceeded the increase in the prices of services at the annual level can be accounted for by the fact that the prices of services are mainly influenced by changes in disposable household income, whereas the prices of goods are mainly influenced by changes in the exchange rate due to a greater import content. During 1999, the growth in salaries and bank household lending slowed, resulting in slowed growth in disposable household income, which was additionally reduced by the fact that the kuna depreciation increased the burden of repaying loans denominated in foreign exchange. The kuna depreciation was most intense at the beginning of the year (during the first three months, the kuna depreciated against the German mark by a total of 4 percent, and the nominal effective exchange rate of the kuna depreciated by 7 percent) and continued moderately over the year, causing an increase in import prices and a weakening in the competitiveness of foreign goods compared to the period when the kuna was appreciating.

Figure I.27
Index of the Relative Prices of Non-Tradable Goods Measured as the Ratio between the Prices of Services and Goods in the Retail Price Index, 1992=100



Among the inflation indicators, producers' prices recorded the greatest annual growth: 5.9 percent. Measured by the main industrial groupings according to economic purpose, the price of energy increased the most at the annual level in 1999, by 15.4 percent, followed by the price of capital goods, which rose by 5.7 percent. Producers' prices of intermediate products and non-durable consumer goods grew at the annual level somewhat more moderately, by 3.7 percent and 3.9 percent respectively, whereas the price of durable consumer goods increased by only 0.2 percent. However, in contrast to the changes in the retail price index, which reached its peak in July 1999 and then showed a weakening in inflationary pressures until the increase in petroleum prices in January 2000, the producers' price index had a worrying upward trend. By the end of the first and second quarter, the year-on-year growth amounted to a moderate 1.3 and 1.5 percent respectively; however, it jumped to 2.7 percent in July, to 4.4 percent at the end of the third quarter, and to 5.9 percent at the end of 1999. These developments in the producers' price index resulted not just from the increase in petroleum prices but also from the increase in import prices caused by a nominal effective depreciation of the kuna of 11.2 percent during 1999, which was in turn mainly caused by the total annual appreciation of the US dollar of 22.4 percent in nominal terms.

1.2.4 Interest Rates

According to banks' reports for February 2000, the average lending rate was 12.1 percent (total newly-extended kuna loans). However, the last months indicate the beginning of competition between the biggest banks in that the interest rates on housing loans were reduced to 9 percent in nominal terms. Although, according to the latest data, personal loans account for 35 percent of the banks' placements, or for only about 23 percent of the newly-extended loans in February 2000 (long-term loans represent only about 22 percent of that amount), this indicates that the downward trend in interest rates will continue.

Table 1.2

A Comparison of Interest Rates in Selected Countries, in %

	Germany	Czech Republic	Poland	Hungary	Slovenia	Croatia
December 1998						
Loans	7.56	11.70	20.50	18.80	12.30	16.22
Time deposits	2.90	9.20	13.40	14.90	7.00	7.05
Inflation rate (CPI)	1.00	6.80	8.60	10.30	7.50	5.40
December 1999						
Loans	7.65	7.30	17.20	15.40	15.20	13.52
Time deposits	2.84	4.90	13.00	12.30	9.60	8.36
Inflation rate (CPI)	0.60	2.50	9.20	11.20	8.80	4.40

Note: Data are taken from the monthly publications of the central banks and refer to short-term loans in economic operations and short-term (up to 3 months) household time deposits, both categories denominated in the national currency.

At present, interest rates are still very high in real terms, in view of the 4.4 percent increase in retail prices that was recorded in Croatia in 1999. Table 1.2 shows interest rates in selected countries. Germany was selected for comparison for two reasons: first, the majority of prices in the Croatian economy are "unofficially" expressed in German marks, and as much as 75 percent of banks' deposits were denominated in foreign currency at the end of 1999 (the German mark being the predominant currency); second, Germany stands as a representative of the developed countries of the European Union to which Croatia and other transition countries aspire. It should be noted that the average interest rate on corporate short-term loans in the EU member countries is 5.5 percent and shows a downward trend (in nominal terms, which should be taken with reserve when making a statistical analysis of developments over time). The other countries selected for comparison are the more developed transition countries. At the end of 1998, lending rates in Croatia were at the level of rates in Poland, whereas the rates in the other reported transition countries were significantly lower in real terms. At the end of 1999, however, the real interest rates in Croatia remained high, while in all the other reported transition countries they were reduced closer to the level of interest rates in the developed West European countries.

It should also be noted that the reported level of interest rates in Croatia does not correspond to the full price of capital. Apart from interest rates, loans also carry various fees, commissions (loan processing costs, loan granting costs, loan service costs, etc.) and deposits whose effective interest rate can, in some cases, increase by 10 percentage points above the nominal interest rate. Therefore, interest rates do not represent the full price of capital; however, this applies to the majority of transition countries. The adoption of a uniform method for calculating the effective interest rate, which the Croatian National Bank is developing, should significantly contribute to a more accurate perception of the price of capital in the market and facilitate potential borrowers' choice of loan.

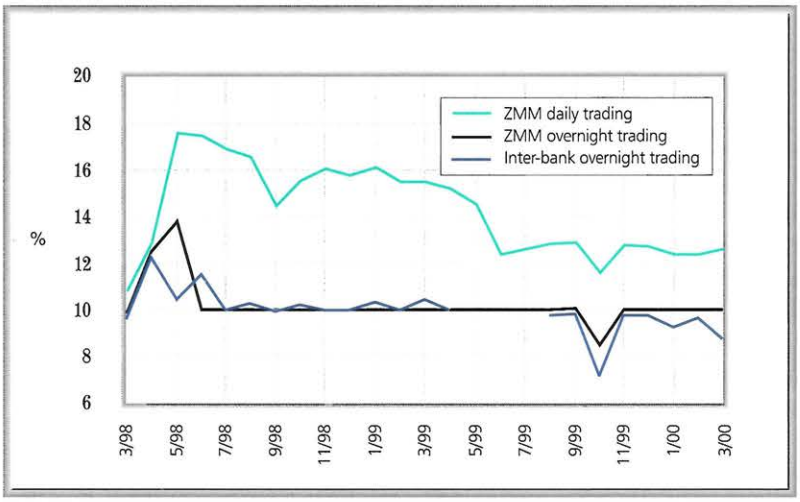
The list of the factors causing high interest rates and preventing a significant fall in interest rates in Croatia is very long. Here are the most important ones:

- High systemic risk premium included in the price of capital, which is related to inadequate creditor protection, the lack of adequate instruments of debt collection, and the slowness and inefficiency of the legal system.
- High premium for currency/credit risk. 59 percent of banks' liabilities are denominated in foreign currency. On the other hand, only about 13 percent of placements (accounting for 60 percent of banks' assets) are denominated in foreign currency. Currency risk is diminished and transformed into credit risk by indexing kuna loans to the exchange rate. Credit risk is high due to a large share of bad loans and the previously stated factors.
- Inadequate credit policies of commercial banks and poor risk management, along with poor liquidity management.
- Expensive sources of funds. Deposit interest rates (especially on time deposits) are relatively high. Additionally, the reserve requirements rate is high, amounting to 28.5 percent on kuna deposits (it was recently reduced) and 55 percent on foreign deposits and foreign loans with a maturity of less than one year. The average interest rate in the money market is somewhat above 12 percent, whereas the foreign sources of funds, with a 6 percent interest rate, are available only to bigger banks or banks under foreign ownership.
- Underdevelopment of the financial markets and a poor choice of financial instruments. Despite positive indications, there has not been a significant improvement in this field. The primary market in which banks participate operates satisfactorily, whereas the secondary market hardly exists.
- A large number of banks operate with high deposit interest rates and high non-interest costs, because they are too small to take advantage of economies of scale. Mergers and acquisitions and the elimination of bad banks from the market will certainly provide an additional incentive for interest rate reduction due to cost reduction.
- Due to the banking crisis, which lasted from spring 1998 to spring 1999, along with slowed growth in 1998 and stagnation in 1999, banks were very cautious and reluctant to grant loans and the credit risk premium increased, which led to a segmentation of the banking market.
- The liquidity problem, that is, the problem of non-payment in the economy.

Trading in the cash surpluses of banks has remained the main activity in the money market in Croatia. Only in the first three months of 2000 did interest in trading in short-term securities increase (CNB bills, Ministry of Finance treasury bills and occasionally government bills). There has long been the idea of introducing instruments for the swap and repurchase of securities in the inter-bank market, but there is still a lack of financially and technically competent potential participants in such trade. Greater involvement is expected from other financial institutions (such as insurance companies and investment funds, although only one operates at the moment) whose liquidity would help reduce interest rates and stimulate more active trading in short-term securities.

At the beginning of 1999, the average daily interest rate in the money market exceeded 16 percent, under the influence of the banking crisis; it gradually fell to about 12.5 percent by the end of the year as the crisis eased and remained at that level over the first three months of 2000. However, it should be noted that daily trading was very small compared to overnight trading: the greatest average daily trading was recorded in October 1999 at approximately 44 million kuna, while the average overnight trading at the same time was 926 million kuna. However, October was an exceptional month due to high liquidity in the financial system as a result of government revenues from selling shares in Croatian Telecom. The overnight trade is generally 20 times larger than the daily trade.

Figure I.28
Average Interest Rates in the Zagreb Money Market and Inter-bank Market



The average interest rate in overnight trade was 10 percent, falling below that level only in October (8.43 percent). Banks prefer the overnight market because of the great uncertainty of the system (this is also the reason why callable loans are predominant in daily trading, which have an average interest rate of about 12.5 percent and determine the average interest rate in daily trading), which prevents banks from planning their surplus liquidity and daring to lend longer term. Thus, there are two obstacles to the reduction of interest rates in the money market: first, a mismatch between supply and demand terms due to the above mentioned uncertainty of the system, with the result that transactions are often conducted with higher interest rates; second, limitations on trading with particular participants due to a lack of confidence among the participants, which forces borrowers to accept higher interest rates when applying for loans.

A major deficiency of the Croatian financial system is the underdevelopment of the securities market. While there is active trading in the primary market of short-term securities to some extent, trading in the secondary market is still insignificant. At present, CNB bills denominated in kuna and foreign currency (US dollar and the euro), Ministry of Finance treasury bills, government bills and several commercial papers issued by companies are traded in the market. In the banking system, close attention is paid to the return on CNB bills and treasury bills, since these are safe investments (with a regular collection) that can be used as collateral for borrowing from the CNB in case of a temporary liquidity problem. These securities can also be traded in the secondary market, but banks view this market with a certain reserve due to the above-mentioned reasons.

Figure I.29
Average Interest Rates on CNB Bills and Ministry of Finance Treasury Bills

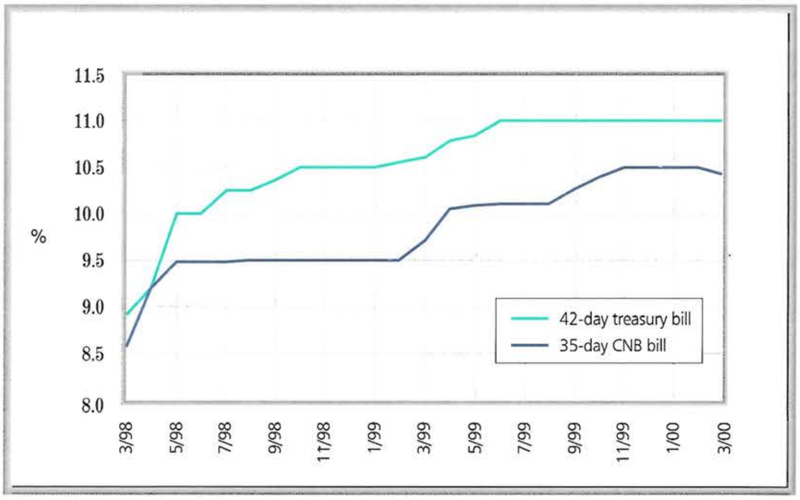
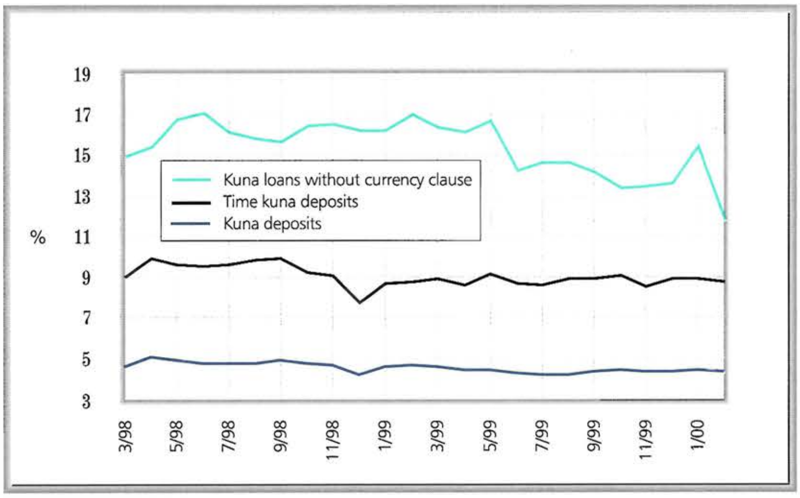


Figure I.29 shows that, at the beginning of 1999, interest rates on CNB bills and treasury bills continued their rising trend from 1998 due to the banking crisis, partly due to the decreased interest of banks with liquidity problems and partly due the efforts to mitigate the adverse effects for banks through higher remuneration rates. Interest rates on 35-day CNB bills increased by 1 percentage point over the year (from 9.5 to 10.5 percent), whereas interest rates on 42-day treasury bills increased from 10.5 to 11.0 percent in spring. At end March 2000, interest rates on CNB bills began to fall, which, along with the CNB measures of reducing reserve requirements and reducing interest rates on CNB loans, was a sign for banks to reduce their interest rates.

Commercial bank lending rates were reduced by more than 2 percentage points in 1999 and by more than 3 percentage points by February 2000: the average interest rate on overall kuna loans was 15.3 percent in January 1999 and 12.1 percent in February 2000. The average interest rate on short-term loans extended to companies fell from 15 percent to around 10 percent in 1999, a decline of more than 5 percentage points. The banking system is in the process of interest rate reduction, and thus an increase in loans to companies can be expected, with bad clients being put off by measures such as collateral, fees and a more strict assessment of creditworthiness.

Figure I.30
Average Interest Rates of Commercial Banks

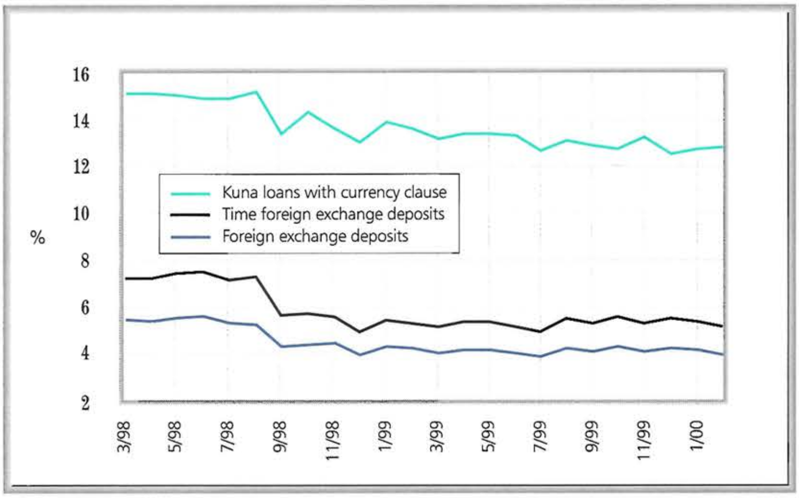


The banking system crisis was a good lesson for both banks and clients, warning that the level of deposit interest rates cannot be the only criterion when making a deposit but the bank's soundness and reliability should also be taken into account. Banks reduced their deposit interest rates, attempting to attract clients by the quality and range of their services, which is positive both for developing banking products and services and for reducing the cost of sources of funds for banks, in view of the fact that deposits account for approximately 55 percent of banks' liabilities.

The banks' average interest rate on kuna deposits was reduced by 0.2 percentage point from January 1999 to February 2000, or by 0.4 percent on foreign exchange deposits. This does not seem to be a significant fall, but the real situation can be seen if today's level of interest rates is compared with the period when the banking crisis began. Over the past two years, interest rates on kuna time deposits and on foreign exchange time deposits were reduced by 1.2 percentage points (12 percent) and 2.4 percentage points (32 percent) respectively. The fact that foreign exchange deposits account for 75 percent of overall deposits (or 41 percent of banks' liabilities) shows the significance of a fall in deposit interest rates. It is also evident why, at present, interest rates on kuna time deposits are as much as 3.5 percentage points higher than those on foreign exchange time deposits. Since banks grant only 13 percent of their loans, which account for 60 percent of their assets, in foreign currency, they need sources of funds denominated in kuna, which, naturally, involves a currency risk.

Interest rate spread is one of the simplest measures of efficiency of banking operations. Therefore, we stress that this spread has had a continuous declining trend, which confirms the banks' efforts to increase efficiency. Under the influence of the banking crisis at the beginning of 1999, banks reduced their deposit rates and moderately increased their lending rates. The overall spread between lending and deposit rates ranged between 9.5 and 12 percentage points, depending on whether the spread refers to kuna operations (wider spread due to currency risk) or foreign exchange operations. The spread was reduced at the beginning of 2000, ranging from 8 (without currency risk) to 9.5 percentage points. It can be expected that the entry of strategic investors in two rehabilitated state banks in 1999 (Slavonska and Privredna banka Zagreb) and expected entry in the remaining rehabilitated banks in 2000 (Riječka, Splitska, Dubrovačka and Croatia banka) will contribute to a further increase in the operating efficiency of the banking system and assure a further narrowing of the interest rate spread.

Figure 1.31
Average Interest Rates of Commercial Banks



Additional reasons for expecting an interest rate reduction by the end of this year are the CNB measures to support interest rate reduction (reserve requirements reduction, reduction in its lending and deposit interest rates), government measures that are in preparation to deal with insolvency and the government's promise to pay its debts, which all participants in the financial system expect it to do. A better protection of creditors and the expedition of court proceedings concerning the collection of claims should also reduce credit risk premiums. The stimulation of kuna savings and exchange rate stability (improved confidence in the national currency) should decrease the currency risk. All this should result in a moderate but steady fall in interest rates.

1.2.5 Balance of Payments

In 1999, the current account showed a deficit of 1,468.5 million US dollars. This continued a trend of reduced current deficit. The current account deficit decreased by 33.9 percent in 1998 compared to 1997, mainly as a result of the one-off effect of the introduction of value-added tax in 1997 and a deficit decrease in 1998, and by a further 5.2 percent in 1999 compared to 1998. If, instead of the absolute amounts, the shares of the current deficit in GDP are compared, the situation somewhat changes due to a GDP fall: the deficit amounted to 11.6 percent of GDP in 1997, fell to 7.1 percent in 1998 and slightly rose to 7.3 percent in 1999. The deficit decrease was mainly caused by a decline in international merchandise trade due to recession in Croatia, poor growth in the countries that are Croatia's major trading partners and a great fall in foreign demand for the export of Croatia's tourist services due to the Kosovo crisis. The balance on the capital and financial transactions account was reduced by 3.31 percent, primarily as a consequence of a large increase in direct investment in Croatia (50.72 percent compared to 1998) and a further large decrease in net other investments from 776.2 million US dollars in 1998 to -65.7 million US dollars in 1999.

Table 1.3

Balance of Payments of the Republic of Croatia, million USD (preliminary data for 1999)

	1996	1997	1998	1999	1999/1998 %
A. CURRENT TRANSACTIONS (1+6)	-1,147.5	-2,344.0	-1,549.7	-1,468.5	94.8
1. Goods, services and income (2+5)	-2,179.9	-3,215.7	-2,257.8	-1,968.4	87.2
1.1. Revenue	8,112.6	8,585.0	8,963.5	8,344.6	93.1
1.2. Expenditure	-10,292.5	-11,800.7	-11,221.3	-10,313.0	91.9
2. Goods and services (3+4)	-2,110.2	-3,193.4	-2,094.1	-1,622.0	77.5
2.1. Revenue	7,842.7	8,221.3	8,568.6	8,079.1	94.3
2.2. Expenditure	-9,953.0	-11,414.7	-10,662.7	-9,701.1	91.0
3. Goods	-3,690.2	-5,224.3	-4,168.9	-3,300.7	79.2
3.1. Revenue	4,545.7	4,210.3	4,604.5	4,371.2	94.9
3.2. Expenditure	-8,235.9	-9,434.6	-8,773.4	-7,671.8	87.4
4. Services	1,580.0	2,030.9	2,074.8	1,678.7	80.9
4.1. Revenue	3,297.0	4,011.0	3,964.1	3,707.9	93.5
4.2. Expenditure	-1,717.0	-1,980.1	-1,889.3	-2,029.3	107.4
5. Income	-69.7	-22.2	-163.7	-346.4	211.7
5.1. Revenue	269.8	363.8	394.9	265.5	67.2
5.2. Expenditure	-339.5	-386.0	-558.6	-611.9	109.5
6. Current transfers	1,032.3	871.7	708.1	499.9	70.6
6.1. Revenue	1,183.1	966.3	921.1	833.2	90.5
6.2. Expenditure	-150.8	-94.6	-213.1	-333.3	156.4
B. CAPITAL AND FINANCIAL TRANSACTIONS	2,050.8	2,651.8	1,459.2	1,410.9	96.7
B1. Capital transactions	16.2	21.5	19.1	24.9	130.5
B2. Financial transactions, excl. int. reserves	2,567.8	3,058.4	1,591.6	1,814.5	114.0
1. Direct investment	509.1	323.7	800.6	1,304.4	162.9
1.1. Abroad	-24.4	-186.1	-93.3	-42.9	46.0
1.2. In Croatia	533.4	509.8	893.9	1,347.3	150.7
2. Portfolio investment	628.3	576.5	14.9	575.8	3,876.9
2.1. Assets	6.2	11.1	-0.1	-0.3	211.7
2.2. Liabilities	622.1	565.4	15.0	576.1	3,842.4
3. Other investment	1,430.5	2,158.2	776.2	-65.7	-
3.1. Assets	850.8	190.4	368.2	-523.4	-
3.2. Liabilities	579.6	1,967.8	407.9	457.7	112.2
B3. CNB international reserves	-533.3	-428.0	-151.5	-428.5	282.8
C. NET ERRORS AND OMISSIONS	-903.3	-307.8	90.6	57.6	63.6

The decrease in the current account deficit results from a reduced negative balance in the goods account of 20.8 percent and a reduced surplus in the services account of 19.1 percent. The deficit decrease in the goods account was caused by a 7.2 percent weakening of domestic demand for goods imports compared to 1998 (imports amounted to 7,777.4 million US dollars, c.i.f., in 1999) according to the foreign trade statistics, and also by a decline in residents' outlays for purchasing abroad ("shopping") of approximately 8.8 percent (the estimate for 1999 amounts to 421.4 million US dollars). Goods exports amounted to 4,279.7 million US dollars, f.o.b., which is a 5.7 percent reduction compared to the previous year. Cross-currency relations of the US dollar (in which balance of payments is compiled) and the euro (which, according to currency structure, accounts for more than two thirds of the foreign exchange inflow) also had a significant role in reducing the current account deficit.

The surplus decrease in the services account occurred primarily because of the lower than expected income from tourism and a considerable decrease in net income from transport services. The expected increase in income from tourism did not take place in 1999 mostly due to the adverse effects of the Kosovo crisis, which led to an estimated income fall of 8.5 percent, whereas expenditures incurred from travel and tourism increased by 18.6 percent. There was a traditional surplus in the transport services balance, although a continuous fall in net income has been evident since 1996, primarily as a result of decreased income from sea transport (problem in the domestic shipping company Croatia Line). The Kosovo crisis affected this segment of economy as well. Net income from transport fell to 461.6 million US dollars, which is an 18.4 percent fall compared to 1998. In the other services account, which registers a wide range of business services, a 33.9 percent deficit decrease was recorded in 1999, mostly due to an increase in income of 12.0 percent compared to 1998.

The current transfers account traditionally records a surplus. From 1997 to 1999, net income had a downward trend. In 1999, net income amounted to 499 million US dollars, 29.4 percent down on 1998. There are two main reasons for the changes in the current transfers balance: first, the government sector balance changed into deficit in 1999 and, second, the income side of the other sectors (the majority of which are related to remittance transfers of persons temporarily employed abroad, and pensions and disability allowances from abroad) has recorded a continuous fall since 1996. The government sector net revenues from transfers reached their peak in 1995, which was followed by a downward trend, mostly due to a decreased inflow from humanitarian aid; at the same time, government expenditures rapidly increased in 1998 and 1999, contributing to an increase in the government net negative balance which reached 130.1 million US dollars (1,312.6 percent up on 1998).

The downward trend in the income of the other sectors' current transfers could be a consequence of two factors. First, a number of Croatian banks through which employees' remittances were paid experienced insolvency during 1998; some went bankrupt. This resulted in a selection of more sound banks for making money transfers and a decision to shift transfers to private channels, which is not recorded within foreign payment transactions. The second factor is the effect of transaction valuation. Since the majority of persons employed abroad work in EU countries, money is remitted in various currency denominations of the euro, which depreciated against the US dollar over 1999. As a consequence, the value of transfers in the balance of payments, which is compiled in US dollars, declined.

Capital and Financial Transactions Account

The capital account consists of capital transfers and the acquisition of non-manufactured non-financial assets; in other words, it records foreign payment transactions on the basis of emigrants' transfers of capital. It has been compiled since 1996 and reached its highest level of 24.9 million US dollars in 1999. Capital and financial transactions in 1999 amounted to 1,410.9 million US dollars, which is 3.31 percent less than in 1998 and largely reflects a decreased need for financing the reduced current account deficit.

The financial account continued its structural adjustment that began in 1998. Up to that period, the current deficit was largely financed by other investments (external debt). During 1996, the main source of financing was a decrease in the net assets of other sectors through the repatriation of personal foreign exchange, whereas in 1997 the focus was on foreign long-term crediting of the other sectors. In 1998 and particularly in 1999, foreign direct investments became the major source of financing the current deficit (its share in covering the current account deficit was 91.7 percent), primarily due to privatization in the banking sector and telecommunications, which contributed to a rapid increase in the value of direct investments in Croatia.

Direct investments abroad reached their peak in 1997, when they amounted to 185.3 million US dollars, and have continuously fallen ever since (Pliva invests abroad – Lek, Podravka in Poland and Hungary). In 1999, Croatia's direct investments abroad amounted to 42.9 million US dollars, a fall of 46.0 percent. At the same time, direct investments in Croatia recorded considerable growth rates over the past three years. They increased most in 1999, by 50.7 percent compared to 1998 (1,347.0 million US dollars). As a result, foreign direct investments had a 6 percent share in GDP in 1999, compared to 2.5 percent in 1997.

In 1999, portfolio investments returned to their normal level, 575.8 million US dollars, following their rapid decline in 1998 due to financial crises in Asia and Russia. Portfolio investments are investments that amount to less than 10 percent of a company's capital and foreign investments in securities of the Republic of Croatia, which is the reason for their sensitivity, that is, a tendency to quick flight in contrast to foreign direct investments. The majority of foreign portfolio investments in 1999 was composed of foreign investments in Eurobonds of the Republic of Croatia in the amount of about 300 million euro.

Regarding assets, the most intense movements were recorded in the foreign currency and deposits account. Commercial banks' foreign exchange assets abroad decreased in 1998 and 1999 due to cross-currency movements, particularly the depreciation of the euro against the US dollar (the balance of payments is compiled in US dollars), a reduction in foreign exchange redeposits due to a decline in foreign exchange savings, and transfers of a part of the commercial banks' foreign exchange assets abroad to the CNB account abroad on the basis of the Decision on the Obligatory Foreign Currency Reserve. Withdrawals of commercial banks' foreign exchange deposits amounted to 340.6 million US dollars in 1999, which is 11.3 percent less than in 1998. These assets are presently being recorded under foreign exchange reserve requirements with the CNB and are a constituent part of the CNB's international reserves. Following a considerable fall in inflow in the other sectors' foreign currency and deposits account between 1996 and 1998 (inflow amounted to 1,437.1 and 4.0 million US dollar in 1996 and 1998 respectively), an outflow occurred for the first time in 1999, in the amount of 710.2 million US dollars, causing a 369.6 million US dollar negative balance in the foreign currency and deposits account. A total deficit of 523.4 million US dollars was recorded in the other investments account, which can partially be attributed to regained confidence in domestic banks in the last quarter of 1999 and redeposited savings deposits, particularly in the first quarter of 1999. This represents a continuation of the partial return of foreign exchange deposits that took place at the end of 1998.

Although borrowing increased in 1999, 12.2 percent up on 1998, it is no longer the main source for covering the current account deficit. The structure of borrowing changed in 1999 compared to 1998. Net borrowing in the medium and long term in 1999 amounted to only 385 million US dollars, which is more than 60 percent down on 1998.

Total foreign borrowing in 1999 increased by only 176 million US dollars, reaching 9,763.8 million US dollars at the end of 1999. At the same time, the methodology for recording external debt was revised and adjusted to the IMF standards, and the foreign credit relations database was completed and updated. Thus, the external debt in 1998, which amounted to 8.5 billion US dollars according to the previous recording method, was increased by 238 million US dollars of foreign parent companies' credit lines to companies founded by foreign direct investments (which has been recorded only since 1998), then by 615 million US dollars of foreign currency and deposits in non-resident accounts with Croatian banks (which was not registered before), and about 200 million US dollars of previously unregistered loans to the Ministry of Finance.

Table I.4

External Debt by Debtor Sector, million current USD and %

Debtor's sector	1996	1999	1998	1999	1999/1998 %
Monetary sector	208	232	234	197	84.19
Government	2,433	2,906	3,333	3,917	117.52
of which: London club	1,462	1,428	1,405	1,381	98.29
Banks	1,570	2,216	2,290	1,956	85.41
of which: "Currency and deposits"	499	790	615	538	87.48
Other sectors (companies)	1,096	2,098	3,494	3,445	98.60
Direct investments	0	0	238	250	105.04
Total	**5,308**	**7,452**	**9,588**	**9,764**	**101.84**

Source: CNB

In 1999, the government increased its external debt by about 600 million US dollars, continuing the trend of financing by foreign assets that started in 1996. This increase was due to long-term loans (230 million US dollar increase) and the issue of Eurobonds in the first quarter of 1999 amounting to 300 million euro. There was also some activity in short-term loans, especially in anticipating capital income from the privatization of Croatian Telecom, amounting to about 360 million US dollars, which were repaid by the end of the year.

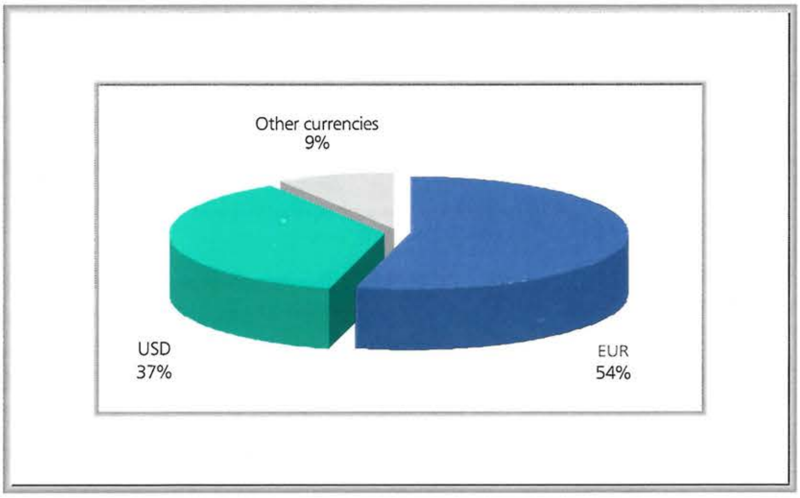
In 1999, banks' external debt decreased by approximately 330 million US dollars compared to 1998, which is mainly a consequence of a change in cross-currency relations between the euro and the US dollars, which generated 200 million US dollars. The banks largely used long-term and medium-term loans, amounting to 600 million US dollars, primarily to settle their obligations arising from previous loans, amounting to 640 million US dollars. As a result, in 1999 the banks managed to fully repay their due obligations arising from foreign borrowing. Non-resident foreign currency and deposits in domestic banks decreased by about 80 million US dollars, which is mainly the result of reduced confidence in the Croatian banking system.

Other sectors retained approximately the same level of external debt as in 1998. This means that, taking into account the cross-currency changes between the euro and the US dollar (about 400 million US dollars), companies managed to settle their obligations arising from previous foreign loans, using about 770 million US dollars and repaying annuities of about 520 million US dollars. There were also some activities involving short-term loans and trade loans, which were mostly repaid, so that short-term borrowing increased by 50 million US dollars but decreased if trade loans are taken into account.

In 1999, the volume of parent companies' credit lines to companies established by foreign direct investments increased, amounting to 20 million US dollars, which should be added to the increase in the total debt balance of the other sectors (especially the corporate sector), since companies established through foreign direct investment are considered residents.

The new methodology, the first results of which were published in the CNB's monthly Bulletin for March 2000, shows the influence of cross-currency relations on the changes in external debt and its coverage. Changes in cross-currency relations have significantly contributed to a decline in the value of external debt in terms of the US dollar, since a large part, as much as 54 percent in 1999, of external debt (in the balance of payments current account as well) was expressed in the various euro denominations (German marks, Austrian shillings, and the euro itself). The second currency by its share in 1999 was the US dollar with a 34 percent share, whereas other currencies accounted for only 9 percent (which is divided among the Swiss franc, Japanese yen and special drawing rights in almost equal parts). The weakening of the euro against the US dollar resulted in a reduction in total debt of about 780 million US dollars in 1999.

Figure I.32
Currency Structure of External Debt, December 31, 1999

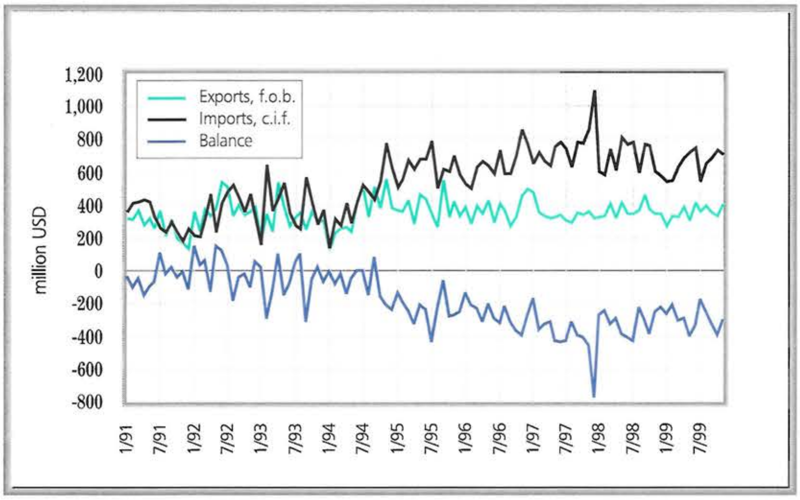


The central bank's international reserves increased by 429 million US dollars in 1999 according to the balance of payments statistics, or, according to the balance of gross reserves at the end of the period, by 210 million US dollars, from 2,816 to 3,025 million US dollars The reason for this deviation is the application of the daily exchange rate at the transaction date in the balance of payments statistics, whereas the exchange rate at the end of the period is used for the calculation of gross international reserves. The changes in cross-currency relations between the euro and the US dollar contributed to this difference to a great extent. There was also a reclassification of the returned second part of reserves for new foreign exchange savings, amounting to 200 million US dollars, which were reclassified from the foreign currency and deposits account to the CNB's international reserves account.

The Structure of Merchandise Trade

Merchandise trade as shown according to the Central Bureau of Statistics differs from the exports and imports components within the balance of payments. The balance of payments shows exports and imports at f.o.b. (free on board) prices, so the price of goods includes production costs and outlays for transport and goods insurance to the export country's border. Furthermore, the balance of payments data contain an additionally estimated volume of resident's imports of goods, that is, shopping abroad, which reflects a further improvement in the balance of payments methodology. This also means that the balance of payments data on imports in the period following 1998 are not comparable with those collected in the period before 1998.

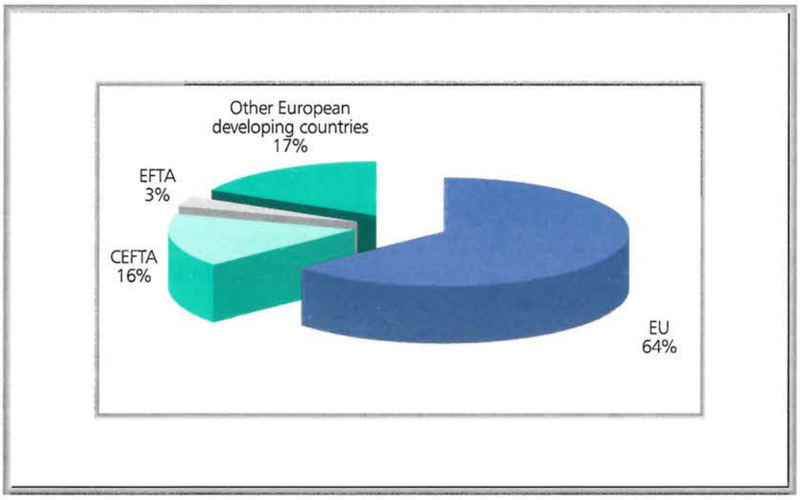
Figure I.33
The Republic of Croatia's Merchandise Trade, in million current USD



Source: CBS

In 1999, European countries accounted for approximately 85 percent of Croatia's total merchandise trade, which is at the level of 1998. Croatia's major trading partners in Europe were: EU member countries with a share of 63.0 percent (6,480.1 US dollars), other European developing countries with a share of 17.4 percent, CEFTA countries with a share of 16.2 percent, and EFTA countries with a share of 3.4 percent. In 1999, exports to EU member countries amounted to 2,088.4 million US dollars, whereas imports were almost double, amounting to 4,391.7 million US dollars. While merchandise trade with EU member countries recorded a significant deficit (2,972.9 million US dollars), merchandise trade was more balanced with the other European developing countries, such as Bosnia-Herzegovina, Malta, Macedonia and Russia.

Figure I.34
The Share of the European Partners in Merchandise Trade with Croatia in 1999

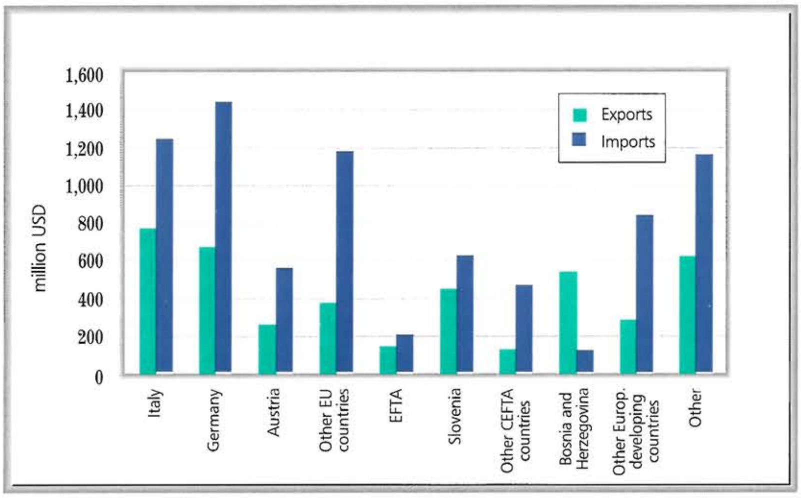


Source: CBS

In general, exports to European countries fell by 5 percent in 1999 compared to 1998 and imports fell by about 7 percent. It should be noted that the kuna depreciated against the euro by about 5.5 percent during 1998 and a further 4.8 percent in 1999 and by 22.6 percent against the US dollar in 1999, but this did not influence the increase in exports. Croatia's five major trade partners accounted for 74.2 percent of total exports to Europe and for 59.7 percent of total imports from Europe. These five countries are: Italy (21.1 percent of total exports to Europe and 18.6 percent of total imports from Europe), Germany (18.4 percent of exports and 21.7 percent of imports), Bosnia and Herzegovina (15.0 percent of exports and 1.8 percent of imports), Slovenia (12.4 percent of exports and 9.3 percent of imports), and Austria (7.2 percent of exports and 8.3 percent of imports).

In 1999, the most important currencies in the currency structure of merchandise trade were various euro denominations, such as the German mark and French franc. They accounted for 62 percent of the overall value of exports, whereas the US dollar accounted for 33 percent. If this is compared to 1998, it can be noted that exports in euro increased by 1 percentage point, whereas imports in euro decreased by 5 percentage points (the euro accounted for 72 percent of total imports in 1998). In contrast, imports in US dollars accounted for 24 percent of total imports, whereas exports in US dollars accounted for 33 percent of total exports. Merchandise trade in other currencies accounted for 9 percent of total imports and 5 percent of total exports. The difference in the share of the 15 EU member countries according to destination and currency structure can be accounted for by the fact that international transactions with the Central and Eastern European countries are conducted in the currencies of the 15 EU member countries (the euro).

Figure I.35
Structure of the Republic of Croatia's Merchandise Trade by Country, in million current USD



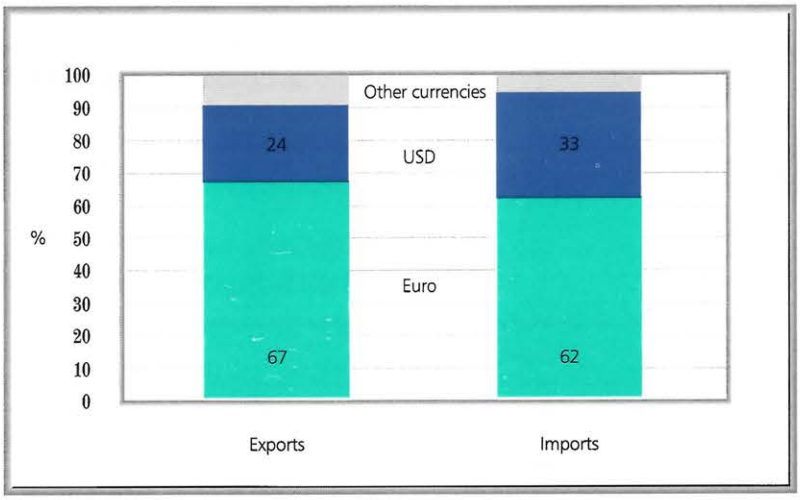
Source: CBS

The structure of exports by statistical quotas shows the greatest fall in 1999 compared to 1998 in finished goods (11.4 percent), whereas exports after further processing ('lohn' jobs), which refers to textiles, chemicals and chemical products, increased by 4.2 percent. Finished goods and exports after processing account for about 93 percent of exports. On the imports side, both finished goods and imports for processing decreased by 7.3 percent and 3.2 percent respectively. Additionally, other types of imports, which account for about 10 percent of imports, fell by 5.7 percent.

Regarding the segments of merchandise trade by intended use in 1999, there was a considerable increase in exports of energy sources (25.9 percent) compared to 1998, mostly due to a 23.6 percent growth in the manufacture of coke, petroleum products and nuclear fuel, whereas the other export segments from that grouping were relatively insignificant. However, imports of energy sources significantly increased, by 44.7 percent; this was caused by strong growth in imports of services connected to oil and gas extraction, which amounted to 701.4 million US dollars in 1999 (a 67.9 percent increase compared to 1998). Exports of intermediates decreased by 3.8 percent to 1,437.3 million US dollars and imports decreased by 9.9 percent to 2,438.6 million US dollars. Energy sources and intermediates together accounted for 42.4 percent of imports, which indicates an increased dependence of Croatian industry on imports compared to 1998, when these two industrial groupings accounted for 39.4 percent of imports. Imports of capital goods fell by 6.6 percent to 2,502.6 million US dollars in 1999, whereas exports of capital goods decreased by 10.6 percent, mainly due to decreased exports of ships.

According to the sections and divisions of the Nomenclature of Foreign Trade Statistics (NFTS), exports increased in 1999 compared to 1998 only in the area of raw materials, that is, mineral fuel and lubricants, which increased by 25.8 percent, and raw material apart from fuel, which increased by 5 percent. This coincides with the beginning of gas extraction in the Istrian seabed in co-operation with the Italian company Eni. These two sections accounted for 13.4 percent of total exports in 1999. Exports of machinery and transport equipment, otherwise the most important segment of exports (amounting to 1,247.3 million US dollars in 1999), decreased by 9.6 percent compared to 1998, and exports of miscellaneous manufactured articles (amounting to 965.0 million US dollars) decreased by 5.6 percent, due to a 5.7 percent fall in exports of wearing apparel from 555.8 to 524.3 million US dollars.

Figure I.36
Currency Structure of Exports and Imports in 1999



Source: CNB

Foreign Direct Investment

Foreign direct investments in the period from 1993 to 1999 amounted to a total of 3,536.4 million US dollars. A considerable increase from about 100 million US dollars to about 500 million dollars in 1996 was a result of the improvement in the balance of payments methodology and the introduction of a survey on companies' foreign direct investment and portfolio investment. Investments particularly increased in 1998 and 1999, when, for the first time, they exceeded one billion US dollars per year. The major foreign direct investors were the United States with 1,003.7 million US dollars, Germany with 986.7 million US dollars and Austria with 682 million US dollars. The investments of these three countries accounted for about 76 percent of total foreign direct investments in Croatia.

Table I.5

Foreign Direct Investment in the Republic of Croatia by Country of Origin, thousand USD and %

	1993	1994	1995	1996	1997	1998	1999	Total	Share
Total	120,086.3	116,955.2	113,908.3	504,052.3	509,782.4	893,892.5	1,277,728.3	3,536,405.2	100.0
United States	4,876.6	2,950.3	-15,489.1	292,729.2	83,539.3	503,914.7	131,193.2	1,003,714.3	28.4
Germany	53,314.4	7,961.6	23,289.0	2,237.7	-67,829.8	60,866.2	906,812.7	986,651.9	27.9
Austria	5,019.8	47,921.7	6,808.2	54,224.7	274,876.1	187,814.4	105,275.0	681,939.8	19.3
Netherlands	4,774.0	2,877.8	0.0	5,986.4	13,669.8	46,394.5	63,257.2	136,959.7	3.9
Sweden	493.7	0.0	37,332.2	7,819.6	8,649.3	24,281.5	14,106.2	92,682.5	2.6
United Kingdom	709.3	658.3	274.4	187.8	55,117.4	605.8	29,251.0	86,804.0	2.5
EBRD	0.0	0.0	0.0	43,075.1	41,633.7	-39,400.7	31,010.0	76,318.1	2.2
France	0.0	0.0	151.5	5,873.8	9,421.3	32,546.4	8,331.8	56,324.8	1.6
Slovenia	4,454.8	254.2	3,533.1	2,109.2	9,888.4	23,808.4	10,037.5	54,085.6	1.5
Switzerland	9,978.4	18,752.6	13,615.2	22,568.2	-15,382.1	7,506.7	-4,798.9	52,240.2	1.5
Italy	11,962.3	3,479.1	4,338.1	9,936.8	11,140.3	-955.5	10,233.8	50,135.0	1.4
Lichenstein	0.0	11,562.2	3,849.1	11,391.3	12,778.9	5,195.5	425.2	45,202.3	1.3
Australia	0.0	0.0	19,100.9	9,856.8	13,056.6	0.0	0.0	42,014.3	1.2
Other countries	24,503.0	20,537.3	17,105.5	36,055.7	59,223.2	41,314.4	-27,406.5	171,332.6	4.8

Ownership investments, implying direct investment with retained earning and other capital, were made mostly in telecommunications (882.5 million US dollars) and pharmaceuticals (717.5 million US dollars) in the 1993-1999 period. These two activities accounted for about 55 percent of total ownership investments in Croatia. Together with investment in other financial intermediation of 329.9 million US dollars, these three groups make up two-thirds of total ownership investment. A further significant increase in foreign direct investment is expected from privatization in the sectors of financial intermediation, telecommunications, shipbuilding and hotels.

Table I.6

Cumulative Ownership Investment in the Republic of Croatia by Sector, million USD and % (preliminary data)

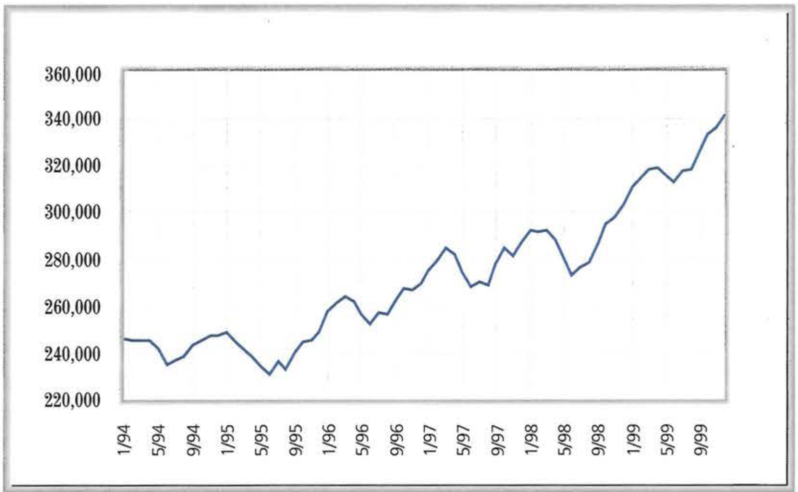
Activity	Amount	Share
Total ownership investment	2,940,125.4	100.0
Telecommunications	882,504.2	30.0
Pharmaceuticals	717,548.2	24.4
Other financial intermediation	329,906.8	11.2
Cement	99,722.2	3.4
Extraction of crude petroleum and natural gas	98,475.4	3.3
Bricks and roof tiles	51,176.2	1.7
Industrial gas	48,804.1	1.7
Beer	47,303.6	1.6
Other wholesale trade	46,968.9	1.6
Mineral water and soft drinks	46,248.8	1.6
Radio and television transmitters, telephone apparatus	44,430.2	1.5
Sanitary ceramics	39,907.4	1.4
Hollow glass	35,019.8	1.2
Building construction (high-rise building)	34,995.2	1.2
Measurement and control instruments	33,434.8	1.1
Other	383,679.3	13.0

Source: CNB

1.2.6 Employment and Wages

The fall in economic activity in 1999 was reflected in the labor market: registered unemployment continued to rise over the year, except in May and June when outflows from the register were seasonally larger than inflows. In 1999, the Croatian Employment Service registered 249,029 unemployed persons, which is 12.5 percent up on 1998. A large part of this increase refers to previously employed persons, accounting for 71.9 percent of inflow in the unemployment register and whose number rose by 15.7 percent in 1999. The inflow of people seeking work for the first time increased by 5.0 percent in the same period. 105,690 people on the register were employed in 1999, which is 3.2 percent less than in 1998, whereas 104.338 were taken off the register for other reasons, which is an 8 percent increase in outflow. Total outflow from the register amounted to 210,028 in 1999, 2.0 percent more than in 1998. As a consequence of a reduced creation of vacancies in 1999, a smaller number of people on the register were employed than in 1998. However, the increase in outflow was a result of a greater outflow from reasons other than employment, such as the separation of the right to health insurance from the unemployment status (which was carried out in mid-1998) and a decline in employment expectation. In 1999, 134,655 vacancies were reported to the Croatian Employment Service, which implies that a large part of the reported vacancies was not filled. As a result of these flows of the active population, registered unemployment in 1999 increased by 38,999 to 341,730 at the end of the year.

Figure I.37
Unemployment

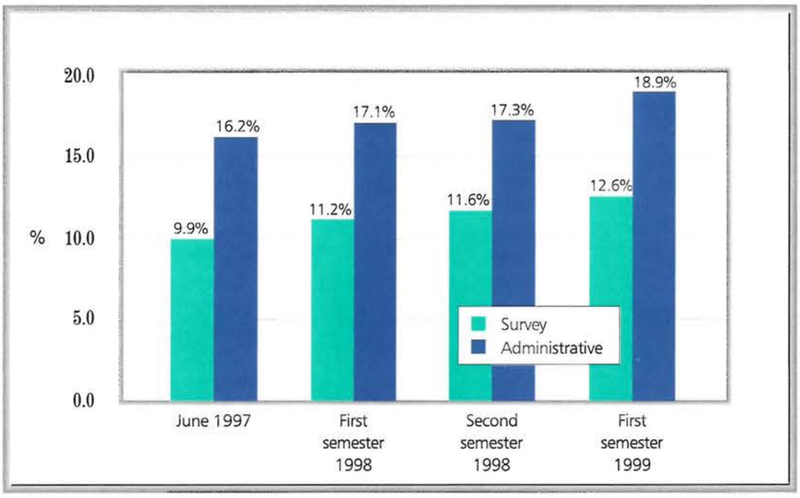


The Labor Force Survey carried out in the first half of 1999 according to international methodology (ILO) also shows an increased number of unemployed. Unemployment in that period rose by 23,263 compared to the first half of 1998, so that total unemployment was 216,807. Of this number, 171,785 (79.2 percent of the unemployed according to the Survey) were registered with the Croatian Employment Service, whereas 45,022 were not registered. The difference of 143,052 unemployed who were registered with the Service (45.4 percent of the registered unemployed) and were not considered unemployed by the international criteria is accounted for by employed persons (38.6 percent), those who were not actively seeking work (37.2 percent) and those who did not accept offered work (24.2 percent).

According to the administrative indicators, employment declined in the period when GDP was growing. The downward trend increased the fall in employment, so that in 1999, according to the Central Bureau of Statistics preliminary data, employment amounted to 1,337.990 on average, which is 3.5 percent less than in the previous year. In 1998, employment fell by 0.6 percent. At the end of 1999, the number of employed amounted to 1,304.540, of which 77.9 percent were employed in legal entities, 15.2 percent were self-employed, and 6.9 percent were small farmers. During 1999, employment decreased in all three groups. Employment fell by 21,131 in absolute terms, and the number of small farmers decreased most in relative terms (19.6 percent). The number of self-employed decreased the least (2.3 percent). According to the Survey results, the decrease in employment amounted to 34,052 between the first half of 1999 and the first half of 1999.

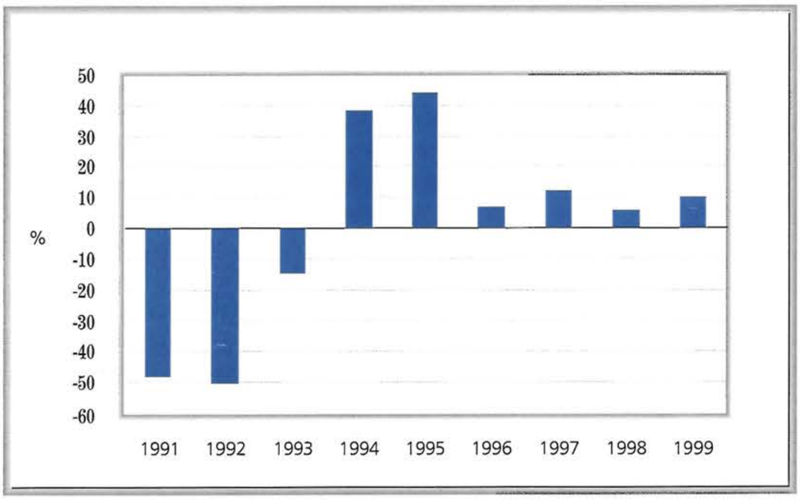
During 1999, these developments in employment and registered unemployment led to a decline in the active population of 22,586 (1.4 percent) according to the administrative sources. In the same period, the unemployment rate increased from 18.1 percent at the end of 1998 to 20.8 percent at the end of 1999. According to the Survey, the labor force decreased by 10,789 between the first half of 1998 and the first half of 1999. In that period, the unemployment rate increased by 1.4 percentage points according to the Survey, amounting to 12.6 percent in the first half of 1999. The administrative rate of unemployment was 18.9 percent on average in the same period. The difference arises from the definitions of individual categories of activities according to international and administrative criteria.

Figure I.38
Administrative and Survey Rate of Unemployment



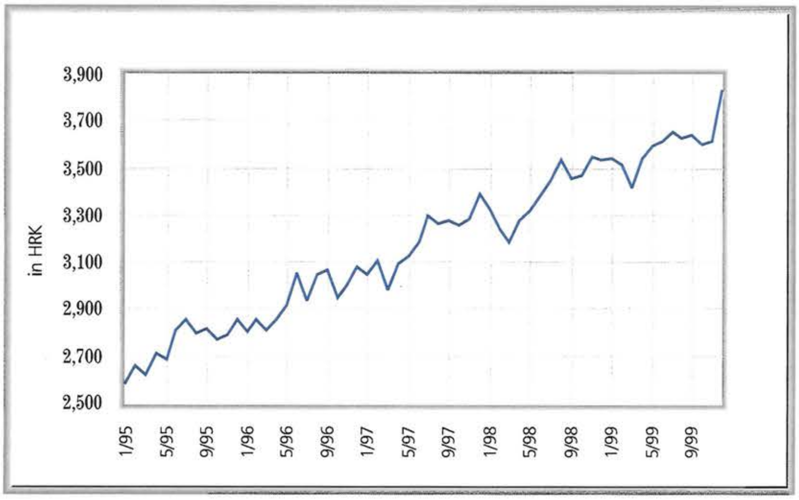
Despite the fall in GDP, wages grew considerably in 1999. Thus, net wages in 1999 were 14.3 percent higher in nominal terms compared to the previous year and 10.3 percent higher in real terms. This growth was significantly higher than in 1998, mostly due to an increase in wages of about 20 percent in nominal terms in public administration and defense, education, health care and social care. Gross wages increased somewhat less – their growth was 9.9 percent in nominal terms and 6.1 percent in real terms.

Figure I.39
Rate of Change of Average Real Net Wages



The net wage bill paid through the Institute for Payment Transactions (ZAP) in 1999 increased by 7.8 percent in nominal terms, whereas its real growth amounted to 4.0 percent, which is considerably less than the growth in average net wages. The smaller growth in the net wage bill is a consequence of reduced employment and an increased number of employees in insolvent legal entities – 176,850 on average in 1999, which is 16.8 percent more than in the previous year. The dynamics of this growth was most pronounced at the end of 1998 and at the beginning of 1999, after which employment in insolvent legal entities has been mainly declining. The dynamics of the number of employees receiving their wages through the ZAP was the inverse, recording the greatest fall in the same period, and rising after April. In December 1999, such employees decreased by 2.7 percent compared to December 1998, which is a smaller decrease than the decrease in employment in the same period.

Figure I.40
Average Real Gross Wages, in January 1994 prices



In 1999, nominal and real unit labor costs in industry fell on average by 3.8 and 5.6 percent respectively. There are several reasons for their considerable fall in a period in which wages were rising and production declining. First, gross wages in the processing industry increased by less than half the average wage in 1999. Furthermore, the decline in industrial production was accompanied by an increase in producers' prices, decreased employment in the processing industry and an increase in the number of employees not receiving their wages on time. All these factors contributed to the reduction in unit labor costs.

1.2.7 Government Budget

The main characteristics of fiscal 1999 were: a considerable mismatch between revenues and expenditures over the year, a budget rebalance, a government and consolidated government budget deficit, an increased deficit in extrabudgetary funds' accounts and a fiscal policy nearing the zone of unsustainability.

In 1999, there were no great changes in the tax system. In January, the value added tax calculation period was extended from 15 to 30 days, which was expected to have a positive effect on the liquidity of the economy. In the same month, the non-taxable part of income was also increased from 800 to 1,000 kuna. In that way, tax brackets in income tax changed as well. The main aim of this measure was to relieve the tax burden on labor, that is, to reduce labor costs. Other changes occurred in July when excise duties on petroleum products and tobacco products were increased. In November, the zero rate of value added tax was introduced for milk, bread, drugs and other medical products. In the same month, in order to neutralize the effect of introducing the zero rate of value added tax, the excise duty on tobacco products and imports of motor vehicles was increased and an excise duty on luxury goods was introduced.

Table I.7 Government and Extrabudgetary Fund Outturn (unconsolidated), million kuna

	1996 Outturn	1997 Outturn	1998 Outturn	1999 Outturn	Nominal index 1999/1998
Government budget					
Total revenues and grants	31,367	33,846	43,809	46,355	105.8
Tax revenues	28,530	31,775	40,334	38,318	95.0
Non-tax revenues	1,714	1,609	1,685	1,727	102.5
Capital revenues	1,123	461	1,789	6,311	352.7
Total expenditures and net borrowings	31,502	35,006	42,552	48,879	114.9
Current expenditures	25,930	29,580	34,883	38,476	110.3
Capital expenditures	5,043	4,815	6,507	8,904	136.8
Borrowings less repayments	529	611	1,162	1,499	129.1
Total deficit/surplus	-134	-1,160	1,257	-2,523	-200.8
Foreign financing	804	2,986	-9	4,615	-50,637.7
Domestic financing	-670	-1,826	-1,248	-2,092	167.7
Extrabudgetary funds					
Total revenues and grants	23,556	27,677	31,011	34,995	112.8
Total expenditures and net borrowings	23,962	28,145	31,398	35,313	112.5
Total deficit/surplus	-405	-467	-387	-319	82.4
Total revenues and grants	**54,924**	**61,523**	**74,820**	**81,350**	**108.7**
Total expenditures and net borrowings	**55,463**	**63,151**	**73,950**	**84,192**	**113.9**
Total deficit/surplus	**-539**	**-1,628**	**870**	**-2,842**	**-326.8**

Source: Ministry of Finance

There was a significant shortfall in tax revenues compared to the expected ones: over the first five months, only 15 billion kuna of revenues were collected, while the budget planned 49 billion kuna over the year. As a result, the government proposed a Rebalance of the Central Government Budget for 1999, which was approved by the Croatian State Parliament in June. The rebalanced budget envisaged a reduction in total revenues of 1.1 billion kuna (2.3 percent), resulting from a decrease in planned tax revenues of 2.5 billion kuna (6.0 percent) and an increase in capital revenues of 1.4 billion kuna (31.5 percent). It also envisaged an increase in expenditures of 0.3 billion kuna. However, after the rebalance, the initial expenditures of the government budget were reduced by 3.2 billion kuna (current expenditures were reduced by 1.0 billion kuna) and new expenditures amounting to 3.5 billion kuna were introduced (2.3 billion kuna was used for the purchase of claims and shares from the Croatian Pension Insurance Institute and Croatian Health Insurance Institute portfolio and 1.2 billion kuna for the payment of insured savings deposits). Thus the new budget envisaged a total deficit of 1.4 billion kuna.

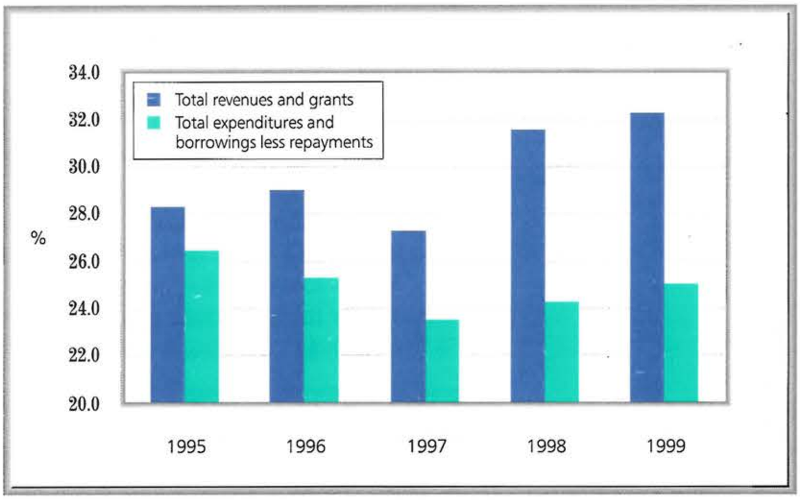
Table I.8 Consolidated General Government, million kuna

	1996 Outturn	1997 Outturn	1998 Outturn	1999 Outturn	Nominal index 1998/1997
Total revenues and grants	**54,385**	**60,200**	**72,738**	...	...
Government budget	31,367	33,846	43,809	46,355	105.8
Extrabudgetary funds	16,896	19,345	21,068	21,186	100.6
Local government	6,122	7,009	7,861	...	...
Total expenditures and borrowings less repayments	**54,785**	**61,697**	**72,059**	...	...
Government budget	27,376	29,124	33,603	35,979	107.1
Extrabudgetary funds	21,282	25,522	30,103	34,364	114.2
Local government	6,126	7,051	8,354	...	...
Total deficit/surplus	**-399**	**-1,497**	**678**	...	...

Source: Ministry of Finance

The outturn deviated from the budget rebalance. The shortfall in revenues was 1.6 billion kuna (3.3 percent), which was mostly caused by a great shortfall in revenues from value added tax and corporation tax. On the expenditures side, 0.5 billion kuna less than expected was spent in 1999. It is difficult to say whether this amount was really saved or not. Since "savings" were realized in items referring to other purchase of goods and services and capital expenditures, and budget expenditures are recorded on the cash basis, the government may have only increased its unsettled obligations towards the rest of economy for the amount "saved". The result of the revenues and expenditures figures was a budget deficit amounting to 2.5 billion kuna or 1.1 billion kuna more than was anticipated by the rebalanced budget. The largest part of the additional deficit (0.7 billion kuna) was financed through foreign sources, whereas a smaller part (0.4 billion kuna) was financed through domestic sources. Generally, the budget deficit financing policy was identical to that in 1998, with the budget deficit and net repayments of domestic debt being financed by borrowings abroad, that is, by increasing the government's external debt.

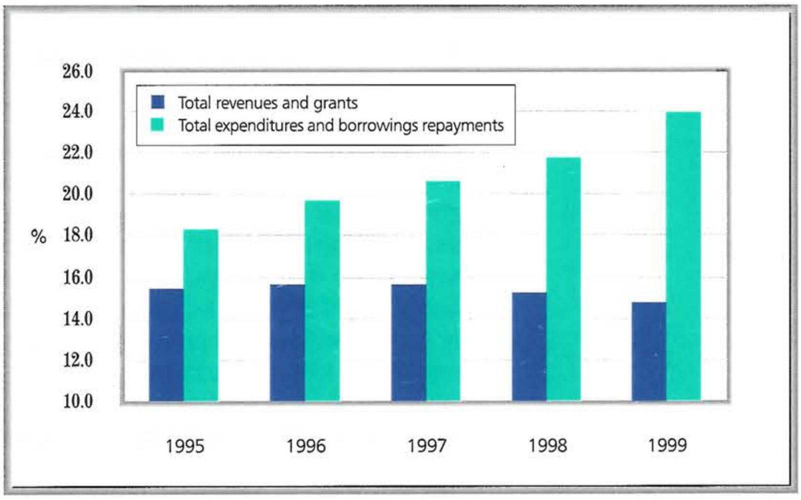
Figure I.41
Revenues and Expenditures of the Government Budget (consolidated, share of GDP)



The changes in total revenues show no significant difference between fiscal 1999 and the previous fiscal years. The only difference is that the nominal annual growth in total government revenues amounted to 5.8 percent in 1998, which is the smallest nominal growth in the past five years. Only the structure of budget revenues and the outturn of particular budget revenues show a significant difference between fiscal 1999 and the previous fiscal years. This difference refers to changes in current revenues, that is, tax revenues as the most important part of current revenues. In 1999, the tax revenues and thus current revenues recorded a nominal fall compared to the previous year for the first time in the past five years. In comparison with 1998, the government tax revenues in 1999 fell by 2.0 billion kuna in nominal terms, or 5.0 percent. This was a result of a decline in economic activity and more serious insolvency problems. Almost all types of tax revenues decreased in nominal terms in 1999; the exceptions are revenues from excise duties and taxes on international trade, which nominally increased by 4.2 percent, and revenues from other taxes, which increased by 2.5 percent. In view of the inflation rate and the decline in economic growth, it is evident that these three types of tax revenues declined in real terms. However, it should be stressed that a nominal increase in revenues from excise duties was caused by an increase in excise duties on petroleum products, cigarettes, motor vehicles and luxury goods, whereas revenues from taxes on international trade grew nominally due to greater efforts of the Customs Administration. Non-tax revenues in 1999 increased by 2.1 percent compared to 1998. However, due to a relatively insignificant share of non-tax revenues in current revenues, current revenues are primarily determined by tax revenues. In 1999, current revenues amounted to 40.0 billion kuna, which represents a nominal fall of 2.0 billion kuna or 4.7 percent compared to the previous year. In short, it can be concluded that total revenues in 1999 grew exclusively on the basis of capital revenues of a one-off character (particular assets can be sold only once). In that respect, the fall in current revenues is particularly worrying, for it is not a result of a decrease in tax but primarily of a deterioration in the general economic situation.

In 1999, a total of 48.9 billion kuna was spent, 14.9 percent more than in the previous year. Current expenditures grew by 10.3 percent and capital expenditures by as much as 36.8 percent. There was a small change in the structure of total expenditures in favor of capital expenditures. However, the concept of current and capital expenditures is distorted when capital expenditures include expenditures that have the character of current expenditures (capital transfers to extrabudgetary funds). If 2.1 billion kuna were transferred from capital expenditures (capital transfers to the Croatian Pension Insurance Institute and Croatian Health Insurance Institute) to current expenditures, the structure of overall expenditures would change in favor of current expenditures. In that way, current expenditures would show an increase of16.3 percent compared to the previous period and capital expenditures would show an increase of only 4.6 percent. The fact that government budget expenditures are recorded on the cash basis even further distorts the understanding of government consumption, since there are not reliable data on the growth in government arrears in 1999. The two most important sources of growth in government expenditures in 1999 were an increase in government sector salaries (salaries of users of extrabudgetary funds rose by 5 percent in July and by a further 12 percent in December) and a huge increase in transfers (excluding capital transfers to extrabudgetary funds, transfers increased by 55.1 percent; if capital transfers to extrabudgetary funds are taken into account, the increase amounts to as much as 85.7 percent). All this indicates the major problems of the fiscal policy.

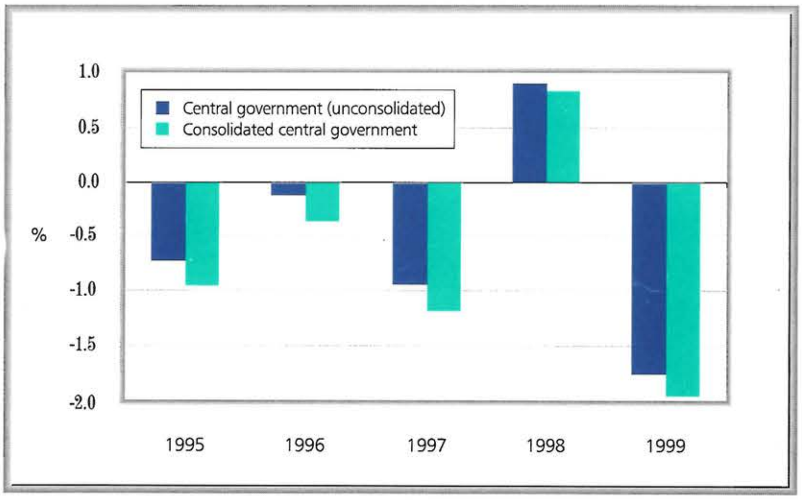
Figure I.42
Extrabudgetary Funds Revenues and Expenditures (consolidated, share of GDP)



The revenues and expenditures resulted in a deficit in the government account of 2.5 billion kuna. The budget deficit, along with repayment of part of the government debt to the domestic sectors, was completely financed from foreign sources: mainly long-term foreign loans and issue of bonds in the European and Japanese markets. Nevertheless, the most worrying issue is that of changes in the current deficit or surplus as a measure of the fiscal policy sustainability. According to the budget outturn, current savings amounted to 1.5 billion kuna. Bearing in mind that current savings of the government budget amounted to 7.1 billion kuna in the previous year, a downward trend in current savings is evident. Since certain capital expenditures have the character of current expenditures, it is obvious that current savings declined even more in 1999. More precisely, the transfer of 2.1 billion kuna from capital expenditures to current expenditures would result in a current deficit of 0.6 billion kuna. Thus, not only an overall deficit but also a current deficit occurred in 1999, which brought fiscal policy closer to the zone of unsustainability.

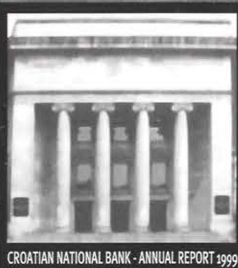
Extrabudgetary funds have remained the major problem in pursuing fiscal policy. In 1999, a years-long negative trend continued, which is seen in the deficit increase in the extrabudgetary funds accounts. The aggregate deficit of extrabudgetary funds on the consolidated basis amounted to 13.2 billion kuna in 1999, which is a 45.9 percent increase in deficit compared to the previous year. In view of the large transfers from government budget to extrabudgetary funds, the balance in the account of consolidated government is only somewhat less favorable than the unconsolidated balance in the government account, amounting to -2.8 billion kuna. It should be noted that the deficit was mostly run up by the Croatian Pension Insurance Institute (8.2 billion kuna), Croatian Health Insurance Institute (3.2 billion kuna) and Child Benefit Fund (1.1 billion kuna). The remaining part of the deficit was generated by the Public Water Management Fund and Croatian Employment Service. The redirection of an increasingly larger share of government revenues to extrabudgetary funds is the main obstacle to reducing the tax burden. Therefore, it is important to point out the unsustainability of a further deficit growth in the pension and health care system in the existing conditions. In order to resolve this problem, it is necessary to immediately establish expenditures control mechanisms and to carry out the needed reform of the pension and health care system.

Figure I.43.
Total Deficit/Surplus
(share of GDP)



2

MONETARY POLICY IN 1999



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2.1 Monetary and Credit Aggregates

1999 was a year of stagnation in real economic activity, with a corresponding slowdown in money and lending flows. The decrease in the real GDP, the banking crisis and the nominal depreciation of the kuna at the beginning of the year resulted in a complete stagnation in monetary and credit aggregates.

2.1.1 Total Liquid Assets

Total liquid assets decreased by 0.6 billion kuna in 1999, ending the year at 55.4 billion kuna. The structure of M4 did not change in 1999 compared to 1998. Foreign currency deposits accounted for 64 percent of M4, kuna deposits (including deposit money and kuna savings) for 30 percent and currency in circulation for 11 percent. At the end of 1998, they amounted to 65 percent, 30 percent and 10 percent respectively, almost the same as at the end of 1999. In the past years (from 1994 onward), the increase in foreign currency deposits resulted in a simultaneous increase in their share in M4 against a decrease in kuna deposits. However, it seems that two-thirds of M4 represents the "balanced" share of foreign currency savings in total liquid assets, which neither further increases nor decreases. Such a large share is a limitation that the monetary policy still has to reckon with, regardless of further success in preserving exchange rate and price stability.

Table II.1 Monetary and Credit Aggregates

	RESERVE MONEY (M0)	TOTAL LIQUID ASSETS (M4): Money supply (M1): Currency in circulation (C)	Deposit money (D)	Total (M1)	Savings and time deposits	Foreign currency deposits	Total (M4)	NET DOMESTIC ASSETS (NDA)	NET FOREIGN ASSETS (NFA)
in billion kuna									
Dec. 31, 1997	10.3	5.3	8.4	13.7	5.5	31.3	50.7	33.8	16.9
Dec. 31, 1998	10.0	5.7	7.8	13.5	5.8	38.0	57.3	44.6	12.7
Dec. 31, 1999	10.3	6.0	7.9	13.9	5.9	37.0	56.7	40.0	16.7
Growth rate									
Dec.-to-Dec.									
1997	18.0	20.6	20.3	20.5	61.8	43.5	38.6	35.9	44.6
1998	-3.8	7.7	-7.3	-1.5	6.1	21.4	13.0	31.9	-24.8
1999	3.5	4.2	1.1	2.4	0.6	-2.6	-1.1	-10.4	31.3
Monthly average									
1997	1.4	1.6	1.6	1.6	4.1	3.1	2.8	2.6	3.1
1998	-0.3	0.6	-0.6	-0.1	0.5	1.6	1.0	2.3	-2.4
1999	0.3	0.3	0.1	0.2	0.1	-0.2	-0.1	-0.9	2.3

The household sector increased its share in the structure of M4. This was, above all, a result of a continued decrease in enterprises' deposit money, while the household sector managed to preserve its share in the liquidity. The share of household deposit money assets in M4 increased from 62.1 percent to 79.0 percent in 1999, while the share of enterprises' deposit money in M4 decreased from 31.3 percent to 17.5 percent.

During 1999, the money supply increased by a modest 0.4 billion kuna and amounted to 13.9 billion kuna on 31 December 1999. This increase was the result of a 0.3 billion kuna increase in currency in circulation and a 0.1 billion kuna increase in deposit money. Within this, household deposit money rose by 0.2 billion kuna (8 percent) and enterprises' deposit money fell by 0.1 billion kuna (2 percent). Such developments show that the liquidity of the business sector continues to worsen, while there was a slight increase in money supply directed to the household. Similar developments also occurred in 1998, which indicates that the negative trends have continued. The settlement of outstanding debt announced by the government will positively affect the recovery of deposit money in 2000 and thus improve the supply of money to the economy.

Figure II.1
The Structure of Total Liquid Assets (M4)

Note: The decrease in foreign currency deposits from 37.4 million in April 1999 to 34 million in May 1999 is due to exclusion of bankrupt banks from the monetary statistics.

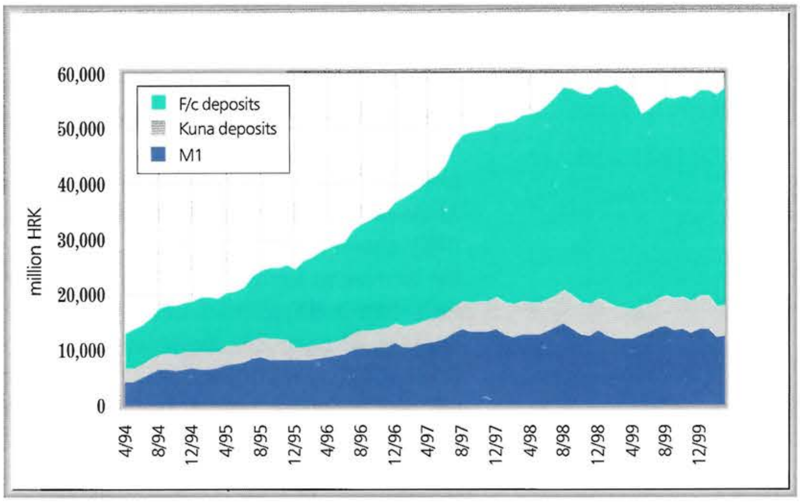
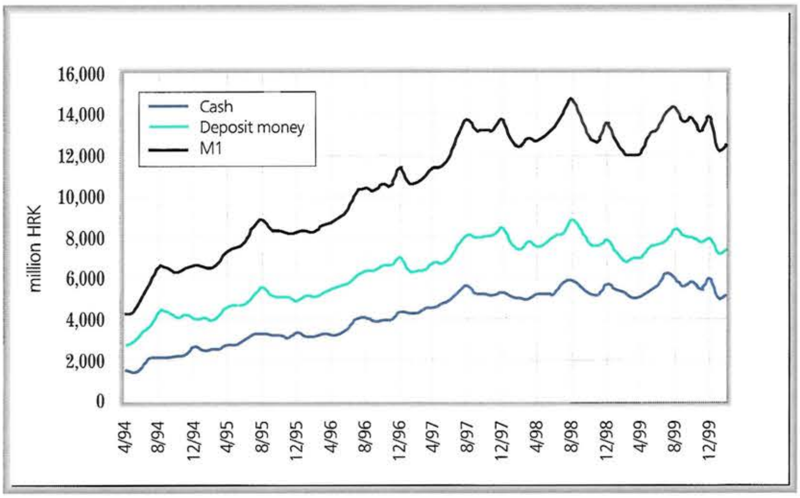


Figure II.2
Money Supply



Over the year, the largest decrease in the money supply (and in M4 as a whole) occurred in the first quarter. The second consecutive quarter of fall in real activity, the banking sector problems and especially the decrease in the nominal exchange rate resulted in an outflow of funds from domestic currency and from the domestic banking sector in general. At the end of the first quarter, the money supply stood at 12 billion kuna, a fall of 1.5 billion kuna (11.4 percent) compared to December 1998. This was caused not just by the general slowdown in economic activity but also by efforts to stabilize the exchange rate. The monetary policy measures (including increasing the reserve requirement rate, raising the discount rate, decreasing the volume of securities denominated in foreign currency eligible as collateral for Lombard loans, and intensive central bank intervention) were efficient in stopping the exchange rate fall; on the other hand, they resulted in a decrease in reserve money and in other monetary and credit aggregates in the short term.

Table II.2 Total Liquid Assets M4, million kuna and %

	AMOUNT			SHARE		
	Dec. 97	Dec. 98	Dec. 99	Dec. 97	Dec. 98	Dec. 99
TOTAL LIQUID ASSETS (M4)	50,742.0	57,340.2	56,698.5	100.0	100.0	100.0
1. Money supply	13,731.4	13,531.4	13,858.9	27.1	23.6	24.4
1.1. Currency in circulation	5,307.5	5,718.8	5,958.9	10.5	10.0	10.5
1.2. Dep. money of other dom. sectors	8,423.9	7,812.6	7,900.0	16.6	13.6	13.9
2. Non-monetary deposits (quasi-money)	37,010.6	43,808.8	42,839.6	72.9	76.4	75.6
2.1. Savings and time deposits	5,732.5	5,837.9	5,873.6	11.3	10.2	10.4
2.2. Foreign currency deposits	31,278.1	37,970.9	36,966.0	61.6	66.2	65.2
SECTORAL STRUCTURE OF M4						
Local government	698.5	719.1	627.4	1.4	1.3	1.1
Enterprises	10,934.3	10,057.2	9,503.3	21.5	17.5	16.8
Households	38,087.0	45,298.3	44,558.7	75.1	79.0	78.6
Other banking and financial institutions	1,022.3	1,265.5	2,009.2	2.0	2.2	3.5
TOTAL	50,742.0	57,340.2	56,698.5	100.0	100.0	100.0

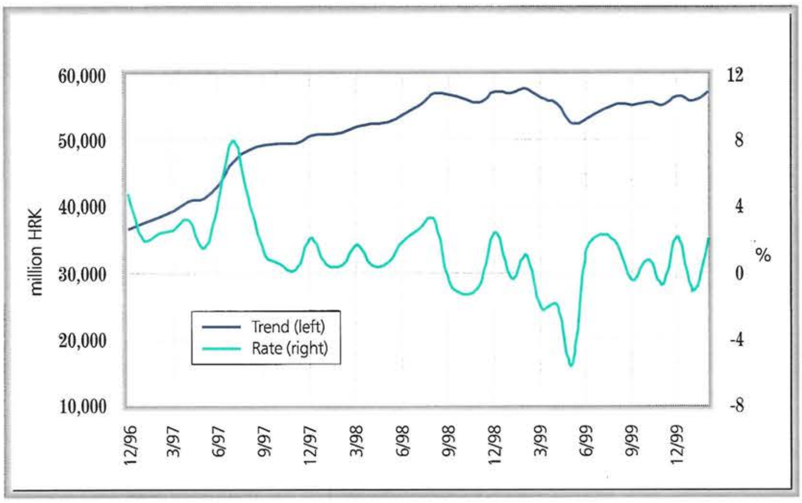
There was an increase in demand for money by enterprises and households in the second quarter due to the establishment of exchange rate stability, the beginning of the resolution of the banking crisis, and a slowdown in the fall in real activity that occurred in this quarter. The fall in the money supply was halted at the beginning of the quarter, accompanied by a slight decrease in enterprises' deposit money and a slight increase in household deposit money and currency in circulation. This shows that the operations of enterprises had found some sort of balance in the difficult liquidity conditions, even though it was achieved through a relatively low level of output. The business cycle curve shows that the months-long decrease in demand for enterprises' deposit money was accompanied by worsening real indicators, confirming that the economy had undergone a period of recession. However, the same level of quarterly money supply, 12 billion kuna, fuelled the hope that the economy had passed through the lower end of the curve and that further decline would not take place. The April data showed that the economy was stagnating, with a lack of demand for money and credit, but also that the weakening of economic activity could be coming to an end.

The money supply did indeed rise slightly at the end of the quarter. The first signs of a turnaround in the money supply became visible in May. M1 again reached 12.9 billion kuna and, even more importantly, there was a recovery in the cash-deposit ratio in favor of enterprises' deposit money. The growth in the money supply and all monetary aggregates continued in June; it was the first significant increase in the course of the year. After fluctuating between 12 and 13 billion kuna since the fourth quarter of 1998, the money supply rose above 13.3 billion kuna due to an increase in currency in circulation and deposit money.

The money supply grew substantially by 1.3 billion kuna or 11 percent to 13.3 billion kuna at the end of that quarter. This would be the largest quarterly growth in the whole year.

The positive trends seen in June continued in July and August. This substantial increase in the money supply was in accordance with the recovery of all the other indicators of economic activity. Both components of the money supply, currency in circulation and deposit money, increased. The money supply recovery that began in May continued through August thanks to seasonal effects; however, the September data again showed a decrease in both money supply components now that the season was over. Thus, overall data on monetary developments in the third quarter gave no ground for optimism. The negative trends seen in the previous periods continued with the same intensity. The total increase in the money supply in the third quarter was 0.3 million kuna, or 2.2 percent, and was significantly lower than in the second quarter. Only deposit money increased slightly, while currency in circulation decreased.

Figure II.3
M4: Trend and Monthly Growth Rates



The fourth quarter was characterized by two substantial inflows – the sale of 35 percent of Croatian Telecom shares in October and the sale of Samurai bonds in December; however, they had no significant affect on the liquidity of the economy as a whole. In October, there was a marked improvement in government and bank liquidity, the money market interest rate decreased substantially due to the large supply, and the use of secondary liquidity sources were reduced to zero. This, however, had hardly any affect on private sector liquidity: private sector deposit money (both enterprises and households) decreased again in October compared to September, in spite of the unusually high liquidity of the government and banks. The government used the increase in inflow of funds to settle its current liabilities to budget users but did not significantly settle its outstanding liabilities to private companies, causing a continuation in the fall of enterprises' deposit money. The decrease in the money supply continued in October, and it was only in December that it showed a slight increase. The fourth quarter showed a slight recovery, with the money supply ending 1999 at 14.1 billion kuna, only a little above the end-1998 amount of 13.5 billion kuna, signifying a year-on-year level increase of 0.3 billion kuna or 2.4 percent.

Foreign currency deposits, the component whose movements has the most significant effect on the movements of total liquid assets, decreased by 1 billion kuna or 2.6 percent compared to the end 1998 when they stood at 38 billion kuna. This can be explained by the fact that four banks ceased to be banks due to bankruptcy proceedings in April 1999 and were excluded from the monetary statistics, which analyses the consolidated balance sheet of the banking sector. The total foreign currency savings of these four banks (Glumina banka, Komercijalna banka, Gradska banka Osijek and Županjska banka) stood at 3 billion kuna and, due to their exclusion from the monetary statistics, foreign currency deposits decreased by the same amount. A portion of these savings will return as increased savings in domestic banks to the extent that the government fulfils its obligations towards the insured savings deposits in these four banks.

Excluding this structural break from the data series, the total increase in foreign currency deposits amounted to 2 billion kuna in 1999. Foreign currency savings increased substantially at the beginning of the first quarter of 1999. Each nominal depreciation of the kuna against the euro increases foreign currency savings and decreases kuna savings; this was the case in the first quarter, when the increase in foreign currency savings to a certain extent compensated for the sharp decrease in the money supply. However, problems in certain banks aroused suspicion in the stability of the domestic banking sector as a whole. The withdrawal of foreign currency savings from domestic banks began as early as February and continued in March and April when the problems of certain banks became headline news. The withdrawal of foreign currency savings deposits halted in May, and these savings then grew steadily from June to the end of the year. The return of foreign currency savings into domestic banks showed that there was a change in household perception from a complete distrust in the whole banking system to the awareness that the crisis was limited to particular banks and that the remaining part of the banking system was stable. The cumulative amount of withdrawals, about 1.8 billion kuna, never reached alarming proportions in terms of the overall banking system. In spite of the savings recovery at the end of the second quarter, the total decrease in foreign currency deposits over the quarter was over 4 billion kuna, of which 3 billion kuna due to the exit from the market of the four banks and the remainder due to an autonomous decrease in savings.

A sharp increase in foreign currency savings occurred in the third quarter, due to seasonal effects and the ascription of 5 percent of principal and 2.5 percent of interest on frozen foreign currency savings deposits, as well as an autonomous increase in savings. Although this increase was significantly less than in the same period in 1998 and 1997, it amounted to 1 billion kuna (3 percent), which is a substantial increase bearing in mind the disturbances that had occurred in the banking sector in the second quarter.

The fourth quarter brought about no significant changes compared to the previous quarters. The monthly growth in foreign currency savings stood at 0.3 billion kuna and represented a relatively modest but continuing increase. The data available for the beginning of 2000 show an increase in foreign currency savings of a monthly average of about 1 billion kuna. Total foreign currency savings in all sectors were 37 billion kuna at the end of 1999.

Table II.3

Net Domestic Assets, million kuna and %

	AMOUNT			GROWTH RATES		
	Dec. 97	Dec. 98	Dec. 99	Dec. 97	Dec. 98	Dec. 99
NET DOMESTIC ASSETS	33,828.9	44,626.8	40,003.8	35.9	31.9	-10.4
Assets						
1. Claims on central government (net)	9,525.7	9,916.3	12,899.2	-40.3	4.1	30.1
2. Placements	48,863.4	59,792.0	55,875.1	45.9	22.4	-6.6
3. Other assets (net)	-24,560.2	-25,081.5	-28,770.5	0.0	2.1	14.7
Liabilities						
1. Total liquid assets (M4)	50,742.0	57,340.3	56,698.6	38.7	13.0	-1.1
2. Foreign liabilities (net)	-16,913.0	-12,713.5	-16,694.8	44.4	-24.8	31.3

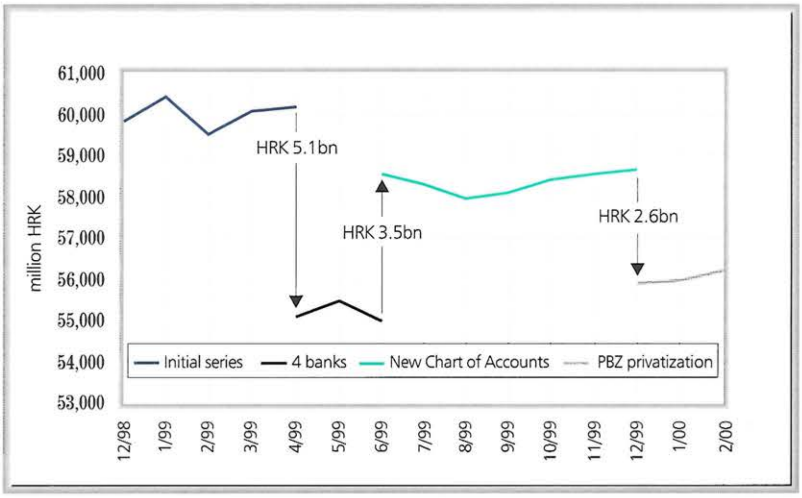
2.1.2 Credit Aggregates

The movements in bank lending in the domestic economy in 1999 can be summed up as representing complete stagnation; its growth rate amounted to 0.7 percent compared to the end of 1998. However, all the methodological changes made in the course of the year that influenced the final placements figure should be taken into account before drawing conclusions. In April, the amount of placements decreased by 5.1 billion kuna from 60.1 billion kuna to 55 billion kuna due to the exit of the four bankrupt banks from the monetary statistics. However, while savings remain frozen until the final settlement of government obligations to insured depositors, this is not the case with placements; these were extended to clients and financed a real demand for goods and services but were excluded from the total increase in lending to domestic sectors.

In addition, the new Chart of Account was implemented in July, which records placements on a gross basis. This change of reporting principle resulted in a 3.5 billion kuna increase in placements. It also resulted in an increase in capital accounts: placements were increased by the value of doubtful debts, and the same amount was transferred as provisions to the liabilities side, i.e. capital accounts. Finally, during the privatization of Privredna banka Zagreb, one portion of the bank's claims on public enterprises (they were all reprogrammed in accordance with the London Club agreement) was transferred to the State Agency for Deposit Insurance and Bank Rehabilitation, which resulted in a decrease in the Privredna banka Zagreb balance sheet of 2.6 billion kuna.

Raw data indicate that placements decreased by 3.9 billion kuna or 6.5 percent. On the other hand, the adjusted data that do not include the influence of the mentioned changes show a growth of 0.4 billion kuna or 0.7 percent. In any case, the growth in placements was insignificant and confirms that it was a stagnant year in which the economy was burdened with problems and could not generate creditworthy demand. In addition, the banks were cautious in granting loans due to the provisions of the new Banking Law and in reaction to the changes in the banking environment.

Figure II.4
Adjusted Placements



There was an 8.6 percent increase in lending to households and a 14.5 percent decrease in lending to enterprises, according to non-adjusted data. All the above-mentioned methodological changes occurred in the subsector of lending to public enterprises, so the substantial decrease of 14.5 percent does not reflect the decrease in loans to private enterprises.

Lending to households also underwent a qualitative change in 1999. The increase in long-term loans indexed to foreign currency (with the maturity period up to and over 1 year) was modest, while the increase in current account overdrafts was substantial. Such developments were facilitated by the favorable terms for current account overdrafts that some commercial banks, especially at the end of third quarter, started to grant to their clients. However, the stagnation in long-term loans indicates that banks were more conservative in lending to the biggest credit segment, and also that households became more cautious about taking new loans. Anyhow, the financing of durable consumer goods, including automobiles and construction project, was very modest in 1999 compared to 1998 and especially 1997.

Loans granted to domestic sectors (excluding the central government) amounted to 52 billion kuna on 31 December 1999; 61 percent were granted to enterprises and 37 percent to households, while the local government sector and other banks and financial institutions sector received the remainder. It should be noted that at present housing savings banks play an insignificant role in the domestic financial market; according to the available data, they have not yet started to grant loans, so commercial banks remain the main source of loans to households.

The central government's indebtedness to domestic banks, after three years of decrease from 1994 to 1997 and stagnation in 1998, showed a sharp increase at the net level in 1999[1], which was certainly one of the reasons for the decrease in the supply of loans to other sectors. While there was a decrease in banks' claims on central government concerning bonds for blocked foreign currency savings deposits and 'big' bonds, due to regular settlement by the government of its liabilities, there was an increase in their other claims. The government was heavily indebted to the banking sector at the beginning of the first quarter. The second consecutive quarter of recession, a plunge in VAT revenues and other revenues, and the lack of adjustment of expenditures to liquidity problems forced the government to borrow additionally from banks. As a result, banks' kuna claims on central government increased by 3.2 billion kuna. Within this, the two largest items were: a 1.3 billion kuna increase in debt to the central bank and a 1.5 billion kuna increase in debt to domestic banks on bonds and bills (excluding the 'big' bonds, which are analyzed separately). The banking sector kuna claims on central government, 5 billion kuna in December 1998 and 8.3 billion kuna at the end of the first quarter, remained almost unchanged for the rest of the year. Only the structure of sources of funds changed by the end of the year: since the government repaid its debt to the central banks by the end of 1999 as it was obliged to do, it increased its debt to commercial banks with the result that the total amount of kuna claims remained unchanged.

The changes in central government deposits with the banking sector were again largely due to the privatization of Privredna banka Zagreb. As already mentioned, all loans removed from books were loans granted to public enterprises and reprogrammed in accordance with the London Club agreements. After the conclusion of these agreements, with the regulation of relations between end-users (mostly domestic enterprises), debtors (mostly domestic banks) and the government, banks' liabilities to foreign creditors became liabilities to the central government. When the claims of Privredna banka Zagreb based on these loans were removed from the books and transferred to the State Agency for Deposit Insurance and Bank Rehabilitation, the bank's liabilities to central government ceased to exist. As a result, total central government deposits (and other liabilities) with commercial banks decreased by about 2.8 billion kuna in December 1999 compared to November. Total deposits of central government with commercial banks were 6.2 billion kuna at the end of 1999, which is 1.5 billion kuna or 19.5 percent less than at the end of 1998.

1 Note that the relations between the central government and commercial banks are analyzed separately due to their importance and do not include the relations between banks and other sectors. The item "Claims on central government and funds (net)" report the mutual offset of banks' claims on central government and funds against the central government deposits with the banking sector. Loans extended by HBOR to domestic sectors are also included in this item due to the specific character of this banking institution.

The offset of central government liabilities to the banking sector against deposits held with banks caused an increase in commercial banks' net claims on the government, which rose from 9.9 billion kuna to 13 billion kuna, or by 30.1 percent, during 1999.

Commercial banks' foreign assets decreased by 0.36 billion kuna in 1999. This item reflects the methodological changes. The allocation of the foreign currency reserve requirement had to be adjusted to the new regulations by May 1999. According to the old regulations, banks were required to deposit 55 percent of their short-term household deposits with foreign banks; the new regulations, however, stipulated that half this amount must be deposited with the central bank. CNB bills denominated in foreign currency could also be purchased for this purpose. This decision was motivated above all by reasons of safety and stability. In addition, when the central bank deposits these unified foreign currency assets, it can obtain better conditions than when smaller banks make individual approaches to international financial markets. The central bank forwards all revenues earned on these deposits to the commercial banks. Thus the commercial banks decreased their claims on foreign banks and increased their claims on the central bank by the end of May 1999 due to the implementation of this decision. However, the commercial banks' foreign assets began to rise again from the end of the second quarter, partly due to the very modest credit activity of banks during the year. Banks invested their funds in the central bank, in Ministry of Finance bills and abroad, instead of in loans: these are non-risk placements which banks use to shelter their funds in anticipation of favorable developments in the domestic economy.

2.2 Monetary Policy Instruments in 1999

The main feature of 1999 was increased reliance on the central bank as lender of last resort in solving the liquidity problems of individual banking institutions. The government also relied more on the central bank in 1999 in order to finance the imbalance between current revenues and expenditures. The Croatian National Bank tightened its monetary policy last year, making more frequent use of instruments for sterilizing money in circulation and increasing interest rates in order to neutralize the negative effect of the high primary issue that resulted from the abovementioned developments.

2.2.1 Relations with Government

The Croatian National Bank, in accordance with article 58 of the Law on the Croatian National Bank, granted short-term loans to the government during 1999 to help bridge temporary imbalances between budgetary revenues and expenditures. These loans were granted at a discount rate that increased in March 1999 from 5.9 percent to 7.9 percent.

Due to the worsened liquidity in the country, the limited possibility of borrowing abroad and the increase in demand for additional funds, government borrowing from the central bank was significantly higher than in 1988. However, borrowing did not exceed the legal limit of 5 percent of the budget for the current year. The Croatian National Bank granted the government ten short-term loans in 1999; average monthly borrowing ranged between 605.1 and 1,470.8 million kuna. The government settled all its obligations to the Croatian National Bank by 30 December 1999.

2.2.2 Relations with Commercial Banks

The central bank's dealings with commercial banks were mostly concerned with the granting of Lombard loans, carrying out repo auctions and granting short-term liquidity loans, a new instrument that was introduced in February 1999. The negative effects of the primary issue were sterilized through the reserve requirement instrument and CNB bills denominated in kuna.

Table II.4 Stock of Croatian National Bank Loans, end of month, million kuna

	1998	1999			
	Dec.	Mar.	June	Sept.	Dec.
I. LOANS GRANTED TO BANKS	1,044.4	1,627.3	1,598.9	1,887.0	1,401.0
Lombard loans	252.3	206.0	136.8	165.8	176.7
Short-term liquidity loans	-	1,035.3	1,115.2	1,081.0	929.0
Intervention loans	132.1	185.4	138.0	128.7	129.0
Repo arrangements	459.2	0.0	0.0	327.6	0.0
Pre-rehabilitation loans	0.0	0.0	0.0	0.0	0.0
Other loans	200.9	200.7	208.8	184.0	166.3
II. LOANS GRANTED TO THE MoF	0.0	1,270.0	1,370.0	1,370.0	0.0
Long-term loans	0.0	0.0	0.0	0.0	0.0
Short-term loans	0.0	1,270.0	1,370.0	1,370.0	0.0
Foreign exchange loans	0.0	0.0	0.0	0.0	0.0
TOTAL	1,044.4	2,897.3	2,968.9	3,257.0	1,401.0

Lombard Loans

Lombard loans granted by the Croatian National Bank against pledged CNB bills and Ministry of Finance bills underwent several changes in the course of the year. The interest rate charged on this loan increased from 12 percent to 13 percent in March. In the same month, however, the ability to use Lombard loans against pledged CNB bills denominated in foreign currency decreased from 50 percent to 40 percent of the pledged amount in April and to 30 percent at the beginning of May. Lombard loans could still be used in the amount up to 50 percent of the nominal value of other pledged securities.

The next change, made in April, was part of a set of changes in monetary policy measures and instruments resulting from adjustment to the operating rules of the Croatian Large Value Payment System (CLVPS) which, introduced in April 1999, improved monetary control among other things. Since Saturday was determined a non-working day for the CLVPS system, the maximum number of days for the use of a Lombard loan in one month was reduced from 18 to 15.

Also in April, the provisions of the decision that regulated the use of a Lombard loan for one day at the interest rate of 7 percent were revoked. Instead, with the introduction of the CLVPS, banks are allowed to use, on their settlement accounts, the daily limit which is an integral part of the amount that may be used for Lombard loan purposes, and no fee is charged. In such circumstances, the Lombard loan is granted only at the end of working day.

The main features of December 1999 and January 2000, taking into account the problem of transition into 2000, were the increase in the amount of Lombard loan that may be used with respect to the amount of pledged CNB bills and other securities and the change in the maximum number of utilization days.

The average annual amount of Lombard loans used by banks and savings banks in 1999 was 155.4 million kuna. The minimum average monthly amount was 42.9 million kuna in October, and the maximum average monthly amount was 302.8 million kuna in March. Banks and savings banks used Lombard loans on average 22 days a month.

Short-Term Liquidity Loans

In February, the short-term liquidity loan became a new instrument of the Croatian National Bank's monetary policy. This loan was extended to banks, under the condition that they were solvent, in order to help them bridge their liquidity problems, mainly resulting from the increased insolvency within the economy that inevitably influenced the financial institutions as well. Such a form of financing by the central bank was above all intended for institutions in which systemic risk was present, i.e. to those institutions whose liquidity problems might endanger the stability of the overall financial system.

The terms and conditions for granting and using a short-term liquidity loan were changed in December in order to strengthen this instrument as a source of liquidity at a time of extreme need. However, these changes left enough room for discretion in unforeseen circumstances. Modifications included the interest rate differentiation (it was linked to the interest rate charged on the Lombard loan), the change in period in which it may be used, and clearer definition of the conditions for its granting and of acceptable collateral.

9 banks used the short-term liquidity loan, with a partially penalizing interest rate of 14 percent, in 1999. The average use of this loan during the year was 1,005.3 million kuna. In terms of the overall system, the average monthly use increased from 374.0 million kuna in February to a maximum of 1,148.3 million kuna in August. Since the repayment of interest on the majority of short-term liquidity loans started in September, the use of these loans gradually decreased in the following period.

Intervention Loans

The intervention loan could not be excluded from the set of instruments of the Croatian National Bank in 1999 due to the organization of the payment system. Since some banking institutions were unable to obtain funds from other sources, they were forced to use this form of financing by the central bank.

During 1999, 11 banks and 6 savings banks used intervention loans at an annual interest rate of 19 percent. According to CNB statistical data, the average use of intervention loans during 1999 was 72.7 million kuna. However, the average use of intervention loans was 162.2 million kuna in the first four months of 1999 but decreased significantly in the rest of the year, with an average use of only 18.9 million kuna in the last five months. This significant decrease was due not just to repayment of a portion of the loans by a certain number of institutions but especially to the exclusion of bankrupt banks and savings banks from the statistical records, some of which have not yet repaid the intervention loans they were granted. Therefore, data from the accounting records of the Croatian National Bank should be considered as indicating the real amount of primary issue based on these loans. They show that the total amount of used intervention loans stood at 129.0 million kuna at the end of the year, of which 19.7 million kuna of outstanding loans to two institutions that still operate and the remaining 109.3 million kuna of outstanding loans to bankrupt institutions.

The new Decision on Terms and Conditions for Granting Short-Term Intervention Loans that was passed in April 1999 adjusted this instrument to the operating terms of the CLVPS and provided a clearer definition of the instrument than the previous Decision.

Repo Auctions

The Croatian National Bank held 34 repo auctions of CNB bills and treasury bills in 1999, the same number as in 1998. This shows that the main feature of the last year was relative stagnation in the use of this monetary policy instrument, which is usually considered to be very effective and safe. With this instrument, the central banks helps the banking system to bridge liquidity problems and provides it with the exact amount of funds needed in a specific period of time. This feature of repo auctions is also the reason for their increasing use in developed financial systems.

The average emission on auctions held by the Croatian National Bank in 1999 was 363.5 million kuna, slightly larger than in 1998 (310.6 million kuna). The average number of banks (13) participating in auctions remained the same as in 1998.

Table II.5
Survey of Repo Auctions, thousand kuna

Date of the auction	Total amount of offers accepted	Weighted interest rate (%)
January 5, 1999	408,716.0	11.22
January 11, 1999	550,378.0	11.93
January 15, 1999	399,914.0	11.96
January 19, 1999	281,713.0	11.98
January 22, 1999	230,306.0	12.01
January 27, 1999	230,102.0	12.00
January 28, 1999	216,417.0	12.02
February 5, 1999	328,791.0	12.03
February 11, 1999	455,682.0	12.03
February 16, 1999	481,115.0	12.04
March 10, 1999	538,691.0	12.03
March 17, 1999	498,229.0	12.57
March 23, 1999	601,896.0	12.46
April 1, 1999	454,069.0	12.53
April 12, 1999	154,017.0	12.62
April 22, 1999	320,575.0	12.52
April 29 1999	493,430.0	12.52
May 4, 1999	721,372.0	12.52
May 7, 1999	432,643.0	12.52
May 14, 1999	557,060.0	12.52
May 19, 1999	152,956.0	12.52
May 21, 1999	362,961.0	12.51
May 25, 1999	372,671.0	12.51
June 9, 1999	274,858.0	12.51
June 14, 1999	361,611.0	12.50
July 7, 1999	285,077.0	12.50
July 14, 1999	111,852.0	12.51
July 30, 1999	148,047.0	12.51
August 10, 1999	538,034.0	12.50
September 23, 1999	261,675.0	12.50
September 27, 1999	270,391.0	12.50
September 30, 1999	327,567.0	12.50
October 5, 1999	234,102.0	12.50
December 1, 1999	303,762.0	12.50

The average weighted interest rate quoted at auctions ranged between 11.2 percent and 12.6 percent. The average annual weighted interest rate amounted to 12.3 percent, in contrast to 10.7 percent in 1998.

Croatian National Bank Bills

Given the inadequate development of the government securities market for open-market operations and for sterilizing liquidity surpluses in the banking system, the Croatian National Bank continued to issue kuna denominated bills in 1999. It also issued foreign currency denominated bills in 1999.

The Croatian National Bank auctioned kuna denominated bills denominated in amounts of 100,000.00 through the multiple-price method with discount. Regular auctions were held each Wednesday, and banks and savings banks could purchase bills in kuna with maturities of 35, 91 and 182 days.

Several events that took place in 1999 resulted in significant fluctuations in the purchase of kuna bills in comparison with two years ago. The first was the crisis in liquidity of several institutions that resulted in a decrease in the purchase of kuna bills that lasted until April. At the end of March, the purchase of these bills fell almost below 500.0 million kuna. In addition, banks that faced liquidity problems sold their stocks of bills to the Croatian National Bank prior to their maturity on several occasions during the year.

The purchase of kuna bills again showed a stable upward trend from April onwards, partly due to limitations in the use of Lombard loans on the basis of CNB bills denominated in foreign currency.

The Croatian National Bank held three additional auctions of kuna bills during 1999. Two auctions were held in October due to the sale of Croatian Telecom that generated a significant surplus of funds in the banking systems. As a result, the stock of purchased bill stood at more than 1,600.0 million kuna at the end of October. The third additional auction was held in December in order to sterilize the surplus of funds generated after the sale of Privredna banka Zagreb.

Table II.6

Survey of Croatian National Bank Kuna Bills Purchased by Maturity, nominal value, end of month, million kuna

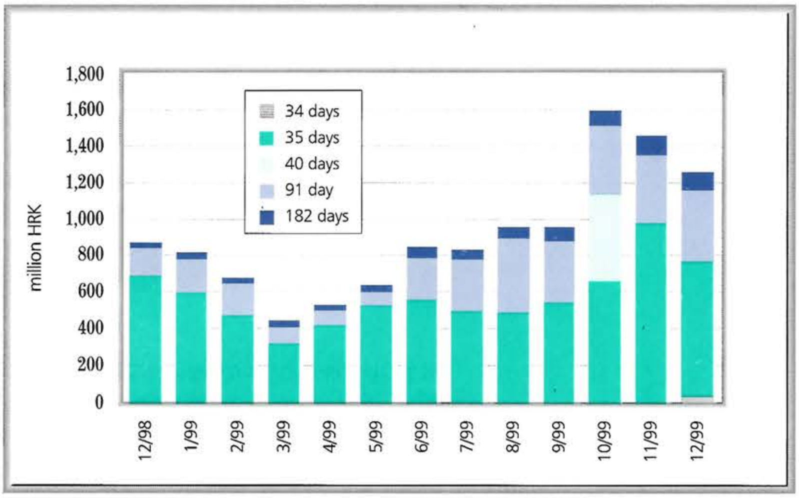
	35	91	182	34	40	96	187	Total amount at the end of month
	Maturity in days (regular auctions)			Maturity in days (additional auctions)				
December 1998	700.0	161.1	26.0					887.1
January 1999	613.6	184.6	37.0					835.2
February 1999	488.7	176.1	33.0					697.8
March 1999	334.6	90.2	37.0					461.8
April 1999	428.9	86.2	37.0					552.1
May 1999	538.7	82.4	37.0					658.1
June 1999	570.3	235.4	59.0					864.7
July 1999	506.6	285.9	54.0					846.5
August 1999	500.2	412.6	57.0					969.8
September 1999	555.5	339.7	79.5					974.7
October 1999	668.6	373.2	91.5		485.0	3.5	2.5	1,624.3
November 1999	992.7	372.7	108.5			3.5	2.5	1,479.9
December 1999	741.5	394.3	97.0	41.3		3.5	2.5	1,280.1

During the year, the interest rate on 35-day CNB kuna bills increased by 1.0 percentage point from 9.5 percent to 10.5 percent. The interest rate on 91-day CNB kuna bills increased by 1.05 percentage points from 10.50 percent to 11.55. The interest rate on 182-day CNB kuna bills increased by 1.5 percentage points from 11.0 percent to 12.5 percent.

The Croatian National Bank issued bills denominated in EUR and USD until the end of January 1999. When the euro became the common currency of the member states in the European economic and monetary union at the beginning of 1999, the Croatian National Bank replaced DEM with EUR in its operations. Foreign currency bills maturing in 63, 91, 182 and 364 days were sold with discount at auctions.

Purchases of foreign currency denominated bills were more stable than purchases of kuna denominated bills, although they too were repurchased on several occasions before they matured. During the year, the stock of purchased foreign currency bills fluctuated, in kuna countervalue, between 1,400.0 and 1,800.0 million kuna, with banks preferring those with shorter maturity terms. On the other hand, the interest rates on foreign currency bills, which are set according to LIBOR, varied in larger ranges and were exposed to more frequent changes in trend movements. Their interest rates were two times and even three times lower than the interest rates on kuna denominated bills. There was greater demand for shorter maturities in 1999, as in 1998, for both foreign currency denominated bills and kuna denominated bills.

Figure II.5
Survey of Croatian National Bank Kuna Bills Purchased by Maturity, nominal value, end of month, million kuna



Reserve Requirement

One of the basic long-term monetary policy goals of the Croatian National Bank is to increase the use of market-oriented instruments and to reduce the use of reserve requirement instruments. However, the Croatian National Bank was forced to use the reserve requirement in 1999 in the same manner as in previous years in order to sterilize the substantial effects of the primary issue, resulting from the reasons given above, and to preserve the stability of financial system and domestic currency.

Due to the need to tighten monetary policy during the year, the reserve requirement rate on kuna deposits increased from 29.5 percent to 30.5 percent in March. Other regulations on reserve requirement were changed in order to adjust them to the CLVPS.

The burden on banks was eased by the remuneration rate of 5.9 percent that was paid on the reserve requirement on kuna deposits placed with the Croatian National Bank and on the funds that banks were required to maintain on their settlement accounts.

Banks and savings banks are obliged to calculate the reserve requirement on both kuna and foreign currency deposits. In 1999, the reserve requirement on foreign currency deposits was calculated at 55 percent of the prescribed base (the average daily amount of household foreign currency deposits with a remaining maturity of 3 months in the calculation period). Of the total reserve requirement calculated on kuna deposits, banks and savings banks are required to deposit a minimum of 50 percent in accounts that the CNB holds abroad and to hold a maximum of 50 percent of average daily balances in the accounts of liquid foreign exchange claims.

After the introduction of the euro as the common currency for the member states of European Economic and Monetary Union in January 1999, the reserve requirement on foreign currency deposits was allocated in the euro or American dollar. Banks and savings banks were paid interest by the Croatian National Bank according to the remuneration rate on the reserve requirement on foreign currency deposits. The remuneration rate is determined by the market interest rate earned by the Croatian National Bank on the portfolio of foreign currency deposited by banks and savings banks.

Deposits on Foreign Financial Loans, Foreign Currency Deposits and Issued Guarantees

In 1999, banks authorized for external operations were obliged, when taking financial loans for conversion into kuna on the basis of agreements made in their name and for their account or in their name and for the account of another domestic person, to place kuna deposits in a special account with the central bank as follows: the amount of 30 percent of loans received with maturity up to 1 year, 10 percent of issued guarantees for loans for conversion into kuna with maturity up to 1 year, and 15 percent of the average daily balance of foreign currency deposits of foreign banks.

The provisions of the decision that regulated these obligations of banks changed during 1999 in order to be adjusted to the terms and conditions of the CLVPS. Therefore Saturday was excluded from the calculation since it is not considered a working day according to the CLVPS operating rules.

2.2.3 Croatian National Bank Interest Rates

The restrictive nature of the monetary policy, which was one of features of 1999, was reflected in changes in the interest rates of the Croatian National Bank. The interest rates of the Bank showed an upward trend during the year, which was in accordance with market trends, where there was also an increase in the general level of interest rates.

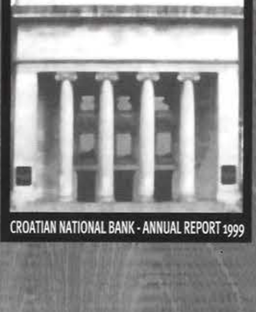
On the assets side, corrections were made in March, when the interest rate on Lombard loans increased from 12 percent to 13 percent and the discount rate from 5.9 percent to 7.9 percent. In addition, the provisions that regulate the interest rate on short-term liquidity loans changed in December. In accordance with the new provisions of the Decision on the Interest Rates of the Croatian National Bank, this rate was linked to the interest rate on Lombard loans, and the utilization period for liquidity loans was changed as well. This also confirmed the interest rate on Lombard loans as the reference rate of the Croatian National Bank.

During 1999, the level of interest rates earned on repo auctions also followed the upward trend in interest rates prevailing in the environment. The average weighted interest rate earned on repo auctions ranged between 11.2 percent and 12.6 percent, while the average annual weighted interest rate was 12.3 percent. This rate was 10.7 percent in 1998.

Deposit interest rates of the Croatian National Bank also followed an upward trend. During 1999, the interest rate increased from 9.50 percent to 10.5 percent on 35-day CNB kuna bills, from 10.50 percent to 11.55 percent on 91-day CNB bills and from 11.00 percent to 12.50 percent on 182-day CNB bills. On the other hand, the interest rate on CNB bills in foreign currency that is set in accordance with LIBOR changed substantially and was exposed to frequent change in the curve of movement. However, it still remained twice and even as three times lower than the interest rate on kuna CNB bills.

3

INTERNATIONAL RELATIONS



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3.1 International Monetary Institutions

3.1.1 Relations between the Republic of Croatia and the International Monetary Fund (IMF)

Financial Transactions

As the fiscal agent of the Republic of Croatia and a depository of the International Monetary Fund, the Croatian National Bank keeps the deposit accounts of the International Monetary Fund and regularly services the obligations based on the arrangements that the Republic of Croatia concluded with the IMF: the Systemic Transformation Facility – STF (approved in 1994, special drawing rights (henceforth: SDR) 130.80 million)), the Stand-By Arrangement (approved in 1994, SDR 65.40 million) and the Extended Fund Facility – EFF (approved in 1997, SDR 353.16 million). During 1999, SDR 6.33 million of interest was paid on all three arrangements combined; SDR 22.89 million of principal was paid on the Stand-By and EFF arrangements, while the Stand-By Arrangement was repaid in full. As a member of the Special Drawing Rights Department (of the IMF), Croatia regularly repaid its obligations based on the inherited obligations related to the allocation of the special drawing rights. During 1999, SDR 1.53 million was paid on this basis.

Within the efforts of the broader international community to organize the provision of assistance to the poorest and heavily indebted countries through the Initiative for Heavily Indebted Countries (HIPC Initiative) and the related IMF facility for the restructuring of economies of low-income countries (Enhanced Structural Adjustment Facility – ESAF), the Republic of Croatia also participated in financing the Initiative. Pursuant to the Resolution of the Government of the Republic of Croatia of October 7, 1999, the contribution of the Republic of Croatia consists of an interest-free loan of SDR 519,161, i.e. the total amount allocated on behalf of the Republic of Croatia to the special SCA-2 Account. Funds held in this account, opened by the IMF for the purpose of financing the HIPC Initiative, have been previously collected from the member countries that paid increased charges and fees on financial facilities.

Table III.1
Balance on December 31, 1999

GENERAL RESOURCES ACCOUNT	SDR * (million)	% Quota
Quota	365.10	100.00
IMF Holdings	508.18	139.19
SDR DEPARTMENT	**SDR (million)**	**% net cum. al.**
Net cumulative allocation	44.21	100.00
Holdings of Croatia	138.06	312.30
LIABILITIES PAID IN 1999	**SDR (million)**	
Repayment of Principal – Stand-By Arrangement	6.54	-
Repayment of Principal – STF Arrangement	16.35	-
Interest payment on all arrangements	6.33	-
Costs of EFF Arrangement	0.81	-
SDR Department membership fee	0.01	
Net cumulative allocation costs	1.53	-

* SDR = special drawing rights

Since the Republic of Croatia's admission to IMF membership, all its obligations towards the IMF have been regularly fulfilled, in accordance with existing legal provisions.

In 1998, the Republic of Croatia gained the right to increase its quota in the IMF by an additional SDR 103.5 million, following the Resolution of the Board of Governors of the IMF on Increases in Quotas of Fund Members – Eleventh General Review (Resolution No. 53-2). The legal precondition for the subscription of the increased quota was fulfilled upon the issue of the Decree on the Adoption of the Increase in Quota of the Republic of Croatia in the International Monetary Fund (Official Gazette, No. 163/98). The increase in quota became effective on February 10, 1999. Following the increase in quota effected pursuant to the Eleventh General Review, the new quota of the Republic of Croatia in the IMF amounts to SDR 365.1 million.

Other Forms of Cooperation

In recent years, the IMF has taken a number of actions aimed at enhancing the recognizability of its activities and the transparency of its members. Croatia is one of the countries that voluntarily joined the projects initiated by the IMF.

Croatia has joined the project of Special Data Dissemination Standard (SDDS) and publication of the summary of the IMF annual report on the Republic of Croatia (Public Information Notice – PIN). In 1999, the IMF started publishing detailed reports on the economies of its member countries, prepared on the basis of consultations pursuant to Article IV of the Articles of Agreement of the IMF. The Republic of Croatia has voluntarily joined this project as well. Hence, after the Executive Board of the IMF adopted the IMF Mission's annual report on the Republic of Croatia for 1999, it was published at the beginning of 2000.

Within the activities aimed at enhancing transparency, the IMF adopted the Code of Good Practices on Transparency in Monetary and Financial Policies in 1999. The Code is a collection of recommendations to central banks and financial institutions and it primarily relates to the public disclosure of data on these institutions' operations in implementing monetary and financial policy. Representatives of the Croatian National Bank have actively participated in the preparation of instructions for the implementation of the Code.

During 1999, Croatia maintained regular contacts with the IMF experts. Three IMF missions visited Croatia in 1999, headed by the newly appointed Mission Chief for Croatia. Along with regular annual consultations pursuant to Article IV of the IMF Articles of Agreement, the Mission's visits were related to negotiations for the potential new financial arrangement between the Republic of Croatia and the IMF, as well as consultations on macroeconomic policy.

The executive director of the IMF Constituency representing the interests of the Republic of Croatia in the decision-making bodies of the IMF also visited Croatia for several days in June 1999.

For the purpose of improving the central bank accounting system, commercial bank supervision system, balance of payments statistics and international reserves management, the IMF provided additional technical assistance through repeated visits of foreign experts in these areas.

Regular Croatian participation in the work of the IMF management bodies (Constituency, Interim Committee and the Board of Governors) was continued in 1999. Representatives of the Croatian National Bank participated in the Annual Meeting of the Board of Governors of the International Monetary Fund in Washington, holding a number of successful meetings with representatives of international financial institutions, commercial banks and investment houses.

In addition, the Governor of the CNB attended the IMF conference: "A Decade of Transition: Achievements and Challenges", held in Washington in February 1999.

3.2 Relations between the Republic of Croatia and International Development Banks

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

a) Pursuant to the Law on Accepting Membership of the Republic of Croatia in the International Monetary Fund and Other International Financial Organizations on the Basis of Succession (Official Gazette, No. 89/92), the Law on Accepting Membership of the Republic of Croatia in the European Bank for Reconstruction and Development (Official Gazette, No. 25/93) and the Law on Accepting Membership of the Republic of Croatia in the Inter-American Development Bank (Official Gazette, No. 94/93), the Croatian National Bank is the depository, i.e. it keeps all deposit accounts owned by these international financial organizations, in the name and on behalf of these financial institutions, and performs financial transactions with these organizations as the payment agent of the state – the Republic of Croatia. During 1999, the Croatian National Bank regularly executed payments for shares for which the Republic of Croatia assumed obligation according to the repayment plan accepted by each international financial organization.

Table III.2
Payments Made in 1999 on the Basis of the Republic of Croatia's Membership in International Financial Organizations

Name	Amount paid and currency		Balance of Promissory Notes Issued by the Ministry of Finance	
1. EBRD	EUR	1,365,334.00	EUR	1,215,666.67
2. IDB	a) HRK	1,476,847.58	USD (Ordinary Capital)	651,426.00
	b) DEM	27,500.00	DEM (Fund for special operations – FSO)	2,388,576.00
3. IBRD			HRK	73,555,334.73
4. IDA			HRK	437,666.65
5. MIGA			USD	202,334.00

b) The use and repayment of the loan pursuant to the Agreement signed on June 4, 1997 between the Republic of Croatia and the International Bank for Reconstruction and Development on the Enterprise and Financial Sector Adjustment Loan (EFSAL) of USD 160 million (International agreements published in Official Gazette, No. 17, October 22, 1997) have been made through a special account at the Croatian National Bank.

c) Representatives of the Croatian National Bank actively participated in the work of the governing bodies of international financial institutions – the World Bank and its affiliates (IBRD, IFC, IDA, MIGA), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB), as well as the work of particular missions of these institutions. The new director of the EBRD Constituency to which Croatia belongs made his initial visit to Croatia in July 1999, during which he visited the Croatian National Bank.

Consistent with the general development of automation and information technology, BOLD (Board On-Line Documents) software for the use of the EBRD on-line database was installed in the CNB (International Financial Relations Area and Library and Documentation Center within the Research and Statistics Area) in June 1999. This software allows access to all documents in the EBRD database, search of the base and electronic communication among users, considerably reducing costs of publication and distribution of documents.

In regular transactions with international financial institutions, the Croatian National Bank cooperates with the Government of the Republic of Croatia, the Ministry of Finance and other government bodies.

3.3 Relations between the Croatian National Bank and the Bank for International Settlements (BIS)

The Croatian National Bank continued its cooperation with the Bank for International Settlements in 1999, after having gained full membership in mid-1997. However, the issue of succession of shares, deposits and gold of the former National Bank of Yugoslavia has not yet been solved due to lack of cooperation on the Yugoslav side.

The Governor of the Croatian National Bank attended regular monthly meetings, as well as the Annual General Meeting, making numerous important contacts with senior officials of the BIS and other central banks that are the members of the BIS.

Representatives of the CNB attended the Extraordinary General Meeting of the BIS in November 1999 at which the following amendments of the Bank's Statutes were approved: the statutory minimum number of meetings of the Board of Directors each year was reduced, the scope of the immunities from jurisdiction and execution enjoyed by the Bank was expanded, and the definitions of country and central bank were expanded. The definition of central bank was expanded in order to permit membership in the BIS of the European Central Bank.

The Croatian National Bank participated in activities of the Bank for International Settlements aimed at coordinating technical assistance provided by the G-10 central banks to the central banks in Central and Eastern Europe. Several bilateral contacts were opened, and various forms of technical assistance were agreed on in principle.

Furthermore, representatives of the Croatian National Bank participated in the work of regional groups of the Basel Committee on Banking Supervision and the Committee on Payment and Settlement Systems.

3.4 Cooperation between the Republic of Croatia and Other International Institutions

In 1999, the Croatian National Bank continued its participation in the work of the Government's Interdepartmental Working Group for Accession of the Republic of Croatia to the World Trade Organization, especially regarding issues of the banking system, foreign exchange system and macroeconomic policy. However, it should be noted that major adjustments of Croatian legislation and other regulations in this area to the principles of the World Trade Organization (the principle of non-discrimination, the principle of the most-favored nation – the MFN clause) have already been made. The end of the negotiation process is expected during 2000.

The Croatian National Bank cooperated with other international financial institutions as well. Representatives of the Japan Center for International Finance (JCIF) and the Institute for International Finance (IIF) visited Croatia again this year. The aim of these visits was to acquire information on the state of the Croatian economy and prepare the corresponding report.

3.5 International Payment Operations and Relations with Foreign Banks

3.5.1 International Payment Operations

The scope and dynamics of international payment operations continuously increased during 1999. Orders for payments abroad were executed daily, both for the purposes of the CNB and the Ministry of Finance (nostro and loro remittances). The inflows to the Croatian National Bank from abroad (loro remittances) resulted from the sale of coins and commemorative coin editions.

Due to the introduction of the euro as the common currency of the European Union member countries, the Republic of Croatia has consolidated the existing current accounts of the Croatian National Bank kept abroad. Pursuant to the decision by the Committee on International Reserves, parallel accounts in national currencies of the EMU members in banks with which a euro account was opened (accounts in Deutschemarks and Belgian francs) have been closed. The Croatian National Bank has 19 current accounts kept abroad: eight accounts in euro, five accounts in American dollars, and one account in each of the following currencies: Austrian schillings, French francs, Italian liras, Japanese yens, Swiss francs and British pounds. The accounts in Swedish kronor, Danish kroner, Norwegian kroner and Canadian dollars have also been closed.

During 1999, expert bodies of the Croatian National Bank analyzed offers submitted by central banks and commercial banks on the basis of which custody accounts were opened with central banks, commercial banks and the international depository institution Clearstream Banking, Luxembourg. This ensured more efficient and safer investment of international reserves into foreign securities. The Croatian National Bank has six custody accounts in four countries.

Preparations for the entry into the new millenium posed a great challenge due to problems and difficulties that could have appeared in the use of computers and communication equipment, programs, data and documents. At the beginning of 1998, SWIFT made a preparation program for the year 2000, giving users a specified time limit to test the whole package. The Croatian National Bank successfully tested this program.

A document entitled "Internal Procedures – the CNB Contingency Plan for Y2K" was drafted as part of the CNB preparations for the "Year 2000 Problem " (Y2K problem). It detailed the procedures for sending and receiving international financial messages via post, telex or fax in case there was no connection with SWIFT during the critical transitional period.

For safety reasons, all telegraphic keys with domestic and foreign banks were tested (40 telegraphic keys with banks in 12 countries), and many of them were replaced. The lists of authorized signatories of these banks were also updated.

In conducting external transactions, the Croatian National Bank uses the SWIFT network and IBM operational system MERVA/2 OS2. Since IBM and SWIFT have concluded an agreement to switch from the MERVA/2 OS2 product and start using the SWIFT Alliance product, the International Financial Relations Area started preparations to replace the currently applied software with the new one. The time limit for the replacement being January 2001, an agreement on internal procedures for the procurement of necessary hardware and software was reached in cooperation with other areas of the CNB, and experts made proposals for the implementation of the new operational system.

3.5.2 Relations with Foreign Banks

Because of disturbances in the world financial markets, especially in Russia and transitional countries, and continuing political pressures on the economies of certain countries and regions, the International Banking Department increased its activities in monitoring economic and financial developments in certain countries and regions. Special attention was given to analyzing banking systems and the degree of correlation between countries/regions and the Republic of Croatia, especially Croatian banks and institutions, with the purpose of integrating Croatian banks into the world financial flows. Within these activities, the credit standing of countries, banks and other institutions was regularly monitored for the purposes of the Croatian National Bank and the Croatian government and for the special purposes of domestic banks. This comprehensive and challenging task of monitoring the risk and credit standing of countries and banks (risk management) can be divided into three degrees of priority.

The highest priority group consists of countries and banks (commercial and investment) in which the Croatian National Bank keeps international reserves (12 countries and 50 banks). Representatives of the International Financial Relations Area in the Committee on International Reserves actively participate in the work of this Committee and propose a list of countries, banks and investment banks in which the Croatian National Bank can keep international reserves.

The second priority group comprises countries and banks in which domestic banks keep a part of their reserve requirements pursuant to the Decision on the Obligatory Reserves of Banks and Savings Banks. Countries and institutions with which the Republic of Croatia maintains good neighborly and business relationships (e.g. Bosnia and Herzegovina, Slovenia, Macedonia, transitional countries, CEFTA countries, etc), as well as countries with which the Republic of Croatia wishes to regulate economic and political relations (e.g. SR Yugoslavia, especially Montenegro) are also in this group.

The third priority group for monitoring credit standing comprises countries and banks monitored by the Croatian National Bank for its own purposes or on demand by the Croatian government and its ministries, the Croatian Parliament and its committees (Committee on Finance and Government Budget and Committee on the Economy), as well as for the purposes of cooperation with the HBOR. Multiple sources of data are used in regular monitoring of countries and banks' credit standing: daily and monthly reports by internationally recognized credit rating agencies (Fitch IBCA, Moody's, Standard & Poor's, Dun & Bradstreet), foreign banks' financial reports, daily press, the Internet, the International Financial Relations Area's internal records, the CNB's archive, ministries and agencies.

The banking crisis in the Republic of Croatia, ranging from the appointment of temporary administrators to the initiation of bankruptcy proceedings, has initiated a series of requests from foreign central and commercial banks. Correspondence with these banks has, therefore, been more intensive and regular.

The Department has continuously followed the work of the International Chamber of Commerce in Paris as well as changes in international standards (ISO standards) and prepared the Instruction on the Use of Abbreviations and Numerical Symbols of Countries and Currency Units in External Payment Operations. All changes and amendments in 1999 were published in Official Gazette (ISO 4217 – List of Currency Units and Other Means of Payment, and their Symbols; and ISO 3166 – List of Countries and their Symbols).

Activities concerning the timely and regular provision of information to foreign countries have been intensified in order to protect the image of Croatia, faced with an increased number of false representation and numerous attempts at fraud, as well as unauthorized taking out of currency outside the Republic of Croatia. Close co-operation in this area has been established with the Ministry of Finance's Office for Preventing Money Laundering, as well as with foreign correspondent banks.

Because of continuous changes in the banking system of the Federation of Bosnia and Herzegovina, and in relation to numerous questions and a growing interest among Croatian commercial banks' clients, regular contacts have been maintained with the Banking Agency of the Federation of Bosnia and Herzegovina and the Central Bank of Bosnia and Herzegovina. Data thus obtained (lists of authorized banks, banks' credit ratings and reports, changes concerning bank mergers, etc) were distributed to Croatian banks authorized for external operations.

In 1999, more than 140 meetings were held with representatives of foreign banks (central and commercial), investment funds, foreign embassies, other financial institutions, and domestic banks and institutions. The privatization process of domestic banks and public enterprises has generated strong interest among foreign investors and other intermediaries for the current macroeconomic, economic and political situation, as well as for forecasts on Croatia's economic developments in 2000. Data on foreign banks and financial institutions' performance have been collected for the purposes of these meetings. The data includes general data on a foreign bank or financial institution (ownership, legal status), data on correspondent and current account relations with the CNB, credit relations of a foreign bank or financial institution with Croatian commercial banks and institutions, and the analysis of a bank's or financial institution's financial reports.

Specific activities of the International Financial Relations Area included participation in the work of several intergovernmental commissions and committees of the Ministry of the Economy, Ministry of Finance, the Office for European Integration, Croatian Chamber of Commerce and other government bodies established for the purpose of promoting co-operation with the European Union countries and transitional countries (Romania, Slovakia, the Czech Republic, Bulgaria, Russia). Representatives of the International Financial Relations Area participated, as regular members, in the work of the Croatian Committee on Accounting Standards, International Chamber of Commerce in Paris, Interministerial Council for Exports Insurance of the Croatian Bank for Reconstruction and Development (charged with promoting and providing insurance for Croatian exports), and Management Board of the Institute for Payment Transactions.

The International Financial Relations Area has been especially active in the work of various committees and teams of experts dealing with the succession of rights and obligations of the former SFRY, as well as remaining issues of foreign debt reprogramming (Paris and London clubs). Croatia has signed bilateral agreements with 14 members of the Paris Club, while data are still being confirmed with Italy. Despite the fact that the Republic of Croatia is a legal successor in the succession process, the Croatian National Bank participates, as an expert body, in the preparation of material, data and proposals concerning remaining issues of foreign debt reprogramming, claims against the Russian Federation arising from unsettled balance in the clearing account with the former National Bank of Yugoslavia, gold and foreign exchange deposited with the BIS, international reserves of the former National Bank of Yugoslavia held abroad, and all unsolved cases of succession concerning domestic banks' claims against or debts to the former SFRY.

In May 1999, pursuant to the Law on the Method of Liquidation of the Main Branch of Jugobanka, d.d., Beograd, the Government of the Republic of Croatia established a Working Group for the Dissolution of Debtor – Creditor Relations of Liquidated Branches of Jugobanka, d.d., Beograd. The Working Group was formed primarily to determine relations between branch offices and the head office of Jugobanka, d.d., Beograd, the National Bank of Yugoslavia, JUBMES, and legal entities headquartered outside Croatia, but within the former SFRY. Since the Croatian National Bank was one of the main participants, representatives of the Department were directly involved in the work of the Working Group. In cooperation with the Bank Supervision Area, Legal Department and Statistics Department, various researches were conducted and solutions proposed for disputed issues concerning Jugobanka, d.d., Beograd.

Publications of the Croatian National Bank (Bulletins, Annual Report, etc) were regularly sent to more than 200 destinations in 50 countries worldwide.

4

BANKING SYSTEM OF THE REPUBLIC OF CROATIA

In 1999, the banking system of the Republic of Croatia consisted of 53 banks (including one branch of a foreign bank) and 34 savings banks (including four housing savings banks). Total assets of the banking sector[1] were 95.2 billion kuna at the end of 1999, with those of banks amounting to 98.45 percent and those of savings banks to 1.55 percent.

1999 was the first year in which a decrease was recorded in the number of institutions operating in the banking system: 7 banks and one savings bank went bankrupt, and only one new housing savings bank was established.

The Croatian banks are of the universal type. Banks and savings banks that prior to the introduction of the new Banking Law had the legal status of 'd.o.o' were required to transform themselves into 'd.d.'s by the end of 1999. All banks, except one savings bank, met this requirement. 48 banks had full authorization, meaning that they fulfilled the conditions for making external payments and entering into credit arrangements abroad, while only 5 banks had limited authorization. The four largest banks accounted for 57.71 percent of total bank assets, compared to 53 percent in 1998.

At the end of 1999, 8 banks were in majority state ownership, but this number decreased to 5 as early as January 2000, after the sale of Privredna banka Zagreb and its subsidiaries (Krapinsko-zagorska banka d.d., Krapina and Laguna banka d.d., Poreč). Splitska banka and Riječka banka, which are the third and the fourth largest in terms of assets, are in the process of privatization. 13 banks were in majority foreign ownership at the end of 1999.

In 1999, drastic market exit measures had to be taken against several banks with risky operations (high interest rates, loans granted to connected persons, inadequate guarantees and lack of concern for recoverability of claims) that became incapable of fulfilling their obligations. Bankruptcy proceedings were initiated against 7 banks and one savings bank (Ilirija banka, Glumina banka, Gradska banka, Komercijalna banka, Županjska banka, Neretvansko gospodarska banka, Promdei banka and Invest štedionica). Proposals were submitted to the Commercial Court for the initiation of bankruptcy proceedings in Trgovačko-turistička banka, Štedionica Mediteran and Štedionica Gold. The proposal for the initiation of bankruptcy proceedings in Trgovačko-turistička banka is still being considered by the High Commercial Court. The Commercial Court rejected proposals for the initiation of bankruptcy proceedings in Štedionica Mediteran and Štedionica Gold; their operating licenses were withdrawn in 2000.

At the end of 1999, two banks were still undergoing the rehabilitation process. The rehabilitation of Dubrovačka banka started back in 1998, and the decision to rehabilitate Croatia banka was passed during 1999.

1999 saw the beginning of the implementation of the new Banking Law. Pursuant to this Law, the Croatian National Bank was authorized to appoint temporary administrators and commissioners to banks with operating difficulties. During 1999, temporary administrators were appointed to several banks (one bank is still undergoing rehabilitation and the others went bankrupt). At the end of 1999, temporary administrators were appointed to two banks (Hrvatska gospodarska banka and Agroobrtnička banka). The temporary administrator is appointed to a bank when its potential losses exceed its risk-based capital and when it is incapable of making payments. The proposal for the initiation of bankruptcy proceedings in both banks was submitted to the Commercial Court in 2000. CNB commissioners were appointed to several banks with heavy operating losses.

1 All data in this section are preliminary.

After the elimination of certain unsound financial institutions from the Croatian banking system, a slight stabilization trend again became observable in the system in 1999. After losses incurred in 1998, the profit earned in the overall banking system (banks and savings banks) in 1999 was 633 million kuna, and, after a decrease in the first half of 1999, deposits started to increase slightly but steadily in the second half of the year. The decrease in interest rates was also a favourable trend. With regard to the relatively unfavourable trends in the Croatian economy and the depth of the banking crisis, it is not realistic to expect a rapid and easy recovery of the banking system as a whole and its transformation into a modern banking system.

After solving the current crisis, emphasis was laid on long-term solutions, such as the banking system restructuring and its recapitalisation, first and foremost by attracting strategic investors who would bring new technology and improve the operating quality. Slavonska banka and Privredna banka Zagreb were successfully privatized, while other major banks, which have been rehabilitated, are preparing for privatization.

4.1 Structure of Banks' Balance Sheet

At the end of 1999, total bank assets were 93.8 billion kuna, a decrease of 9.1 percent compared to the 103.2 billion kuna at the end of 1998. This decrease in assets resulted not only from the reduction in the number of banks but also from the implementation of the new banking regulations on reporting in 1999. The new banking regulations, which comply almost fully with the reporting requirements laid down by the International Accounting Standards, were implemented for the first time in 1999. This resulted in a change in policy for reporting single asset items (such as, for example, loans and interest). These are currently reported as adjusted for (decreased by) specific reserves for identified losses. In addition, specific reserves for unidentified losses form an item that is deducted from total assets. If these changes were excluded, the fall in assets would amount to around 2.5 percent.

4.1.1 Structure of Banks' Assets

Loans to other clients (non-banking sector) amounted to 45.4 billion kuna or 48.5 percent of bank assets, a decrease compared to the previous year when they were 48.5 billion kuna or 51 percent of total assets. This decrease in loans was caused partly by the transfer of refinanced loans from Privredna banka's balance sheet to the Republic of Croatia and partly by the decrease in the number of banks. In terms of maturity, 45 percent of these loans had a maturity term of up to one year, while 55 percent were long-term loans. The investment portfolio of securities had the second-largest share in total assets, 16.4 percent; it comprised money market instruments, bonds and shares. Bonds of the Republic of Croatia accounted for 14.1 percent of total assets. Deposits with banking institutions accounted for 11.0 percent of total assets, with deposits with foreign banks accounting for 8.85 percent. Deposits with the CNB accounted for 9.1 percent of total assets, with obligatory reserves accounting for 8.8 percent. Tangible assets comprised 3.5 percent and Ministry of Finance treasury bills and CNB bills 3.3 percent of total assets. According to the currency structure, foreign currency assets comprised 27.5 percent of total assets. The share of interest-bearing assets amounted to 87.9 percent, while the remaining 12.1 percent were tangible, foreclosed and repossessed and other assets, as well as trading and investment portfolios.

Table IV.1 Aggregated Banks' Balance Sheet, December 31, 1999, million kuna and %

	Amount	Share		Amount	Share
ASSETS			**LIABILITIES AND CAPITAL**		
Money assets	1,248.3	1.3	Loans from financial institutions	5,328.7	5.7
Deposits with the CNB	8,535.6	9.1	Gyro and current account deposits	9,173.7	9.8
Deposits with banking institutions	10,316.9	11.0	Savings deposits	13,845.2	14.8
Treasury bills and CNB bills	3,147.9	3.3	Time deposits	34,425.2	36.7
Trading portfolio of securities	1,102.4	1.2	Other loans	15,055.3	16.0
Loans to financial institutions	1,247.2	1.3	Debt securities issued	36.7	0.0
Loans to other clients	45,459.9	48.5	Subordinated instruments issued	102.3	0.1
Investment portfolio of securities	15,409.9	16.4	Hybrid instruments issued	79.4	0.1
Invest. in subsidaries and companies	1,771.9	1.9	Interests, fees and other liabilities	4,820.2	5.1
Foreclosed and repossesed asstes	429.4	0.5	**TOTAL LIABILITIES**	**82,866.7**	**88.3**
Tangible assets and software	3,268.3	3.5	Share capital	8,285.0	8.8
Interests, fees and other assets	2,666.2	2.8	Profit or loss for the current year	704.2	0.7
Specific reserves for unidentified losses	-783.5	-0.8	Profit (loss) brought forward	-250.6	-0.2
			Reserves	2,215.1	2.4
			TOTAL CAPITAL	**10,953.7**	**11.7**
TOTAL ASSETS	**93,820.4**	**100.0**	**TOTAL LIABILITIES AND CAPITAL**	**93,820.4**	**100.0**

4.1.2 Structure of Banks' Liabilities

Liabilities accounted for 88.3 percent and capital for 11.7 percent of total liabilities. Deposits (gyro and current accounts, savings and time deposits) accounted for 61 percent of total liabilities; time deposits comprised 60 percent of deposits, and 76 percent of all deposits were foreign currency deposits. Loans received (loans from financial institutions and other loans) accounted for 21.6 percent of total liabilities; of these, 26 percent were granted by domestic financial institutions (HBOR, CNB and other financial institutions), 12 percent by the Republic of Croatia and 62 percent by foreign entities (mostly by foreign financial institutions). 81.5 percent of received loans had a maturity term longer than 1 year. Interests, fees and other obligations amounted to 5.1 percent of total liabilities.

Share capital amounted to 8.3 billion kuna, a fall of 11 percent compared to 1998 due to the reduction in the number of banks. In addition, its share in liabilities decreased from 9.9 percent in 1998 to 8.8 percent in 1999. At the end of 1999, total capital (share capital, reserves and profit or loss) amounted to 10.9 billion kuna, an increase of 11 percent compared to 1998 due to the profit earned in 1999.

4.2 Risk-Based Capital and Capital Adequacy

Risk-based capital is composed of core capital and supplementary capital, which must not exceed the amount of core capital. Banks are obliged to maintain their risk-based capital at a level that enables them to cover potential losses at any time. At the end of 1999, risk-based capital in the overall banking system stood at 10.4 billion kuna, whereas it amounted to 9.5 billion kuna at the end of 1998. Four banks reported negative risk-based capital at the end of 1999 (7 banks at the end of 1998).

The capital adequacy ratio is a measure of a bank's stability and liquidity. It is the ratio between risk-based capital and risk-weighted assets. According to the Banking Law, a bank is required to adjust the volume of its operations so that the capital adequacy ratio does not fall below 10 percent.

At the level of the banking sector, the capital adequacy ratio was 19.3 percent in 1999, whereas it was significantly lower (12.6 percent) at the end of 1998 due to a relatively large number of banks with negative risk-based capital. This increase in the capital adequacy ratio was also influenced by the implementation of the new banking regulations in 1999 whose weighting resulted in lowered risk assets; for example, large and maximum loans were no longer assigned the weight of 200 and 300 percent, as was required in 1998. All banks had a relatively high capital adequacy at the end of 1999 apart from four that reported negative risk-based capital and one that failed to comply with the capital adequacy requirement.

4.3 Banks' Asset Quality

Asset quality analysis is the most important segment in the evaluation of the operational stability of a bank and it has a significant impact on a bank's business output. The CNB decisions passed on a basis of the Banking Law regulate in detail the classification of bank's placements by the degree of risk and the calculation of the required specific reserves for identified potential loss; the specific reserves are an expenditure and asset items are decreased by this amount. The assessment of asset quality is carried out for bank's placements (loans and placements to banks and the central bank, off-balance sheet items, receivables based on interest income, investment portfolio of debt securities). Certain securities are not classified into a risk category but are assessed in accordance with the Law on Accounting and the International Accounting Standards. Items that do not incur risk (banknotes and coins, premises and equipment) are classified into non-risk categories.

Risk placements are classified into risk categories A, B, C, D and E according to the degree of risk. Placements that do not include the risk of non-payment are classified into category A and specific reserves are not set aside for these placements. Specific reserves corresponding to the risk grade are calculated for the other categories. Placements classified into risk categories A and B are performing assets, while placements classified into risk categories C, D, and E are non-performing assets, i.e., revenues generated on the basis of these placements are excluded from income. They may be included in income only if they are collected.

Table IV.2 Classification of Risk Assets of Banks, December 31, 1999, million kuna

	A	B	C	D	E	Total	Specific reserves
Deposits with banks and the CNB	18,718.1	35.7	4.2	9.8	36.5	18,804.3	50.0
Loans	41,556.7	3,284.5	2,993.7	3,005.2	3,844.0	54,684.1	7,794.9
Investment portfolio of debt securities	16,553.9	6.6	7.8	6.1	2.7	16,577.1	12.2
Total other claims	1,151.2	21.8	34.4	17.0	67.6	1,292.0	118.5
Interest receivables	1,172.3	254.0	14.6	31.0	10.1	1,482.0	80.0
Off-balance sheet items	14,151.0	601.8	411.4	326.7	284.4	15,775.3	786.1
Total placements	93,303.3	4,204.3	3,466.2	3,395.8	4,245.2	108,614.8	8,841.8
Non-classified securities						3,130.8	
Non-classified other assets						7,559.1	
TOTAL	**93,303.3**	**4,204.3**	**3,466.2**	**3,395.8**	**4,245.2**	**119,304.7**	**8,841.8**

At the end of 1999, category A risk assets accounted for 85.9 percent of total risk assets, the other categories together accounting for 14.1 percent. Performing assets (categories A and B) comprised 89.8 percent of total risk assets and non-performing assets (categories C, D, E) 10.2 percent. At the end of 1998, category A risk assets comprised 86.3 percent of total risk assets and other categories for 13.6 percent.

Specific reserves for identified potential losses were 8.8 billion kuna at the end of 1999, or 8.1 percent of total risk assets. In 1998, they were 7.8 billion kuna, or 6.4 percent of total risk assets.

The increase in the share of specific reserves for identified potential losses in total risk assets from 6.4 percent in 1998 to 8.1 percent in 1999 resulted from the application of more stringent assessment criteria (the new CNB decisions) and the cautious policies pursued by banks.

In addition to specific reserves for identified losses, banks are also required to set aside specific reserves for unidentified losses amounting to 1 percent of placements and off-balance sheet items classified into risk category A.

4.4 Limitations Decreasing Operational Risk

Banks are obliged to comply with maximum ratios and maximum levels of exposure regulated by the Banking Law.

4.4.1 Bank Exposure to a Single Borrower

Bank exposure to a single borrower or group of connected borrowers may not exceed 25 percent of its risk-based capital. The calculation of this exposure does not include exposures covered by first-class collateral instruments such as money deposit, securities or guarantees of the Republic of Croatia. At the end of 1999, 21 banks reported a total of 57 cases of exposure to a single borrower larger than the allowed maximum of 25 percent of risk-based capital. According to the Banking Law, a limited number of banks were allowed to gradually harmonize their operations and to adjust them to the prescribed conditions. Legal proceedings were initiated against those banks that failed to meet the stated requirement. Four banks with negative risk-based capital also failed to meet the requirements imposed by this regulation.

4.4.2 Large Exposure

Large exposure is exposure to a single borrower or group of connected borrowers that exceeds 10 percent of the risk-based capital of a bank. A large exposure requires unanimous approval by the bank's supervisory board. The calculation of this exposure does not include exposures covered by first-class collateral instruments. The total amount of all bank exposures may not exceed 400 percent of its risk-based capital. A total of six banks (including four banks with negative risk-based capital) violated this provision. In the overall banking system, large exposures totalled 20.6 billion kuna.

4.4.3 Exposure to Bank Shareholders

Exposure to a single shareholder with more than 3 percent of a bank's shares (and their related persons) may not exceed 5 percent of the bank's risk-based capital. Total exposure to bank's shareholders with more than 5 percent of a bank's core capital may not exceed 25 percent of the bank's risk-based capital. At the end of 1999, 22 banks reported 55 cases of exposure that were to a single shareholder with more than 3 percent of bank's shares and that exceeded the allowed 5 percent of risk-based capital. Therefore, the CNB and the banks jointly took action aimed at decreasing the exposure. Legal proceedings were also initiated. Total exposure to shareholders with more than 5 percent of the bank's core capital and that exceeded the allowed amount of 25 percent of risk-based capital occurred in 9 banks.

4.4.4 Exposure to Persons in Special Relationship with a Bank

Persons in special relationship with a bank are shareholders with more than 5 percent of shares, members of the bank's management and supervisory board and its procurators, persons who concluded with the bank a contract on work under special conditions, spouses and children of all those listed above, legal entities in which those listed hold more than 20 percent of voting shares and legal entities in which the bank itself has more than 20 percent of voting shares. Exposure to persons in special relationship with the bank requires unanimous approval by the bank's supervisory board.

In the overall banking system, exposure to persons in special relationship with a bank was 2.9 billion kuna on December 31, 1999.

4.4.5 Investment Restrictions

A bank's investment in tangible assets (land, buildings, equipment and business premises' refurbishment) may not exceed 30 percent of its risk-based capital, and together with equity participation in companies, may not exceed 70 percent of its risk-based capital. Banks may be allowed temporary non-compliance with these percentages. Tangible assets and equity participation acquired in bankruptcy and seizure proceedings as compensation for unsettled claims are not included in this calculation for the period of one year following the date of their acquisition. Total investments in banks' tangible assets was 3.2 billion kuna, representing 30.6 percent of the risk-based capital of the banks. Investments in tangible assets and equity participation were 6.6 billion kuna or 62.6 percent of the risk-based capital of the banking system.

At the end of 1999, 17 banks reported investments in tangible assets exceeding the allowed 30 percent of risk-based capital; these banks are currently implementing measures aimed at adjusting to the prescribed amounts. 13 banks reported investments in tangible assets and equity participation exceeding the allowed 70 percent of risk-based capital; nine of these banks were allowed temporary non-compliance, while legal proceedings were initiated against the remaining four.

4.5 Banks' Income Statement

In 1999, the overall banking system returned a profit of 704.2 million kuna. This shows that the banking system is stabilizing after a loss of 1.3 billion kuna in 1998. Of the 53 banks, 41 returned a profit totaling 1.2 billion kuna, while 12 banks reported a loss totaling 526.4 million kuna. The largest losses were reported by banks that had conducted risky operations in earlier years and had experienced liquidity problems in the previous year. Four banks reported a loss that was larger than their capital.

Interest income in the overall banking system was 8 billion kuna, a decrease of 11.5 percent compared to the 1998 figure of 8.6 billion kuna. This decrease was caused by a reduction in the number of banks in 1999 and the tendency to reduce interest rates and concentrate on less risky areas. Interest expenses were 3.9 billion kuna, a decrease of 7.1 percent compared to the 1998 figure of 4.2 billion kuna. Net interest income was 3.8 billion kuna, a decrease of 11.6 percent compared to the 1998 figure of 4.3 billion kuna. Non-interest income was 2.8 billion kuna, while non-interest expenses were 0.9 billion kuna. Net non-interest income amounted to 1.9 billion kuna.

Table IV.3
Banks' Income Statement for 1999, million kuna

TOTAL INTEREST INCOME	7,865.3
TOTAL INTEREST EXPENSES	3,975.8
NET INTEREST INCOME	**3,889.5**
TOTAL NON-INTEREST INCOME	2,858.2
TOTAL NON-INTEREST EXPENSES	912.2
NET NON-INTEREST INCOME	**1,946.0**
GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	3,240.5
NET OPERATING INCOME BEFORE PROVISIONS	**2,595.0**
LOAN LOSS PROVISION EXPENSES	1,868.5
PRETAX INCOME (LOSS)	726.5
PROFIT TAX	22.3
PROFIT OR LOSS FOR THE CURRENT YEAR	**704.2**

General administrative expenses and depreciation were 3.2 billion kuna, slightly lower than the 1998 figure of 3.4 billion kuna. Loan loss provision expenses amounted to 1.8 billion kuna, down from 4.6 billion kuna in 1998. 1998 was a year of a large increase in provision expenses. In 1999, the exit of risky banks from the market was followed by a decrease in loan loss provision expenses, showing a tendency towards less risky operations.

In 1999, interest income accounted for 73.4 percent and non-interest income for 26.6 percent of total income of the Croatian banking industry. Interest expenses accounted for 40.1 percent of total expenses, non-interest income for 8.9 percent, general administrative expenses for 32.7 percent and loan loss provision expenses for 18.3 percent. As in previous years, interest income accounted for the largest share in total income, while general administrative expenses represented the largest item in total expenses. This indicates the relative underdevelopment of our banking system compared to global trends.

4.6 Performance of Savings Banks

34 savings banks, including four housing savings banks, were in operation at the end of 1999, compared to 35 savings banks at the end of 1998. Invest štedionica went bankrupt, and Istranova štedionca merged with a bank. One housing savings bank was established.

Savings banks that were founded prior to the Banking Law (and so hold operating licenses granted on the basis of the Law on Bank and Savings Bank) must increase the amount of their paid-in core capital to at least 20 million kuna by the end of 2001.

All savings banks are in full private ownership. In 2000, the Croatian National Bank withdrew the operating licenses of six savings banks (Štedionica za obnovu i razvoj, Gold štedionica, Štedionica Mediteran, Investiciono-komercijalna štedionica, Štedionica Dugi pogled i Zagrebačka štedionica) because, despite warnings, they had acted contrary to the regulations and measures of the Croatian National Bank for a lengthy period and because there was the danger that, due the risky and inappropriate nature of their operations, they would not be able to fulfil their obligations to their creditors in a timely manner.

4.6.1 Structure of Savings Banks' Balance Sheet

Table IV.4 Aggregated Savings Banks' Balance Sheet, December 31, 1999, million kuna and %

	Amount	Share		Amount	Share
ASSETS			**LIABILITIES AND CAPITAL**		
Money assets	24.3	1.6	Loans from financial institutions	30.7	2.1
Deposits with the CNB	68.5	4.6	Gyro and current account deposits	6.8	0.5
Deposits with banking institutions	96.0	6.5	Savings deposits	39.0	2.6
Treasury bills and CNB bills	92.2	6.2	Time deposits	792.2	53.6
Trading portfolio of securities	3.1	0.2	Other loans	10.6	0.7
Loans to financial institutions	52.3	3.5	Debt securities issued	0.1	0.0
Loans to other clients	800.4	54.2	Subordinated instruments issued	12.7	0.8
Investment portfolio of securities	66.7	4.5	Hybrid instruments issued	47.3	3.3
Invest. in subsidiaries and companies	1.5	0.1	Interests, fees and other liabilities	68.4	4.6
Foreclosed and repossesed asstes	28.0	1.9	**TOTAL LIABILITIES**	**1,007.7**	**68.2**
Tangible asstes and software	71.7	4.9	Share capital	530.1	35.9
Interests, fees and other assets	181.5	12.3	Profit or loss for the current year	-70.0	-4.7
Specific reserves for unidentified losses	-9.2	-0.6	Profit (loss) brought forward	-45.5	-3.1
			Reserves	54.6	3.7
			TOTAL CAPITAL	**469.2**	**31.8**
TOTAL ASSETS	**1,477.0**	**100.0**	**TOTAL LIABILITIES AND CAPITAL**	**1,477.0**	**100.0**

4.6.2 Structure of Savings Banks' Assets

At the end of 1999, savings banks' assets amounted to 1.4 billion kuna, 2 percent down on 1998 on a net basis. Loans to clients accounted for the largest share (54 percent) in total assets. Deposits with banking institutions and loans to financial institutions accounted for 10 percent of savings banks' assets, while placements in securities and investments accounted for 4.8 percent. Tangible and foreclosed and repossessed assets accounted for 6.8 percent of total assets. The share of interests, fees and other assets was relatively large in total assets (12.3 percent). Savings banks had a similar structure of assets in 1998, except that the share of loans to other clients in total assets was larger (60 percent), while the share of other items was lower.

4.6.3 Structure of Savings Banks' Liabilities

On 31 December 1999, time deposits accounted for 53.6 percent of sources of funds of savings banks, capital for 35.9 percent and all other sources together for 14.6 percent. Savings banks' capital decreased from 521 million kuna in 1998 to 469 million kuna in 1999 due to operating losses incurred by savings banks in 1999.

4.6.4 Savings Banks' Risk-Based Capital

Savings banks' risk-based capital was 518 million kuna on 31 December 1999 and 557.4 million kuna on 31 December 1998. This decrease was a result of a reported loss. In accordance with the Banking Law, savings banks included hybrid and subordinated instruments in the amount of 59.9 million kuna in their risk-based capital. The capital adequacy ratio was 54.9 percent at the consolidated level. Only two savings banks reported a capital adequacy ratio lower than the minimum 10 percent. However, in order to form a true picture of the stability of the savings banks' operations, it is necessary to take into consideration not just the capital adequacy ratio but also other indicators, such as analysis of asset quality and the income statement.

4.6.5 Analysis of Asset Quality of Savings Banks

Table IV.5 Classification of Risk Assets of Savings Banks, December 31, 1999, million kuna

	A	B	C	D	E	Total	Specific reserves
Deposits with banks and the CNB	124.4	0.0	0.0	0.7	0.9	126.0	1.2
Loans	682.9	63.9	158.5	36.4	61.3	1,003.0	149.5
Investment portfolio of debt securities	145.2	0.0	0.0	0.0	5.3	150.5	5.3
Total other claims	55.5	17.3	4.5	0.4	0.1	77.9	6.4
Interest receivables	38.9	9.9	7.1	3.6	6.0	65.4	1.8
Off-balance sheet items	7.7	0.0	1.1	0.0	0.3	9.2	0.4
Total placements	1,042.6	87.8	171.2	38.7	73.9	1,414.2	162.8
Non-classified securities	0.0	0.0	0.0	0.0	0.0	15.2	0.0
Non-classified other assets	0.0	0.0	0.0	0.0	0.0	173.0	0.0
TOTAL	**1,042.6**	**87.8**	**171.2**	**38.7**	**73.9**	**1,602.3**	**162.8**

Savings banks are required to analyze their asset quality in the same manner as banks. At the end of 1999, savings banks classified into risk category A (specific reserves for unidentified losses are not set aside for this category) a total of 1,042.8 million kuna or 73.7 percent of total risk assets. Savings banks classified a total of 371.6 million kuna into risk categories B, C, D and E or 26.3 percent of total risk assets (specific reserves are calculated and reported for these categories). Specific reserves for identified losses amounted to 162.8 million kuna or 11.5 percent of total risk assets on 31 December 1999. It should be noted that the share of category A in total risk assets decreased compared to the previous year, when 86.5 percent of total risk assets were classified into category A, while the share of specific reserves for identified losses of savings banks increased compared to 1998, when it amounted to 5.9 percent of total risk assets.

4.6.6 Limitations Decreasing Operational Risk

Like banks, savings banks are obliged to comply with the maximum ratios and maximum levels of exposure regulated by the Banking Law.

At the end of 1999, 13 savings banks reported a total of 29 cases of exposure to a single borrower larger than the allowed maximum of 25 percent of risk-based capital. A limited number of these banks, which had inherited large exposure from the previous year, were allowed, in accordance with the Banking Law, to gradually harmonize their operations and to adjust them to the requirements; legal proceedings were initiated against the other savings banks.

Three savings banks reported a total large exposure that exceeded the allowed 400 percent of risk-based capital. The total large exposure of savings banks amounted to 298 million kuna.

7 savings banks reported a total of 8 cases of exposure to one shareholder with more than 3 percent of shares that exceeded 5 percent of risk-based capital at the end of 1999. Total exposure to single shareholders with more than 5 percent of shares exceeded the allowed amount of 25 percent in 3 savings banks.

The exposure of savings banks to persons in special relationship with the bank amounted to 29.2 million kuna on 31 December 1999. Persons in special relationship with the bank are shareholder with more than 5 percent of voting shares, members of the bank's management and supervisory board and its procurators, persons who concluded with the bank a contract on work under special conditions, spouses and children of all those listed above, legal entities in which those listed hold more than 20 percent of voting shares and legal entities in which the bank has more than 20 percent of voting shares.

At the end of 1999, 7 savings banks reported investments in tangible assets that exceeded the allowed 30 percent of risk-based capital. 3 savings banks reported investments in tangible assets and equity participation that exceeded the allowed 70 percent of risk-based capital. Total investments in savings banks' tangible assets amounted to 73.8 million kuna or 14.2 percent of risk-based capital of the overall banking system. Savings banks' investments in tangible assets and equity participation amounted to 86.6 million kuna or 16.7 percent of the savings banks' risk-based capital.

4.6.7 Savings Banks' Income Statement

Savings banks reported an operating loss of 71.2 million kuna in 1999, which, after a loss of 2.3 million kuna in 1998, shows that there is a further deterioration in savings banks' operations. 13 savings banks reported losses totaling 105.8 million kuna, while 21 savings banks reported profits totaling 34.6 million kuna.

Table IV.6 Savings Banks' Income Statement for 1999, million kuna

TOTAL INTEREST INCOME	278.2
TOTAL INTEREST EXPENSES	137.4
NET INTEREST INCOME	**140.8**
TOTAL NON-INTEREST INCOME	59.0
TOTAL NON-INTREST EXPENSES	37.5
NET NON-INTEREST INCOME	**21.5**
GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	123.5
NET OPERATING INCOME BEFORE PROVISIONS	**38.8**
LOAN LOSS PROVSION EXPENSES	108.4
PRETAX INCOME (LOSS)	-69.6
PROFIT TAX	1.6
PROFIT OR LOSS FOR THE CURRENT YEAR	**-71.2**

Savings banks' interest income was 278.2 million kuna in 1999, 11 percent higher than the previous year. Savings banks' interest expenses were 137.4 million kuna in 1999, 26.8 percent higher than the previous year. Net interest income of savings banks was 148.8 million kuna in 1999, 0.9 percent lower than in 1998. Net non-interest income amounted to 21.5 million kuna in 1999, approximately the same as in 1998. General administrative expenses and depreciation were 123.5 million kuna, 19 percent higher than the previous year. Loan loss provisions expenses amounted to 108.4 million kuna, an increase of 97 percent compared to 1998, when they were 55 million kuna. A large increase in provision expenses was reported in 1999, which had a negative effect on the savings banks' operating results.

4.7 Measures taken by the Croatian National Bank in 1999

The Banking Law sets out the measures that the Croatian National Bank may take against a bank found to be violating regulations or operating improperly or at risk; measures were taken against 31 banks and savings banks in 1999. When the Croatian National Bank establishes that a bank's capital adequacy has fallen 3/4 below the required minimum, it will appoint a commissioner in that bank; a commissioner was appointed in three banks in 1999. When the potential losses of a bank, arising from risky placements, exceed the bank's risk-based capital and when the bank is incapable of making payments, the Croatian National Bank may, in accordance with the provisions of the Law, appoint a temporary administrator in such a bank; the CNB Council appointed a temporary administrator in Croatia banka (before rehabilitation), Agroobrtnička banka and Hrvatska gospodarska banka. In addition to these banks, a temporary administrator was appointed in several banks that later went bankrupt (Gradska banka, Županjska banka, Komercijalna banka, Glumina banka and Promdei banka).

If the said measures fail to give the expected results, the Croatian National Bank is obliged by the provisions of the Law to submit to the competent court a proposal for initiating bankruptcy proceedings against a bank. The Croatian National Bank submitted to the Commercial Court proposals for initiating bankruptcy proceedings against seven banks and three savings banks; bankruptcy proceeding were initiated against seven banks and one savings bank.

According to the Law on Bank Rehabilitation and Restructuring, the Croatian National Bank may propose bank rehabilitation to the Government of the Republic of Croatia. The decision on rehabilitation is passed by the Government if it considers that the rehabilitation is of special state interest and if it determines that all other possibilities for preventing further impairment of the stability of the banking system stability have been explored. The decision to rehabilitate Croatia banka was passed in 1999.

4.8 Supervision of Banks and Savings Banks

The Bank Supervision Area was established as an organizational unit and staffed in 1993.

The Bank Supervision Area of the Croatian National Bank comprises:

- On-Site Supervision Department,
- Off-Site Supervision Department,
- Department for Improving Bank Supervision,
- Department of Foreign Exchange Records Control.

At the end of 1999, the Bank Supervision Area had 76 employees. A reorganization was made at the beginning of 1999, and the Department for Inspection of Compliance with Measures of Monetary and Foreign Exchange Policies merged with the On-Site Supervision Department. During 1999, 24 new employees, including experienced bankers and auditors, were hired. The training of employees is conducted on an ongoing basis by external advisors and trainers; it also includes attendance at seminars, training courses, postgraduate studies and various training programs carried out by international financial organizations (IMF, World Bank and others).

75 examinations were conducted in 1999: 47 examinations of bank operations, 10 examinations of the implementation of issued measures, 10 examinations of foreign representative offices, and 8 examinations were conducted together with temporary administrators. 57 decisions were issued, 26 dealing with liquidity problems and 31 aimed at improving bank performance and correcting irregularities and illegal actions.

In 1999, 43 charges were brought against banks (16 citations for business violations, 16 citations for violations of foreign exchange regulations and 11 requests for initiating legal procedures). The intervention of criminal and financial investigators was required in six banks.

Numerous regulations (ten decisions, seven instructions for the implementation of these decisions and two rulebooks) were enacted in 1999 on the basis of the new Banking Law that became effective in 1998.

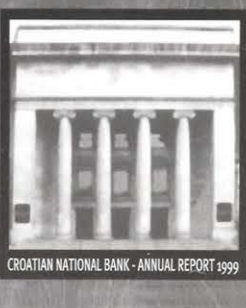
The following regulations and rulebooks were issued:

Decision on the Methodology for Calculating Bank's Capital (Official Gazette, No. 32/99), Decision on the Methodology for Calculating Capital Adequacy and Risk-Weighted Assets of Banks (Official Gazette, No. 32/99), Decision on the Classification of Placements and Risky Off-Balance Sheet Items and Assessment of Bank Exposure (Official Gazette, No. 32/99), Decision on the Amount and Method of Forming Specific Reserves to Ensure Against Potential Losses of Banks (Official Gazette, No. 32/99), Decision on the Chart of Accounts for Banks (Official Gazette, No. 32/99), Decision on Restriction of Investment in Tangible Assets and Equity Participation (Official Gazette, No. 38/99 and 64/99), Decision on Reporting to the Croatian National Bank on Single Borrower Indebtedness with Banks to an Amount Exceeding Five (5) Million Kuna (Official Gazette, No. 51/99), Decision on Detailed Conditions for the Establishment and Operation of Representative Offices of Foreign Banks in the Republic of Croatia (Official Gazette, No. 32/99 and 99/99), Rulebook on the Banking Exam (Official Gazette, No. 32/99), Rulebook on the Procedure and Criteria for Granting Prior Approval for the Appointment of the Chairman and Members of a Bank's Management Board (Official Gazette, No. 32/99), Decision on the Statistical Report for Banks and Instructions for Completing the Statistical Report (Official Gazette, No. 57/99 and 72/99), Decision on the Form and Minimum Scope and Content of Bank Audit and Audit Report (Official Gazette, No. 64/99), Decision on the Form and Content of the Application for Granting a Bank Operating License (Official Gazette, No. 99/99).

The strategic goal of the Croatian National Bank is to further strengthen and develop banking supervision. The supervision of banks and saving banks has been continuously improved. Special efforts are being made to strengthen the application of the currently used CAMEL method (the more sophisticated CAMELS method has not yet been applied). Further adjustment to the BIS Core Principles that lay down the minimum requirements for effective banking is also in progress.

5

TREASURY



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In 1999, in the course of its activities directed towards achieving the objectives of the Croatian National Bank, the Treasury Department received printed cash from the manufacturer, supplied cash to the branches of the Institute for Payment Transactions, processed and destroyed worn out banknotes withdrawn from circulation, issued commemorative coins and provided expert evaluation of suspicious kuna banknotes.

5.1 Movements in Cash

On December 31, 1999, there were 66.8 million banknotes outside the treasury of the Croatian National Bank and the Institute for Payment Transactions, valued at 5.7 billion kuna.

The quantity of banknotes outside the treasury of the Croatian National Bank and the Institute for Payment Transactions decreased by 12.4 percent, while the total value of banknotes outside the treasury increased by 3.6 percent, compared to late 1998.

On December 31, 1999, there were also 612.4 million kuna and lipa coins outside the treasury of the Croatian National Bank and the Institute for Payment Transactions, worth 0.254 billion kuna.

In comparison with late 1998, the quantity of coins outside the treasury of the Croatian National Bank and the Institute for Payment Transactions increased by 13.7 percent, while their value increased by 19.3 percent.

During 1999, the amount of banknotes and coins outside the treasury amounted to an average of 15 banknotes and 136 coins per person.

In 1999, the Treasury Department received 28.2 million banknotes worth 2.3 billion kuna from the Institute for Payment Transactions.

28.0 million banknotes were processed by the system for sorting banknotes in 1999. Of the total amount, 84.9 percent, or 23.7 million banknotes, worth 1.8 billion kuna, were destroyed, since they did not meet the quality standards set for banknotes in circulation.

According to the latest figures, the renewal index was 35 (destroyed banknotes/ circulation x 100).

5.2 Commemorative Coins

In 1999, the Croatian National Bank released a commemorative 25-kuna coin, marking the issue of a new currency unit – the euro.

Within the gold and silver coins program, the second edition of a 200-kuna silver coin was issued in 1999, as a part of the series entitled "FAMOUS CROATIAN WOMEN", dedicated to Katarina Zrinska.

During 1999, the value of identified counterfeit banknotes was 97,425.00 kuna. The value of identified counterfeits decreased by 1.6 percent compared to 1998, which indicates that there was no increase in counterfeiting kuna banknotes in 1999. The analysis of the received counterfeits showed that they were mainly produced by means of scanners and computers and printed on color printers.

6

ORGANIZATION, MANAGEMENT AND HUMAN RESOURCES

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6.1 The Council of the Croatian National Bank

According to article 65 of the Law on the Croatian National Bank (Official Gazette, No. 35/95 – amended version), the Council of the Croatian National Bank and the Governor of the Croatian National Bank comprise the governing bodies of the Croatian National Bank.

The Council of the Croatian National Bank consists of the Governor, Marko Škreb, Ph.D., Deputy Governor, Zdravko Rogić, M.Sc., and Vice-Governor, Relja Martić, who are members of the Council by virtue of their office, as well as no more than eight independent experts. The number of independent experts sitting on the Council must exceed the number of the Council members appointed by virtue of their office. The appointment of independent experts to the period of six years, as well as their dismissal, comes within the competence of the Parliament. Pero Jurković, Ph.D., Mate Babić, Ph.D., Vlado Leko, Ph.D., Gorazd Nikić, Ph.D. and Ivan Milas are the independent experts sitting on the Council. The Council of the Croatian National Bank and each of its members report to the Croatian Parliament for performing the functions and tasks of the Croatian National Bank.

The field of activity of the Council is determined by article 67 of the Law on the Croatian National Bank. The Council of the Croatian National Bank makes decisions at its meetings, while the Governor of the Croatian National Bank is responsible for their implementation.

The decisions of the Council are made by a two-thirds majority vote of its members. In the event that the required agreement is not reached, the Governor, having assessed that it is otherwise not possible to perform the tasks of the Croatian National Bank, makes a temporary decision and notifies the Parliament of the Republic of Croatia, which makes the final decision.

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

According to the Law on the Croatian National Bank, the central bank is responsible for the stability of the national currency. The CNB independently establishes the targets of monetary and foreign exchange policy, as well as the measures, within the framework of its rights and obligations, to meet these targets.

Once a month, the members of the Council discuss economic and monetary developments at their meetings. Furthermore, they discuss the quarterly forecasts of developments in monetary policy, information on the condition of the banking system and the report on the management of the international reserve.

Following amendments to the Domestic Payment System Law, the Croatian National Bank is authorized to operate banks and savings banks' accounts and manage the Croatian Large Value Payment System (CLVPS). The authorization is based on the Decision on the Transfer of Banks' and Savings Banks' Accounts from the Institute for Payment Transactions to the Croatian National Bank and Putting Into Operation the Croatian Large Value Payment System.

In managing the Croatian National Bank, the Council of the Croatian National Bank establishes the monetary and foreign exchange policy and sets measures for their implementation, and establishes the basis for and the amount of reserve requirements of banks, as well as the method, conditions and time-limits for their calculation and allocation. In addition, the Council decides on issuing CNB bills, establishes the amount, time-limits for use and repayment as well as other conditions for granting short-term loans to banks, establishes the interest rates of the Croatian National Bank, decides on restrictions on the volume and growth dynamics of loans to banks and on the issue or withdrawal of banks' operating licenses. The Council also makes decisions on all other matters lying within its competence.

During 1999, 27 meetings of the Council were held. Many important decisions were made relating to the implementation of monetary and foreign exchange policy. Pursuant to the authorization granted to the Croatian National Bank by the Banking Law, the Council made decisions on regulations regarding its implementation. Some of the decisions are published in the Official Gazette, while some are of an internal nature. The Council took numerous decisions related to the prudential control of banks, such as the Decision on the Chart of Accounts of Banks, the Decision on the Classification of Placements and Risky Off-Balance Sheet Items and the Assessment of Bank's Exposure, the Decision on the Method for Calculating Bank's Capital, the Decision on the Method for Calculating Capital Adequacy and Risk-Weighted Assets of Banks, and the Decision on the Amount and Method for Forming Specific Provisions to Ensure Against Potential Losses of Banks.

Many decisions relating to the implementation of monetary and foreign exchange policy were also made, e.g. the Decision on Overnight Interbank Trading, the Decision on the Terms and Conditions for Granting Short-Term Intervention Loans, the Decision on the Interest Rates of the Croatian National Bank, with subsequent amendments, the Decision on the Obligatory Reserve of Banks and Savings Banks, with amendments, and many others.

During 1999, the Council of the Croatian National Bank made decisions on initiating bankruptcy proceedings in seven banks and three savings banks. The Council appointed temporary administrators in eight banks and put forward a proposal for the rehabilitation of CROATIA BANKA d.d., Zagreb to the Government of the Republic of Croatia. At its meetings, the Council of the Croatian National Bank gave a number of approvals concerning the appointment of chairmen or members of banks or savings banks' management boards and the acquisition of more than 10 percent of voting shares at banks' general meetings. The Council also gave judgement on granting licenses to savings and loan co-operatives and granted licenses to fourteen banks for performing transactions under articles 35, 36, and 37 of the Banking Law. The Zagreb representative office of KREDIT SCHWEITZER BANK d.o.o. Sarajevo was removed from the Register of Representative Offices of Foreign Banks in the Republic of Croatia.

The Council of the Croatian National Bank marked the fifth anniversary of the introduction of the kuna as the Croatian currency, stressed the importance of finalizing the procedures for establishing the Croatian Register of Credit Commitments and agreed on the establishment of the Croatian Banking Association as a legal entity.

At its 11th meeting, the Council endorsed the following official documents of the Institute for Payment Transactions: the Annual Report for 1998, the Financial Statement for 1998, the Work Program for 1999 and the Income and Expenditures Estimate for 1999.

At its meeting held on May 19, 1999, the Council endorsed the Annual Report of the Croatian National Bank for 1998, the Decision on the Annual Financial Statement for 1998, as well as the Decision on the Financial Plan of the Croatian National Bank for 1999.

In addition, the Council made decisions in the area of numismatics, including the Decision on Issuing a Numismatic Set of the Kuna and Lipa Coins of the Republic of Croatia. The coins bear the inscription "1999", the year in which they were minted.

6.2 Internal Audit

Since its foundation in 1995, the Internal Audit has functioned as an independent organizational unit, reporting directly to the Governor of the Croatian National Bank. The basic task of the Internal Audit has been to audit the Bank's areas and departments, especially those generating potential risk.

In 1999, the Internal Audit mostly dealt with examining and evaluating the Bank's business performance, focusing on its compliance with legal provisions and internal regulations and procedures. Improvements have been made in these areas. The Internal Audit has acted as a mediator in resuming work on establishing internal procedures for the functioning of the Bank's organizational units, which has improved the quality of the control function within the Bank.

During the year, the Internal Audit conducted 52 audits, in accordance with the Governor's decisions and its own work plan. The audits have shown that no irregularities were found in the functioning of the Bank's areas and departments and that laws and other regulations, as well as internal rulebooks and internal procedures, have been complied with.

As in previous years, the Internal Audit has focused most of its activities on the highest-risk areas, following the principle that the dynamic of audits has to conform to the extent of risk exposure. With this in mind, special emphasis was placed on the management of the international reserve through regular monthly audits and occasional targeted audits. The Internal Audit also focused on the functioning of the Treasury Department, the timely and well-documented recording of business transactions, banking supervision and the internal expenses of the Croatian National Bank.

Taking into account the importance of having expert, highly educated internal auditors of the Bank, further training of the members of the Internal Audit was continued during 1999 through contacts with foreign experts and specialized courses in Croatia and abroad.

6.3 Organization and Computerization

An important change in the organizational structure of the Bank in 1999 was the establishment of the Public Relations and Publishing Department within the Research and Statistics Area. In addition, a proposal was made for the organization of the Office of the Governor and the reorganization was initiated of the Accounting Department and the Accounting, Treasury, and Payment Operations Area. The establishment of three divisions within the On-Site Supervision Department was analyzed as a way of improving the efficiency of the Department's operations. It was proposed to dissolve the Administrative Division within the Personnel Department.

Within the scope of its activities, the Organization Planning Department contributes to introducing legislation within the Bank. During 1999, the Department drafted final versions of the proposal for the System of Business Operation, the Rulebook on the Planning of the Operations of the Croatian National Bank and the Ethics Code of Conduct of the Employees of the Croatian National Bank. The Department contributed to drawing up the Decision on the Requirements for Skilled Personnel in the Croatian National Bank, the Instructions for Relations with the Media and the Decision on the Form for the CNB Examiners' Identity Card.

The Department has formulated a proposal for the Project of the Visual Identity of the Croatian National Bank and took part in outlining the Plan for Introducing Savings and Improvement Measures.

In relation to improving the operating system and maintaining the quality system, the Department delegated a representative to the Second Croatian Annual Quality Conference, held in Cavtat, which dealt with recent developments in international standards and the possibilities of their application in Croatia.

During 2000, the Information Technology Department has been engaged in:

- solving " the problem of 2000"
- continuing to build up the CNB information system
- current, operational tasks

Most of the activities related to the preparation and testing of the CNB information system's compatibility with "the problem of 2000" (application and system support – software and hardware) were completed by the end of June 1999. Moreover, the Croatian National Bank took an active part in supervising the methods for solving the problem used by other participants in the banking system. These activities were successfully brought to an end and the year 2000 was welcomed in without a slightest incident.

Numerous activities continued in 1999 related to the computerization of the CNB operating system that was commenced in 1998. The Accounting and Finance informational subsystem was introduced, within the envisaged scope, in keeping with the reorganization of accounts and the new Chart of Accounts. The application for monitoring CNB bills was adapted to this system late in 1999. Hardware and software was installed for the Croatian Large Value Payment System, as a finished product. As an addition to the System, the applications for overnight trading and monitoring the turnover and the balance in reserve requirements and obligatory deposits accounts were developed. The application for monitoring loans granted and taken abroad was completed. Due to the importance of data on external debt, complex reports based on various criteria are in the process of construction. A new application for calculating and distributing exchange rate lists replaced the existing one.

Computerization of the acceptance and processing of Statistical Reports of Banks (Official Gazette, No. 57/99) started in 1999 as a new activity. This allows the data to be used for the supervision and control of banks and for monetary statistics.

This computerization strengthens the role of immediate users in receiving, processing and using data. Consequently, the Information Technology Department has made a gradual shift away from these tasks and towards developing the system and its applications, improving and maintaining existing resources and providing direct support to users.

The application supporting the control of foreign exchange transactions related to the exports and imports of goods and services was reorganized, as well as the application supporting external payments. At the same time, the groundwork was laid for a new project, as required by the introduction of the common customs declaration and the amendments to the Instruction for the Implementation of the Decision on the Method for Executing External Payments and Supplying Data on External Payments. The local computer network was extended in accordance with operational changes and requirements, enabling employees at all four locations in Zagreb to use common resources. New equipment was purchased, mainly including PCs and printers, together with two servers, one for the Internet and the other for the Croatian Large Value Payment System.

6.4 Payment Operations

In 1999, the Payment Operations Department continued its work on the transformation of the domestic payment system.

a) The Department completed the first phase of the reform with the introduction of the Croatian Large Value Payment System, and the accounts of banks and savings banks were transferred from the Institute for Payment Transactions to the Croatian National Bank.

b) The Department made preparations for banks to execute payments through the accounts of legal entities.

Re. a) The Croatian Large Value Payment System (CLVPS) began functioning on April 6, 1999. The CLVPS is a system that allows interbank payment transactions through accounts of banks and savings banks at the Croatian National Bank in real time and on the gross settlement principle. This means that every payment transaction is executed individually when it is presented. The prerequisite for the execution of the payment is sufficient cover on the paying bank's account, which completely avoids the risk of non-payment. The introduction of the CLVPS brings the payment system in Croatia close to the payment systems of the members of European Economic and Monetary Union for it follows the basic principles of TARGET, the system for settlements through the accounts of banks in the EMU member countries.

On 3 April 1999, the settlement accounts, required reserve accounts and obligatory deposit accounts of foreign exchange deposits of banks and savings banks that are technically and technologically equipped for executing payments through the CLVPS were transferred from the Institute for Payment Transactions to the Croatian National Bank.

Re. b) The Unified Register of the Accounts of Business Entities was established, aimed at facilitating the transfer of business entities' accounts from the Institute for Payment Transactions to banks. The Register keeps records of the accounts of all business entities in Croatia. By means of the identification number of a business entity, it is possible to locate every account opened by the entity with institutions authorized to perform payment operations. In this way, the collection of public revenues is secured, as well as collection from all funds the debtor keeps at the accounts of the authorized institutions through which it performs business transactions.

Regulations prescribing the procedures for opening and keeping an account with a bank were enacted.

In 1999, efforts were made to improve the existing domestic payment system. Changes and additions were made to the regulations and the technology used to perform payments. In this period, the execution of payments at authorized institutions was monitored through direct inspections and regular contacts with these institutions. Thirteen inspections were conducted at the branches of the Institute for Payment Transactions, three at the Croatian Post and Telecommunications and one at a bank.

6.5 Legal Affairs

In 1999, the Legal Department provided expert legal advice and council to organizational units of the Croatian National Bank, above all regarding the feasibility of taking measures against banks, in conformity with the Banking Law.

The Department also provided legal assistance related to granting liquidity and intervention loans and prescribing collaterals for ensuring their repayment. The Department has kept records of all concluded contracts.

The Legal Department focused its activity, as in the previous years, on monitoring, examining and proposing laws and regulations governing the activities of the Croatian National Bank and banks in general, together with controlling the consistent implementation of legal and other regulations. In relation to this, it should be mentioned that, on the basis of the Examination Report, the Legal Department made several requests for initiating legal procedures, citations for violations of foreign exchange regulations and business violations, and proposals for initiating bankruptcy proceedings.

With the authorization of the Governor, the Legal Department handled legal cases and represented the Croatian National Bank in courts and other government institutions.

The legal experts of the Croatian National Bank participated in drafting decisions for the meetings of the Council and are responsible for their legality.

6.6 Personnel Management

In 1999, the personnel structure in the Croatian National Bank continued to change. There was an increase in the number of employees, and extensive education and training was provided, especially to managers, which contributed to raising the qualification level of the employees.

The number of employees increased by 5.66 percent, from 549 (late 1998) to 580 (late 1999). The growth in the number of employees in 1999 was considerably larger than the growth in 1988. This was the result of more new employees, particularly trainees, mostly in the areas of banking supervision, foreign exchange asset management and public relations and publishing. There was only one case of a unilateral termination of employment, compared to seven in 1998. The number of departures from the CNB was half that of 1998, 17 as opposed to 36; most departures were due to retirement (9), expiration of temporary employment and unpaid leave. The fact that there were 50 new employees in 1999 (including two returning from completing their military service) confirms the intensity of change.

The rise in the qualification level was brought about by the change in personnel structure. The number of employees holding a university degree increased from 256 to 290 (an increase of 34 or 13.28 percent), while the number of employees holding a master's degree increased from 24 to 30.

The average age of employees is close to 41. The average total work experience is about 17 years. The average work experience within the Bank is 12 years. There are 132 employees below the age of 30 and 133 above the age of 50. Given the age and work experience of the employees, an extensive natural outflow is not to be expected in the next few years.

The CNB employees' pattern of skills is presented in the following table:

	PhD	MS	BA	2 yr.	Sec.	Qualified	Unqualified	Total	Women
Number	4	30	290	45	163	11	37	580	397
Share	0,7	5	50	7,8	28,1	1,9	6,4	100	68,4

55.7 percent of employees at the CNB hold a university degree, including master's and doctor's degrees. This figure rises to 63.5 percent when employees holding a two-year degree are included, which is fitting for the nature of work and what is expected of an institution such as the Croatian National Bank.

6.6.1 Education and Training of Employees

The successful performance of the Bank's functions largely relies on the skill of its personnel in fulfilling their tasks. By providing its employees with various forms of advanced training, the Croatian National Bank has created the personnel prerequisites for the further development and improvement of the Bank's operations within the majority of its areas and departments.

The personnel basis has been created through hiring trainees and providing them with expert training, as well as by intensive advanced training of many of the Bank's employees.

Although the Bank had formed a team of highly skilled professionals in the area of banking supervision, the need was felt to increase their number due to the rising number of banks and savings banks. Therefore, a number of new employees were hired, including some experts but also a group of trainees for whom a new advanced training program was designed, starting in December 1999. In addition, 36 percent of those who received further training at seminars in Croatia were trained in the field of banking supervision, which is an indication of the efforts put into improving the skills of the employees in this area. Because of the nature of the fieldwork of its staff, the Area of Control and Supervision organizes seminars and workshops for its staff so that they can exchange practical experiences and discuss topics related to their profession in a pleasant working atmosphere.

The following table shows the types and number of educational and training programs in 1999 and the number of participants.

Title - content of program	Number	Participants
Seminars in Croatia	117	286
Seminars abroad	75	90
Courses in foreign languages	19	153
Trends in modern management	1	32
CNB strategy	1	30
Computer training	4	11
Post-graduate studies in Croatia (new)	6	14
Post-graduate studies abroad	1	1
TOTAL	224	617

Foreign language classes for trainees continued, with two specialized English courses focusing on work at the central bank, and three general English classes. For other employees, one-to-one classes at foreign language schools were organized as well as two group classes in German.

Fourteen trainees completed the Central Banking training program, while twelve trainees completed the Introduction and Orientation Program, aimed at familiarizing them with the organization and functioning of the CNB.

In 1999, six CNB employees received their master's degrees, one of them in Great Britain. One scholarship for postgraduate studies in Great Britain was granted. The Bank will bear the costs of doctoral studies for two employees.

In 1999, the number of participants in seminars and workshops in Croatia increased considerably compared to 1998, while the number of participants in courses abroad slightly decreased. Management training has been intensified.

In 1999, as in previous years, the CNB used services and educational programs organized by the Bank for International Settlements, the International Monetary Fund in Washington and at the Joint Vienna Institute, and the central banks of Great Britain (CCBS), Germany (DBb), France (IBFI), Netherlands, Austria (OeNB), Switzerland (Studiumzentrum Gerzensee) and others.

6.6.2 Salaries

Employee salaries rose in keeping with the wage policy in Croatia. There were also individual promotions and salary increases aimed at improving employee motivation and efficiency.

6.6.3 Social and Other Features

Housing loans, intended primarily for young employees, are increasingly being used. The extension of these loans was aimed at helping employees resolve this important issue and ensuring that highly skilled personnel remain at the Bank.

7.37 percent of the total expected annual fund of hours were lost on sick leave, 3 percent at the expense of the Bank and 4.37 at the expense of the Croatian Health Insurance Institute. The rate of sick leave is not high compared to other occupations and is slightly lower than the previous year. 31 employees received lump sum assistance for sick leaves exceeding 90 days, 24 percent more than last year. 3 employees received lump sum assistance for specific purposes. There were 9 injuries at work, one more than in the previous year. At their request, full-time employment was granted to 5 employees, terminating the half-time status they had been previously awarded by the Croatian Institute for Pension Insurance.

Blood donations were organized on three occasions. 105 employees participated and another 18 donated blood at the Blood Bank.

140 employees participated in sports programs organized by the Bank, and 211 took advantage of special offers on tickets for cultural events.

6.6.4 Survey of CNB Employee Work Satisfaction

In spring 1999, an anonymous survey was carried out for the first time at the Croatian National Bank regarding the CNB employees' satisfaction with their work.

The survey covered 70 percent of the employees, who evaluated various internal and external factors affecting their work satisfaction. The results of the survey confirmed some positive achievements and set the course for adjustments that should be made in order to improve working conditions and the implementation of the Croatian National Bank's business policy.

7

FINANCIAL REPORT

Annual Financial Statement of the CNB for 1999

According to the Law on Accounting (Official Gazette, No. 90/92), which came into force on 1 January 1993, and partial application of International Accounting Standard 30, the Croatian National Bank compiles basic financial statements which include balance sheet, income statement and notes.

Table VII.1

Financial Results of the Croatian National Bank according to the Annual Financial Statement for 1999
Income Statement, in kuna

ITEM	Plan 1999	Outturn 1999	Index 3/2
1	2	3	4
I. INCOME			
1. Interest receivable	920,000,000.00	1,054,777,898.87	114.6
2. Other income	220,000,000.00	136,651,215.34	62.1
TOTAL INCOME	1,140,000,000.00	1,191,429,114.21	104.5
II. EXPENDITURES			
1. Interes payable	639,000,000.00	592,746,256.99	92.8
2. Expenses	490,200,000.00	595,577,851.68	121.5
TOTAL EXPENDITURE	1,129,200,000.00	1,188,324,108.67	105.2
SURPLUS OF INCOME OVER EXPENDITURES	10,800,000.00	3,105,005.54	28.8

The receiving of income and the settlement of expenditures relating to the activities of the Croatian National Bank are regulated in articles 76 and 77 of the Law on the Croatian National Bank.

In its operations, the Croatian National Bank receives income, incurs expenditures and establishes a surplus of income over expenditures. Income and expenditures are forecast by a financial plan that must be adopted by the Council of the Croatian National Bank and approved by the Croatian Parliament.

The surplus of income over expenditures created by the Croatian National Bank in its work is government revenue. If expenditures are greater than income, the shortfall is covered from a special reserve fund. If this is not sufficient, the shortfall is covered from government funds.

A project was launched at the beginning of 1998 entitled "Accounting in the Croatian National Bank". Its aim was to develop an accounting system in the Bank that is similar to those of the western central banks and to provide standardised business books, standardised business transactions and transparent financial statements based on best accounting, financial and banking practices. The project, carried out with the consultant assistance of the International Monetary Fund, included the making of the new Chart of Accounts of the Croatian National Bank, bridging tables, the structure, form and contents of the general ledger and subsidiary ledgers, the code system, financial statements, and so on.

From 1 January to 31 May 1999, both accounting systems were used in parallel. On 1 June 1999, the new accounting system fully replaced the old one.

The new Chart of Accounts of the Croatian National Bank consists of three parts:

- balance sheet accounts reflecting business changes recorded in business books including the balance sheet, income statement and other statements (Class 1, 2, 3, 4, 5, 6 and 7);
- off-balance sheet accounts reflecting business changes recorded in off-balance business books and make up off-balance sheet statements (Class 8 and 9);
- treasury inventory system reflecting business changes recorded in reserves (Class 0).

According to its annual financial statement for 1999, the Croatian National Bank had the following financial results:

- 1,191.4 million kuna in income, or 4.5 percent more than planned;
- 1,188.3 million kuna in expenditures, or 5.2 percent more than planned;
- a surplus of income over expenditures of 3.1 million kuna, or 28.8 percent of the planned amount.

7.1 Income

The level and structure of income of the Croatian National Bank in 1999 in comparison with planned income is shown below:

Table VII.2

Income of the Croatian National Bank, in kuna and %

ITEM	Plan 1999	Outturn 1999	% share	Index 3/2
1	2	3	4	5
1. INTEREST RECEIVABLE				
1.1. Interest on loans and other placements from primary issue	300,000,000.00	270,645,147.75	22.7	90.2
1.2. Interest and other income from funds deposited abroad	620,000,000.00	784,132,751.12	65.8	126.5
2. OTHER INCOME	220,000,000.00	136,651,215.34	11.5	62.1
TOTAL INCOME	1,140,000,000.00	1,191,429,114.21	100.0	104.5

The total income of the Croatian National Bank in 1999 was 1,191.4 million kuna, or 4.5 percent more than planned. The most important element in total income was interest on funds deposited abroad, which accounted for 65.8 percent of the total and exceeded the planned level by 164.1 million kuna.

7.1.1 Interest Receivable

a) Interest on Loans and other Placements from the Primary Issue

Income earned by the Croatian National Bank in 1999 from interest on loans and other placements from the primary issue was 270.6 million kuna, or 90.2 percent of the planned amount. This was the result of increased demand for central bank loans by banks and savings banks, worsened liquidity and interest rate changes.

The activities of the central bank vis-à-vis commercial banks were mainly focused on Lombard loans, repo auctions and short-term liquidity loans, a new instrument introduced in February 1999, at 14 percent interest annually. The interest rate on Lombard loans increased from 12 to 13 percent at the beginning of 1999, and the discount rate also increased from 5.9 to 7.9 percent. The interest paid by banks and savings banks on intervention loans was 19 percent annually, while the average weighted interest rate achieved at repo auctions of CNB and treasury bills ranged between 11.2 and 12.6 percent, or 12.3 percent at the annual level (in 1998 it was 10.7 percent). Since a large portion of these loans came due but were not paid, income also grew on account of default interest.

The structure of income from interest on loans from the primary issue to financial institutions is as follows:

ITEM	Amount in million kuna	%
Income from interest on liquidity loans	122.4	66.5
Income from interest on Lombard loans	18.1	9.9
Income from interest on daily Lombard loans	0.7	0.4
Income from interest on loans (repo auctions of CNB bills)	16.6	9.0
Income from interest on intervention loans	13.7	7.4
Income from default interest on overdue loans and default interest on overdue interest on loans	12.5	6.8
TOTAL	**184.0**	**100.0**

Of the total income from interest on loans from the primary issue in 1999, 86.6 million kuna or 32 percent was from interest on loans extended to the government at a 7.9 percent annual discount rate.

Income from interest on primary issues accounted for 22.7 percent of the total income.

b) Interest and other Income from Funds Deposited Abroad

Interest earned on foreign exchange deposits abroad is booked as income of the Croatian National Bank in kuna countervalue. In 1999, this income amounted to 784.1 million kuna, which is a high 26.5 percent more than planned.

Interest earned on foreign exchange deposits abroad accounted for 65.8 percent of the total income of the Croatian National Bank and was the largest element in income earned.

Since gross international reserves in 1999 were, as forecast, around 2,700.0 million US dollars, the positive difference between the earned and planned income from interest cannot be attributed to any increase in total gross reserves. The main reason for the increase in income from interest on funds deposited abroad is the strengthening of the US dollar and the euro against the kuna. From 1 January to 31 December 1999, the US dollar strengthened against the kuna by 22.4 percent, while the euro strengthened by 5 percent. In addition, interest rates during 1999 increased, primarily on funds deposited in US dollars. Since around 75 percent of gross international reserves in 1999 were invested into short-term deposits and repo-agreements, with average maturities of about one month, income from the said instruments grew simultaneously with the increase in interest rates. In 1999, interest grew from 5.1 to 5.8 percent on one-month dollar deposits and from 2.6 to 2.8 percent on euro-denominated deposits.

Because of the exchange rate changes, exchange rate differences are calculated on international reserves. In 1999, there was a positive exchange rate difference amounting to 5,566.8 million kuna and a negative amounting to 3,419.8 million kuna, which resulted in a positive exchange rate difference of 2.147.0 million kuna.

7.1.2 Other Income

Other income in 1999, which accounted for 11.5 percent of the total income, was 136.7 million kuna or 62.1 percent of the planned amount. The largest item, which was 73.5 million kuna or 53.8 percent, was income from interest on intervention loans (interest rate 19 percent p.a.) and income from default interest charged to banks and savings banks that failed to calculate adequately their reserve requirements, that did not maintain the legally required average level of daily reserves or that set aside a lower-than prescribed amount of reserve requirements.

56.7 million kuna (41.5 percent of income) was received from excess provisions for doubtful loans and interest (ordinary and default) on loans and reserve requirements for 1998 and 1999.

The remaining 6.5 million kuna (4.7 percent of income) derives from the sale of securities (tax stamps), income from an in-house restaurant and cafeterias, income from the sale of numismatics and other extraordinary income.

7.2 Expenditures

The level and structure of expenditures of the Croatian National Bank in 1999 in comparison with planned expenditures is shown below:

Table VII.3

Expenditures of the Croatian National Bank, in kuna and %

ITEM	Plan 1999	Outturn 1999	% share	Index 3/2
1	2	3	4	5
1. INTEREST PAYABLE				
1.1. Interest on reserve requirements of banks	414,000,000.00	380,202,719.06	32.0	91.8
1.2. Interest on securities	136,000,000.00	151,644,929.56	12.8	111.5
1.3. Interest on IMF arrangements	89,000,000.00	60,898,608.37	5.1	68.4
2. EXPENSES				
2.1. Expenses of printing banknotes and minting coins	15,000,000.00	757,285.61	0.1	5.0
2.2. Material and other expenses	96,500,000.00	108,165,339.07	9.1	112.1
2.3. Depreciation	9,800,000.00	9,672,371.34	0.8	98.7
2.4. Gross salaries/wages of	78,900,000.00	69,437,319.05	5.8	88.0
- employees	77,100,000.00	67,975,887.08	-	88.2
- officials	1,800,000.00	1,461,431.97	-	81.2
2.5. Provisions for doubtful debts and interest	290,000,000.00	407,545,536.61	34.3	140.5
TOTAL EXPENDITURES	1,129,200,000.00	1,188,324,108.67	100.0	105.2

According to the financial statement for 1999, expenditures were 1,188.3 million kuna, or 5.2 percent more than planned. Interest payable accounted for 49.9 percent of expenditures, while expenses accounted for 50.1 percent. Interest on banks' reserve requirements accounted for the largest share of total interest payable, while provisions for doubtful debts and interest (34.3 percent of total expenditures) accounted for the largest share of expenses.

7.2.1 Interest Payable

a) Interest on Reserve Requirements of Banks

In 1999, the Croatian National Bank paid 380.2 million kuna of interest payable on reserve requirements of banks and savings banks, which is 8.2 percent less than planned. The interest on reserve requirements in kuna was 220.1 million kuna. The interest rate paid by the Croatian National Bank on total kuna reserve requirements was 5.9 percent annually, both on reserve requirements held in the account with the Croatian National Bank and on reserve requirements held in settlement accounts.

In 1999, remuneration for reserve requirements in foreign exchange was 160.1 million kuna. The rate of remuneration is determined by the market interest rate that the Croatian National Bank earns on its portfolio of foreign exchange set aside by banks and savings banks.

Lower than expected interest expenses for reserve requirements can be explained by lower average amounts of reserve requirements set aside, which is the result of the crisis of the Croatian financial system and the bankruptcy of several Croatian banks.

Interest paid on reserve requirements accounted for 32 percent of the total expenditures of the Bank.

b) Interest on Securities

Unlike interest on reserve requirements, the amount of interest on CNB bills paid by the Croatian National Bank in 1999 was 11.5 percent above the plan.

The average amount of kuna and foreign exchange CNB bills bought in 1999 was larger than planned, with the amount of foreign exchange CNB bills being additionally influenced by the strengthening of the US dollar and the euro against the kuna. There was greater interest in short-term CNB bills. Interest rates on kuna CNB bills increased during the year between 1.0 percentage point (for 35-day bills) and 1.5 (for 182-day bills); at the end of the year they reached 10.5 percent on 35 day-bills, 11.5 on 91-day bills and 12.5 percent on 182-day bills. In contrast, interest rates on foreign exchange CNB bills were twice or even three times lower than the rates on kuna CNB bills; at the end of the year, the interest rate on euro-denominated 63- and 91-day CNB bills was 3.26 percent while those on US dollar-denominated bills with the same maturities ranged between 5.93 and 6 percent).

Expenditures for interest payable on kuna and foreign exchange CNB bills came to 151.6 million kuna, of which 89.3 million kuna on kuna CNB bills, and 61.7 million kuna on foreign exchange CNB bills. The remaining 0.7 million kuna is interest expense on repo deposits in foreign exchange.

c) Interest on IMF Arrangements

This item comprises interest on financial arrangements between the International Monetary Fund and the Republic of Croatia. All interest obligations are being paid to the International Monetary Fund when they fall due, in accordance with the resolutions of the representatives of the Croatian National Bank and the Ministry of Finance of the Republic of Croatia.

Interest calculated and paid by the Croatian National Bank in 1999 on the basis of Stand-by, STF and EFF arrangements was 60.9 million kuna (6.3 million in special drawing rights), which is 68.4 percent of the planned amount, accounting for 5.1 percent of total expenditures.

7.2.2 Expenses

a) Expenses of Printing Banknotes and Minting Coins

Article 36 of the Law on the Croatian National Bank stipulates that the Croatian National Bank is responsible for the issuing of banknotes and coins denominated in the monetary unit of the Republic of Croatia.

The Croatian National Bank entrusted the minting of coins to the Croatian Monetary Institute, an institution founded by the central bank, while banknotes are printed abroad.

The planned expenditures of the Croatian National Bank for 1999 included 15.0 million kuna expenses for minting plates, the minting coins in circulation, import duties and VAT.

In the new accounting system of the Croatian National Bank, the expenses of printing kuna banknotes and minting kuna coins are depreciated. The expenses of minting kuna coins are booked in the Croatian National Bank Balance Sheet as accumulated depreciation of minting coins (on December 31, this amounted to 12.0 million kuna) which depreciate over five years (for banknotes it is two years); thus the annual depreciation rate is 20 percent for coins and 50 percent for banknotes. This is why this item was 0.8 million kuna, only 5 percent of the planned amount.

b) Material and other Expenses

Material and other expenses in 1999 were 108.2 million kuna, which is 12.1 percent more than planned. In line with the new accounting system and International Accounting Standard 18, item 34 (the principle of showing income and expenditures in gross amounts), this item also includes a loss on trading in securities denominated in foreign currency amounting to 19.6 million kuna (18.1 percent of total expenses). As a result, total expenses were larger than planned (gains on this basis were booked as income).

This item's major expenses (61.2 percent) include: gross salaries/wages and other payments to employees, contributions on salaries/wages and other payments to employees, fees for professional services, repairs and maintenance and other outside services.

The remaining 20.7 percent include expenses for stationery and office supplies, communications costs, publications and subscriptions, transportation, bank charges in foreign currency, other administrative expenses and other extraordinary expenses.

c) Depreciation

The basic guidelines on fixed assets depreciation are given in item 4 of International Accounting Standard 4 and relate to the following assets:

a) assets expected to be used during more than one accounting period;

b) assets with limited useful life; and

c) assets held for administrative purposes.

Depreciation is calculated using the linear method and at rates at the level of or slightly lower than the annual depreciation rates published in the Rulebook on Depreciation (Official Gazette, No. 91/94 to 142/97). The depreciation expenses of the Croatian National Bank in 1999 were 9.7 million kuna, or 98.7 percent of the planned amount.

Depreciation expenses accounted for 0.8 percent of the total expenditures.

d) Gross Salaries/Wages of Employees

Salaries/wages in the Croatian National Bank in 1999 were paid in accordance with the Statute of the Croatian National Bank and Rulebook on Salaries/Wages and other Employee Income. On the basis of these documents, the Council of the Croatian National Bank determines the level of salaries/wages and corrections to salaries/wages.

In 1999, total gross salaries/wages in the Croatian National Bank were 69.4 million kuna or 12 percent less than planned, which indicates that the funds earmarked for salaries/wages were not used for wage increases.

Of the total 69.4 million kuna paid in gross salaries/wages, 1.4 million kuna was paid for officials' salaries (Governor, Deputy Governor and Vice-Governors) and 68.0 million kuna for CNB employees' salaries. Officials' salaries were paid out in accordance with the Law on the Obligations and Rights of Government Officials (Official Gazette, No. 101/98, 135/98 and 105/99).

The level of total salaries/wages paid in 1999 was also influenced by a 4.6 percent correction in the gross value of a salary point in November 1999, a one-off holiday cash bonus, salaries for new employees, an increase in salaries for employees promoted in 1999, and the high qualification structure of Croatian National Bank employees, of whom over 50 percent hold a university degree.

e) Provisions for Doubtful Debts and Interest

With the banking crisis continuing into 1999, some banks' and savings banks' were unable to settle on due date their loan and regular and default interest obligations towards the Croatian National Bank. As a result, the Bank had to make provisions, on the expenditures side, for doubtful debts. These provisions were made in accordance with the Decision of the Governor on 30 June 1999 on the provisioning policy of the Croatian National Bank for loans extended to banks.

According to this Decision, when a bank faces financial difficulties that can negatively affect timely settlement of interest and principal to the Croatian National Bank on loans that are not covered by first-class instruments of collateral, the Croatian National Bank must evaluate the loan risk and make adequate provisions.

All Croatian National Bank' claims (due and outstanding) on a certain bank are classified into the risk group of the longest individual overdue claim on that bank, as follows:

- for loan obligations and/or interest overdue 61 to 90 days, provisions have to be made in the amount of 25 percent of the loan, or 25 percent of the unpaid interest;
- for loan and/or interest obligations overdue 91 to 180 days, provisions have to be made in the amount of 50 percent of the loan and 100 percent of the unpaid interest;
- for loan obligations and/or interest overdue over 180 days or if a bankruptcy procedure has been initiated against the debtor bank, the provisions must equal 100 percent of the loan and 100 percent of the unpaid interest.

Provisioning is not required for loans covered by first-class instruments of collateral, which include debt securities of the Croatian National Bank or Ministry of Finance of the Republic of Croatia.

Total provisions for doubtful debts and interest were 407.5 million kuna or 34.3 percent of total expenditures.

7.3 Surplus of Income over Expenditures

The surplus of income over expenditures, after settlement of expenditures, is government revenue in accordance with article 80 of the Law on the Croatian National Bank.

Total income in 1999 was 1,191.4 million kuna, or 4.5 percent more than planned, while total expenditures were 1,188.3 million kuna, or 5.2 percent more than planned. Thus the surplus of income over expenditures was 3.1 million kuna, or 28.8 percent of the planned amount. The level of surplus of income over expenditures was largely determined by provisions for doubtful debts and interest amounting to 407.5 million kuna which accounted for 34.3 percent of total expenditures. As a result of large provisions due to bankruptcy procedures that had been initiated in several banks and impossibility of debt collection, the Croatian National Bank mostly ran a surplus of expenditures over income during the year, as shown in its interim financial statements.

In accordance with the Governor's Decision of 19 February 1999, the surplus of income over expenditures of the Croatian National Bank is transferred to the Ministry of Finance of the Republic of Croatia according to the following schedule: an interim sum is transferred by 20 July of the current year according to the half-year financial statements; the remaining amount is transferred after the annual financial statements have been adopted by the Council of the Croatian National Bank.

Table VII.4. Balance Sheet of the Croatian National Bank, in kuna

Account No.	Item	Balance on January 1, 1999	Balance on December 31, 1999
	ASSETS		
10	Domestic cash	26,797.41	43,496.38
11	Gold and precious metals in vaults	1,269,619.61	1,269,619.62
12	Foreign currency cash and correspondent banks' accounts	12,051,965,270.53	18,879,937,599.78
13	Foreign currency investments	7,843,721,150.31	8,176,379,869.53
14	Assets in non-convertible currencies	1,341,755.28	1,282,775.28
15	Loans to government	3,500,658.52	10,508,229.57
17	Loans to financial institutions	1,105,133,804.53	1,545,017,040.92
19	Provisions	-52,397,475.27	-400,944,697.75
20	Fixed assets	53,292,325.73	64,635,831.15
21	Inatngible assets	0.00	12,043,621.27
22	Equity participation	8,054,296.80	8,054,296.80
23	Numismatics and other collections	14,591,515.56	14,368,965.23
24	Inventories	510,285.14	652,971.69
28	Miscellaneous loans	1,081,715.11	1,184,212.30
29	Other assets	10,659,293,869.84	6,863,388,116.95
	TOTAL ASSETS	31,691,385,589.10	35,177,821,948.72
	LIABILITIES		
30	Currency issues	5,970,211,509.89	6,341,015,235.76
31	CNB bills in circulation (discounted value)	875,317,339.00	1,255,387,189.00
32	Foreign currency liabilities	1,677,475,439.70	4,814,447,956.12
34	CNB bills in circulation denominated in foreign exchange (discounted value)	1,414,080,805.09	1,634,708,039.90
35	Domestic currency liabilities to non-residents	3,771,612,736.14	5,342,357,031.65
36	Domestic currency deposits from government	342,201,167.87	279,567,862.34
37	Domestic currency deposits from financial institutions	4,050,005,632.28	4,316,690,836.00
38	Domestic currency deposits from other institutions	119,123,365.41	166,198,349.04
39	Miscellaneous accounts payable	636,569,891.13	14,384,098.22
48	Adjustment, settlement and transit accounts	9,985,358,968.50	6,881,637,454.12
52	Reserves	2,849,428,734.09	4,131,427,896.57
	TOTAL LIABILITES	31,691,385,589.10	35,177,821,948.72

Note: Pursuant to the Decision on the Transfer of Banks' and Savings Banks' Accounts from the Institute for Payment Transactions (hereinafter ZAP) to the Croatian National Bank and Putting into Operation the Croatian Large Value Payment System (Official Gazette, No. 32/99), the Croatian National Bank introduced on April 6, 1999 a real time gross settlement system (hereinafter: CLVPS), for keeping banks' and savings banks' settlement accounts, reserve requirements accounts, obligatory deposits on banks' and savings banks' foreign exchange deposits accounts, the Croatian National Bank account and ZAP account. The CLVPS is used for payment transactions between the mentioned participants. Banks and savings banks keep a daily transit account at ZAP which is used for the supply of banks and savings banks with cash money, banks' and savings banks' payment transactions with participants who keep their accounts with ZAP, and for the inclusion of depositors' funds in the accounts with ZAP into banks' and savings banks' settlement accounts. At the end of each workday, daily transit account balances are transferred into the settlement account with the Croatian National Bank. Within the CLVPS, ZAP serves as an intermediary in transferring accounts between banks' and savings banks' settlement accounts with the Croatian National Bank and their daily transit accounts with ZAP. In the balance sheet of the Croatian National Bank, the CLVPS settlement account is entered as assets' transit account for all credit and debit transactions in the account of the Croatian National Bank, banks' and savings banks' accounts and ZAP account. The daily balance of this account (account 298 201) must be zero. The main settlement account with CLVPS is entered on the liabilities side of the Croatian National Bank balance sheet as the issuing account for banks and savings banks within the CLVPS. The transactions and balance in this account (account 482 101) is the cumulative amount of transactions of all participants within the CLVPS. On December 31, 1999, the balance in this account was -8,703.9 million kuna.

Table VII.5 Balance Sheet of the Croatian National Bank Off-Balance Sheet Statement, in kuna

Account No.	Item	Balance on January 1, 1999	Balance on December 31, 1999
	ASSETS		
94	Commitment on operations on securities	5,256,168,630.00	132,125,028.85
95	Foreign currency transactions	191,989,272.00	0.00
97	Collaterals (pledged assets)	581,037,655.00	295,361,469.40
98	Collarerals denominated in foreign exchange	0.00	251,237,400.71
99	Other commitments	597,912,902.27	1,743,980,612.22
	TOTAL OFF-BALANCE SHEET ACCOUNTS	6,627,108,459.27	2,422,704,511.18
	LIABILITIES		
84	Contra-accounts of commitment on operations on securities	5,256,168,630.00	132,125,028.85
85	Off-balance sheet foreign exchange net position accounts	191,989,272.00	0.00
87	Contra-accounts of collaterals	581,037,655.00	295,361,469.40
88	Contra-accounts of collaterals denom. in forex	0.00	251,237,400.71
89	Contra-accounts for other commitments	597,912,902.27	1,743,980,612.22
	TOTAL OFF-BALANCE SHEET CONTRA-ACCOUNTS	6,627,108,459.27	2,422,704,511.18

Table VII.6 Balance Sheet of the Croatian National Bank Treasury Inventory System, in kuna

Account No.	Item	Balance on January 1,1999	Balance on December 31, 1999
	ASSETS		
01	Cash (kuna and HRD)	87,363,859,150.23	85,345,639,637.50
02	Custody accounts	378,341,281.33	432,187,233.67
03	Accounts for foreign operations (former YU)	504,975,747.33	581,085,280.47
04	Written-off receivables	268,746,809.10	482,026,353.15
09	Other	106,828,271.86	113,729,582.05
	TOTAL ASSETS	88,622,751,259.85	86,954,668,086.84
	LIABILITIES		
01	Cash (kuna and HRD)	87,363,859,150.23	85,345,639,637.50
02	Custody accounts	378,341,281.33	432,187,233.67
03	Accounts for foreign operations (former YU)	504,975,747.33	581,085,280.47
04	Written-off receivables	268,746,809.10	482,026,353.15
09	Other	106,828,271.86	113,729,582.05
	TOTAL LIABILITIES	88,622,751,259.85	86,954,668,086.84

MANAGEMENT AND THE INTERNAL ORGANIZATION OF THE CNB (December 31, 1999)

MEMBERS OF THE COUNCIL OF THE CROATIAN NATIONAL BANK

Chairman of the Council

Marko Škreb

Zdravko Rogić

Relja Martić

Pero Jurković

Ivan Milas

Gorazd Nikić

Mate Babić

Vlado Leko

MANAGEMENT OF THE CNB

Marko Škreb, Governor

Zdravko Rogić, Deputy Governor

Relja Martić, Vice-Governor

EXECUTIVE DIRECTORS

Research and Statistics Area - **Velimir Šonje**

Central Banking Operations Area - **Irena Kovačec**

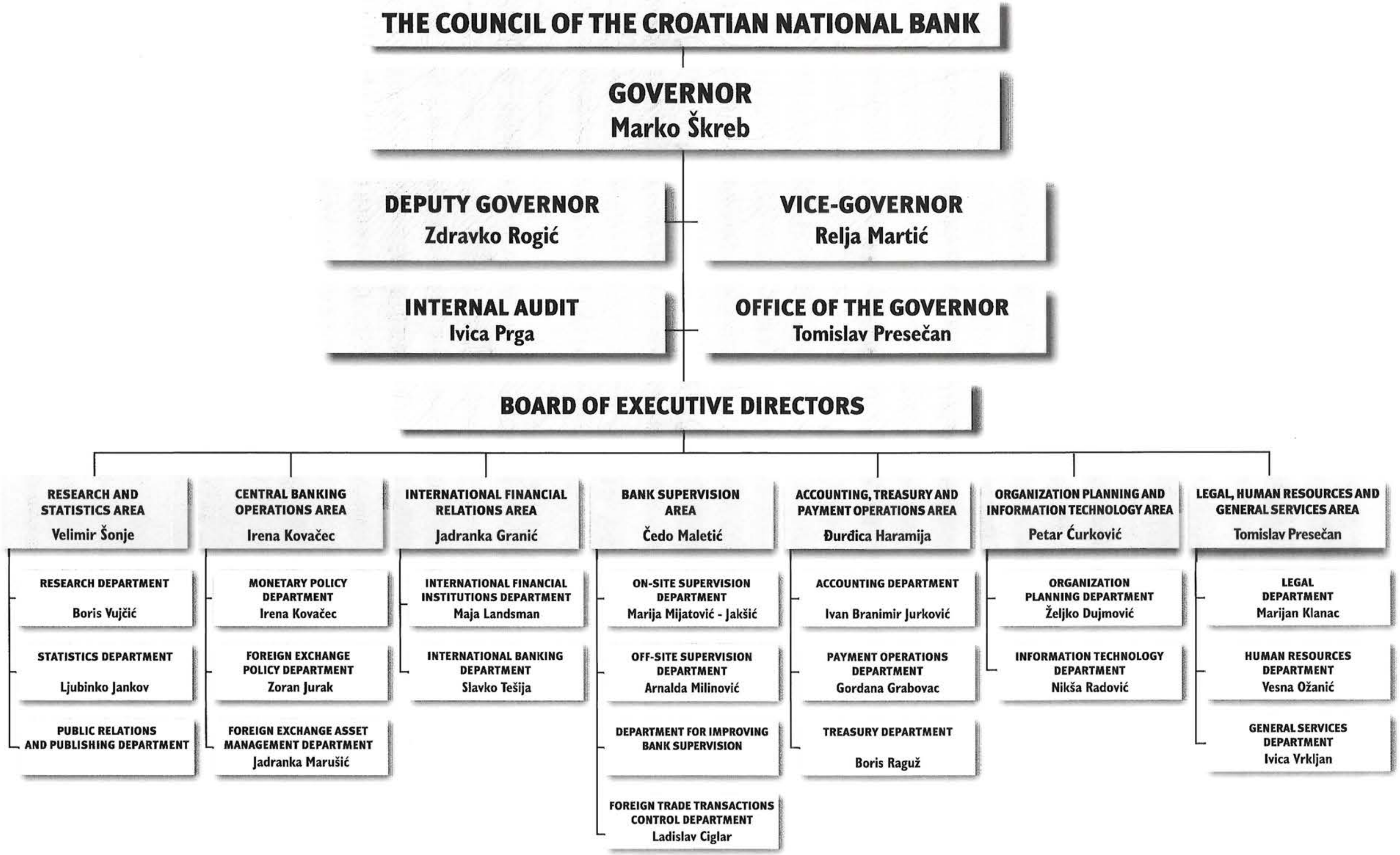
International Financial Relations Area - **Jadranka Granić**

Bank Supervision Area - **Čedo Maletić**

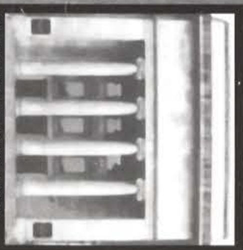
Accounting, Treasury and Payment Operations Area - **Đurđica Haramija**

Organization Planning and Information Technology Area - **Petar Ćurković**

Legal, Human Resources and General Services Area - **Tomislav Presečan**



THE COUNCIL OF THE CROATIAN NATIONAL BANK
GOVERNOR
Marko Škreb
DEPUTY GOVERNOR
Zdravko Rogić
VICE-GOVERNOR
Relja Martić
INTERNAL AUDIT
Ivica Prga
OFFICE OF THE GOVERNOR
Tomislav Presečan
BOARD OF EXECUTIVE DIRECTORS
RESEARCH AND STATISTICS AREA
Velimir Šonje
RESEARCH DEPARTMENT
Boris Vujčić
STATISTICS DEPARTMENT
Ljubinko Jankov
PUBLIC RELATIONS AND PUBLISHING DEPARTMENT
CENTRAL BANKING OPERATIONS AREA
Irena Kovačec
MONETARY POLICY DEPARTMENT
Irena Kovačec
FOREIGN EXCHANGE POLICY DEPARTMENT
Zoran Jurak
FOREIGN EXCHANGE ASSET MANAGEMENT DEPARTMENT
Jadranka Marušić
INTERNATIONAL FINANCIAL RELATIONS AREA
Jadranka Granić
INTERNATIONAL FINANCIAL INSTITUTIONS DEPARTMENT
Maja Landsman
INTERNATIONAL BANKING DEPARTMENT
Slavko Tešija
BANK SUPERVISION AREA
Čedo Maletić
ON-SITE SUPERVISION DEPARTMENT
Marija Mijatović - Jakšić
OFF-SITE SUPERVISION DEPARTMENT
Arnalda Milinović
DEPARTMENT FOR IMPROVING BANK SUPERVISION
FOREIGN TRADE TRANSACTIONS CONTROL DEPARTMENT
Ladislav Ciglar
ACCOUNTING, TREASURY AND PAYMENT OPERATIONS AREA
Đurđica Haramija
ACCOUNTING DEPARTMENT
Ivan Branimir Jurković
PAYMENT OPERATIONS DEPARTMENT
Gordana Grabovac
TREASURY DEPARTMENT
Boris Raguž
ORGANIZATION PLANNING AND INFORMATION TECHNOLOGY AREA
Petar Ćurković
ORGANIZATION PLANNING DEPARTMENT
Željko Dujmović
INFORMATION TECHNOLOGY DEPARTMENT
Nikša Radović
LEGAL, HUMAN RESOURCES AND GENERAL SERVICES AREA
Tomislav Presečan
LEGAL DEPARTMENT
Marijan Klanac
HUMAN RESOURCES DEPARTMENT
Vesna Ožanić
GENERAL SERVICES DEPARTMENT
Ivica Vrkljan



LIST OF DEPOSIT MONEY BANKS AND SAVINGS BANKS (December 31, 1999)

LIST OF DEPOSIT MONEY BANKS

* **AGRO-OBRTNIČKA BANKA d.d.**
Amruševa 8
10000 ZAGREB

Tel.: +385 1/ 4553 069
Fax: +385 1/ 4817 642
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 CREDITANSTALT CROATIA d.d.**
Jurišićeva 2
10000 ZAGREB

Tel.: +385 1/ 4800 777
Fax: +385 1/ 4800 891
SWIFT: BACX HR 22

* **BJELOVARSKA BANKA d.d.**
Jurja Haulika 19a
43000 BJELOVAR

Tel.: +385 43/ 2750, 275 100
Fax: +385 43/ 241 897
Tlx: 23330 bjelba rh
SWIFT: BJBA HR 2X

* **BNP – DRESDNER BANK (CROATIA) d.d.**
Andrije Žaje 61
10000 ZAGREB

Tel.: +385 1/ 3652 777
Fax: +385 1/ 352 779
Tlx: 21144 bndb hr
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/ 4614 346, 4614 423
Fax: +385 1/ 4614 428, 4614 347
SWIFT: TSBZ HR 22

* **CENTAR BANKA d.d.**
Jurišićeva 3
10000 ZAGREB

Tel.: +385 1/ 4803 444
Fax: +385 1/ 4803 441
Tlx: 21707
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 ciban rh
SWIFT: VKBK HR 2X

** **CONVEST BANKA d.d.**
Gajeva ulica 33
10000 ZAGREB

Tel.: +385 1/ 4556 633, 4922 333
Fax: +385 1/ 4819 153
SWIFT: CNVT HR 22

* **CREDO BANKA d.d.**
Z. Frankopanska 58
21000 SPLIT

Tel.: +385 21/ 380 655
Fax: +385 21/ 380 683
SWIFT: CDBS HR 22

* **CROATIA BANKA d.d.**
Kvaternikov trg 9
10000 ZAGREB

Tel.: +385 1/ 2391 111; 2331 778
Fax: +385 1/ 2332 470
SWIFT: CROA HR 2X

* **ČAKOVEČKA BANKA d.d.**
Katarine Zrinski 1
40000 ČAKOVEC

Tel.: +385 40/ 311 434
Fax: +385 40/ 315 101
SWIFT: CAKB HR 22

* **DALMATINSKA BANKA d.d.**
Trg Sv. Stošije 3
23000 ZADAR

Tel.: +385 23/ 311 311
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, 356 333
Fax: +385 20/ 411 035, 356 778
Tlx: 27540 hrvdubank
27592 hrvdubank
SWIFT: DUBA HR 2X

* **GOSPODARSKO KREDITNA BANKA d.d.**
Draškovićeva 58
10000 ZAGREB

Tel.: +385 1/ 4802 555
Fax: +385 1/ 4802 577
Tlx: 22404 ccb zg hr
SWIFT: CCBZ HR 2X

* **HRVATSKA GOSPODARSKA BANKA d.d.**
Metalčeva 5
10000 ZAGREB

Tel.: +385 1/ 3651 888
Fax: +385 1/ 3651 891
Tlx: 21664, (ANSWERBAC) HGB RH
SWIFT: HGBK HR 2X

* **HRVATSKA POŠTANSKA BANKA d.d.**
Jurišićeva 4
10000 ZAGREB

Tel.: +385 1/ 4804 513
Fax: +385 1/ 4810 700, 4810 773
SWIFT: HPBZ HR 2X

* **HYPO ALPE-ADRIA-BANK CROATIA d.d.**
Koturaška 47
10000 ZAGREB

Tel.: +385 1/ 6103 660, 6103 666
Fax: +385 1/ 6103 555
SWIFT: KLHB HR 22

** **HYPOBANKA d.o.o.**
Vodovodna 20a
10000 ZAGREB

Tel.: +385 1/ 3643 710
Fax: +385 1/ 3643 687
Tlx: 21621 hipzg rh
SWIFT: HYZG HR 22 BIC

* **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
Fax: +385 52/ 527 400, 527 444
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
SWIFT: ISKB HR 2X

* **JADRANSKA BANKA d.d.**
Ante Starčevića 4
22000 ŠIBENIK

Tel.: +385 22/ 242 242
Fax: +385 22/ 335 881, 339 010
Tlx: 27435, 27 346 jbs rh
SWIFT: JADR HR 2X

* **KAPTOL BANKA d.d.**
Savska 66
10000 ZAGREB

Tel.: +385 1/ 6302 999
Fax: +385 1/ 6302 880
SWIFT: KPZG HR 22

* **KARLOVAČKA BANKA d.d.**
I. G. Kovačića 1
47000 KARLOVAC

Tel.: +385 47/ 614 300, 614 200
Fax: +385 47/ 614 206
Tlx: 23742 kb ka rh
SWIFT: KALC HR 2X

* **KRAPINSKO-ZAGORSKA BANKA d.d.**
Magistratska 3
49000 KRAPINA

Tel.: +385 49/ 370 770, 370 772
Fax: +385 49/ 370 771, 370 822
Tlx: 29239
SWIFT: KZBK HR 22

* **KREDITNA BANKA ZAGREB d.d.**
Ul. grada Vukovara 74
10000 ZAGREB

Tel.: +385 1/ 6167 333
Fax: +385 1/ 6116 466, 6116 468
Tlx: 21197 krez zg rh
SWIFT: KREZ HR 2X

* **KVARNER BANKA d.d.**
Jadranski trg 4/I
51000 RIJEKA

Tel.: +385 51/ 353 555
Fax: +385 51/ 353 566
Tlx: 24564 kbri hr
SWIFT: KVRB HR 22

* **MEĐIMURSKA BANKA d.d.**
Valenta Moradinija 37
40000 ČAKOVEC

Tel.: +385 40/ 370 500, 370 600
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/ 3656 777
Fax: +385 1/ 3656 700
SWIFT: NAVB HR 22

* **PARTNER BANKA d.d.**
Vončinina 2
10000 ZAGREB

Tel.: +385 1/ 460 2222
Fax: +385 1/ 460 2280
Tlx: 21212 parbaz rh
SWIFT: PAZG HR 2X

* **PODRAVSKA BANKA d.d.**
Opatička 1a
48300 KOPRIVNICA

Tel.: +385 48/ 65 50
Fax: +385 48/ 622 542
Tlx: 23368 pod kc rh
SWIFT: PDKC HR 2X

* **POŽEŠKA BANKA d.d.**
Republike Hrvatske 1b
34000 POŽEGA

Tel.: +385 34/ 254 200
Fax: +385 34/ 254 258
Tlx: 28550 kb slp rh
SWIFT: POBK HR 2X

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

Tel.: +385 1/ 4610 401, 4610 447, 4550 822
Fax: +385 1/ 4610 429
Tlx: 21120 pbz rh
SWIFT: PBZG HR 2X
Reuters: PBZH

** **RAZVOJNA BANKA "DALMACIJA" d.o.o.**
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
Fax: +385 1/ 4811 624
Tlx: 21137 rba zg rh
SWIFT: RZBH HR 2X

* **RIADRIA BANKA d.d.**
Gjure Šporera 3
51000 RIJEKA

Tel.: +385 51/ 339 111, 339 803
Fax: +385 51/ 211 093, 211 013
Tlx: 24 161
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/ 3362 530
Fax: +385 1/ 3361 523
Tlx: 21811 samba rh
SWIFT: SMBR HR 22

* **SISAČKA BANKA d.d.**
Trg Lj. Posavskog 1
44000 SISAK

Tel.: +385 44/ 549 100
Fax: +385 44/ 549 101
Tlx: 23645 sbdd sk rh
SWIFT: SSKB HR 2X

* **SLATINSKA BANKA d.d.**
Vladimira Nazora 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.**
Kapucinska 29
31000 OSIJEK

Tel.: +385 31/ 231 100, 231 115, 231 231
Fax: +385 31/ 127 125
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

* **ŠTEDBANKA d.o.o.**
Slavonska avenija 3
10000 ZAGREB

Tel.: +385 1/ 6306 666
Fax: +385 1/ 6187 015
SWIFT: STED HR 22

* **TRGOVAČKA BANKA d.d.**
Varšavska 3-5
10000 ZAGREB

Tel.: +385 1/ 4561 999
Fax: +385 1/ 4561 900, 4561 920
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

* **VARAŽDINSKA BANKA d.d.**
P. Preradovića 17
42000 VARAŽDIN

Tel.: +385 42/ 10 60, 106 190
Fax: +385 42/ 106 122
Tlx: 23224 banka rh
SWIFT: VBDD HR 2X
Reuters: VBVH

* **VOLKSBANK d.d.**
Varšavska 9
10000 ZAGREB

Tel.: +385 1/ 4801 300
Fax: +385 1/ 4801 365
SWIFT: VBCR HR 22

* **ZAGREBAČKA BANKA d.d.**
Paromlinska 2
10000 ZAGREB

Tel.: +385 1/ 6104 000, 6110 500
Fax: +385 1/ 6110 555
Tlx: 21462 zaba rh
SWIFT: ZABA HR 2X
Reuters: ZBZH

* **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

* **PRIVREDNA BANKA – LAGUNA BANKA d.d.**
Prvomajska 4a
52440 Poreč

Tel.: +385 52/ 451 344
Fax: +385 52/ 451 320

LIST OF BRANCHES OF FOREIGN BANKS

* **Branch of**
SOCIETE GENERALE d.d. PARIS
Ul. Alexandera von Humboldta 4
10000 ZAGREB

Tel.: +385 1/ 6159 206, 6159 198
Fax: +385 1/ 6159 197
SWIFT : SOGE HR 22

* banks with full authorization
** banks with limited authorization

LIST OF REPRESENTATIVE OFFICES OF FOREIGN BANKS

ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG, Zagreb

STEIERMARKISCHE BANK UND SPARKASSEN AG, Zagreb

LHB INTERNATIONALE HANDELSBANK AG, Zagreb

KREDITNA BANKA d.d. TUZLA, Zagreb

MARKET BANKA, Split

PRIVREDNA BANKA BIHAĆ, Zagreb

DEUTSCHE BANK AG, Zagreb

CASSA DI RISPARMIO DI UDINE E PORDENONE SPA, Zagreb

BANK FÜR KÄRNTEN UND STEIERMARK AG, Zagreb

COMMERZ BANK AKTIENGESELLSCHAFT, Zagreb

LIST OF SAVINGS BANKS

ADRIA ŠTEDIONICA d.o.o.
10000 Zagreb, Poljička 31
Tel.: +385 1/ 6116 294, 6116 295
Fax: +385 1/ 6116 296

BANICA CREDO ŠTEDIONICA d.o.o.
21000 Split, Matica hrvatske 1
Tel.: +385 21/ 314 488
Fax: +385 21/ 314 488

GOLD ŠTEDIONICA d.o.o.
21000 Split, Poljička 39
Tel.: +385 21/ 313 645
Fax: +385 21/ 313 644

GOSPODARSKA ŠTEDIONICA ADRIATIC d.o.o.
10216 Vrbovec, Stjepana Radića 2
Tel.: +385 1/ 2792 888
Fax: +385 1/ 2792 855

HIBIS ŠTEDIONICA d.o.o.
10000 Zagreb, Vlaška 62
Tel.: +385 1/ 4550 210
Fax: +385 1/ 620 562

INVESTICIJSKO-KOMERCIJALNA ŠTEDIONICA d.d.
10000 Zagreb, Pantovčak 192a
Tel.: +385 1/ 4578 400
Fax: +385 1/ 4578 075

KRAPINSKA ŠTEDIONICA d.d.
49230 Krapina, Gajeva 2
Tel.: +385 49/ 370 627
Fax: +385 49/ 370 545

MARVIL ŠTEDIONICA d.o.o.
10000 Zagreb, Ivana Šibla 9
Tel.: +385 1/ 6601 668, 6637 922
Fax: +385 1/ 672 315

MEĐIMURSKA ŠTEDIONICA d.d.
40300 Čakovec, Kralja Tomislava 31
Tel.: +385 40/ 384 377, 395 393
Fax: +385 40/ 315 151

PRIMORSKA ŠTEDIONICA d.d.
51000 Rijeka, Riva 6
Tel.: +385 51/ 215 222
Fax: +385 51/ 214 022

* **PRVA OBRTNIČKA ŠTEDIONICA d.o.o.**
10000 Zagreb, Tkalčićeva 11
Tel.: +385 1/ 4800 111
Fax: +385 1/ 4800 144

SLAVONSKA ŠTEDIONICA d.d.
10000 Zagreb, Medvedgradska 47
Tel.: +385 1/ 4666 877, 4666 728
Fax: +385 1/ 4666 877

ŠTEDIONICA BROD d.o.o.
35000 Slavonski Brod, I. pl. Zajca 21
Tel.: +385 35/ 443 333
Fax: +385 35/ 447 142

ŠTEDIONICA DORA d.d.
10000 Zagreb, Nova cesta 89
Tel.: +385 1/ 3821 344
Fax: +385 1/ 3821 354

ŠTEDIONICA DUGI POGLED d.o.o.
10000 Zagreb, Planinska 1
Tel.: +385 1/ 2304 888, 2441 088
Fax: +385 1/ 2304 388, 2441 088

ŠTEDIONICA KOVANICA d.d.
42000 Varaždin, Zagrebačka 10
Tel.: +385 42/ 212 729
Fax: +385 42/ 212 148

ŠTEDIONICA MEDITERAN d.o.o.
21000 Split, Poljička cesta 39
Tel.: +385 21/ 313 645
Fax: +385 21/ 313 644

ŠTEDIONICA MORE d.o.o.
10000 Zagreb, Vlaška 67
Tel.: +385 1/ 4611 133
Fax: +385 1/ 4550 113

ŠTEDIONICA SA-GA d.o.o.
10090 Zagreb, Ljubljanska avenija 100
Tel.: +385 1/ 3880 599
Fax: +385 1/ 3880 545

* **ŠTEDIONICA SONIC d.d.**
10000 Zagreb, Savska cesta 131
Tel.: +385 1/ 6345 666
Fax: +385 1/ 6190 615

* **ŠTEDIONICA SPLITSKO DALMATINSKA d.o.o.**
21000 Split, Boktuljin put bb
Tel.: +385 21/ 352 444, 352 555
Fax: +385 21/ 352 500

ŠTEDIONICA ZA RAZVOJ I OBNOVU d.o.o.
10000 Zagreb, Koturaška 53
Tel.: +385 1/ 6171 319
Fax: +385 1/ 6170 652

ŠTEDIONICA ZAGIŠTED d.o.o.
10000 Zagreb, Hribarov prilaz 6a
Tel.: +385 1/ 672 101, 681 552
Fax: +385 1/ 6602 711

ŠTEDIONICA ZLATICA d.o.o.
10000 Zagreb, Gajeva 28
Tel.: +385 1/ 4818 282
Fax: +385 1/ 4558 588

ŠTEDIONICA ZLATNI VRUTAK d.d.
10000 Zagreb, Maksimirska 39
Tel.: +385 1/ 2301 949, 2301 951
Fax: +385 1/ 2301 950

TRGOVAČKA ŠTEDIONICA d.o.o.
10000 Zagreb, Utješinovićeva 7
Tel.: +385 1/ 2339 610, 2339 611
Fax: +385 1/ 2339 716

V i D ŠTEDIONICA d.o.o.
10000 Zagreb, Ulica grada Vukovara 52b
Tel.: +385 1/ 6111 330
Fax: +385 1/ 6111 477

ZAGREBAČKA ŠTEDIONICA d.d.
10000 Zagreb, Divka Budaka 1d
Tel.: +385 1/ 2301 333
Fax: +385 1/ 2300 453

KRIŽEVAČKA ŠTEDIONICA d.d.
Preradovićeva 14
48260 Križevci
Tel: +385 48/ 681 018
Fax: +385 48/ 681 018

LIST OF HOUSING SAVINGS BANKS

PRVA STAMBENA ŠTEDIONICA d.d.
10000 Zagreb, Jurišićeva 22
Tel.: +385 1/ 4801 514
Fax: +385 1/ 4801 571

WÜSTENROT STAMBENA ŠTEDIONICA d.d.
10000 Zagreb, Ilica 14
Tel.: +385 1/ 4803 788
Fax: +385 1/ 4803 798

** **HRVATSKA STAMBENA ŠTEDIONICA d.d.**
42000 Varaždin, Zagrebačka 38
Tel.: +385 42/ 290 555
Fax: +385 42/ 290 533

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.
10000 Zagreb, Ul. grada Vukovara 37b
Tel: +385 1/ 632 4100, 632 4102
Fax: +385 1/ 617 1099

* operating license includes collection of household foreign exchange savings and exchange operations

** licensed savings banks not yet operative

STATISTICAL APPENDIX

CROATIAN NATIONAL BANK - ANNUAL REPORT 1999

STATISTICAL APPENDIX

G. FINANCIAL MARKETS

H. INTERNATIONAL ECONOMIC RELATIONS

I. GOVERNMENT FINANCE

J. NONFINANCIAL STATISTICS

Table A1: Monetary and Credit Aggregates

End of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth: Reserve money	Monthly rates of growth: Money M1	Monthly rates of growth: Money M1a	Monthly rates of growth: Broadest money M4	Monthly rates of growth: Net domestic assets	Monthly rates of growth: Domestic credit
1993	December	2,248.9	3,134.4	3,759.2	10,061.1	12,005.7	20,287.9	-	-	-	-	-	-
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	January	9,547.8	12,647.0	12,745.6	57,160.5	45,789.8	60,417.1	-4.08	-6.54	-6.39	-0.31	2.61	1.05
	February	9,308.3	12,022.8	12,082.1	57,840.7	47,035.2	59,475.3	-2.51	-4.94	-5.21	1.19	2.72	-1.56
	March	8,966.1	11,982.4	12,036.7	56,635.4	46,018.9	60,061.2	-3.68	-0.34	-0.38	-2.08	-2.16	0.99
	April	9,014.3	12,034.5	12,111.4	55,576.4	46,039.2	60,166.5	0.54	0.43	0.62	-1.87	0.04	0.18
	May	9,295.1	12,897.2	12,940.7	52,540.2	41,588.3	55,461.7	3.11	7.17	6.85	-5.46	-9.67	-7.82
	June	9,493.9	13,269.5	13,348.2	53,355.2	41,309.2	54,971.4	2.14	2.89	3.15	1.55	-0.67	-0.88
	July	10,242.5	14,051.1	14,226.7	54,627.8	41,599.0	58,281.0	7.89	5.89	6.58	2.39	0.70	6.02
	August	10,255.6	14,314.3	14,448.3	55,543.7	41,244.0	57,963.5	0.13	1.87	1.56	1.68	-0.85	-0.54
	September	9,906.7	13,559.5	13,656.3	55,337.8	40,976.1	58,078.6	-3.40	-5.27	-5.48	-0.37	-0.65	0.20
	October	10,278.2	13,809.0	13,952.5	55,838.1	39,897.9	58,411.6	3.75	1.84	2.17	0.90	-2.63	0.57
	November	9,863.1	13,140.9	13,239.8	55,434.3	39,865.7	58,559.0	-4.04	-4.84	-5.11	-0.72	-0.08	0.25
	December [1]	10,310.0	13,858.9	13,965.7	56,698.6	40,003.8	55,875.1	4.53	5.46	5.48	2.28	0.35	-4.58

1) Domestic credit decreased by a one-off 2,759.4 million kuna.

Table B1: Monetary Survey

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[1]
ASSETS													
1. Foreign assets (net)	12,713.5	11,370.7	10,805.5	10,616.5	9,537.2	10,952.0	12,046.1	13,028.8	14,299.6	14,361.7	15,940.2	15,568.7	16,694.8
2. Domestic credit	66,923.1	68,531.2	69,608.7	69,126.1	69,435.9	64,697.9	64,190.7	66,958.7	66,529.9	66,623.1	65,841.2	66,337.2	65,937.9
2.1. Claims on central government and funds (net)	7,131.1	8,114.1	10,133.4	9,064.8	9,269.3	9,236.3	9,219.3	8,677.7	8,566.5	8,544.5	7,429.6	7,778.2	10,062.8
2.2. Claims on other domestic sectors	59,597.7	60,215.5	59,265.6	59,866.6	59,993.0	55,295.1	54,807.9	58,083.3	57,774.3	57,886.9	58,214.1	58,362.7	55,675.7
2.3. Claims on other banking institutions	0.4	0.4	0.4	0.4	-	-	-	53.5	54.5	47.1	47.3	46.0	45.4
2.4. Claims on other financial institutions	193.9	201.3	209.3	194.3	173.5	166.6	163.5	144.2	134.6	144.6	150.2	150.3	154.0
Total (1+2)	79,636.5	79,901.9	80,414.2	79,742.6	78,973.1	75,649.9	76,236.8	79,987.5	80,829.6	80,984.8	81,781.4	81,905.8	82,632.6
LIABILITIES													
1. Money	13,531.4	12,647.0	12,022.8	11,982.4	12,034.5	12,897.2	13,269.5	14,051.1	14,314.3	13,559.5	13,809.0	13,140.9	13,858.9
2. Savings and time deposits	5,683.8	5,675.4	5,638.4	5,353.1	5,246.5	4,944.1	4,977.2	4,872.0	5,078.7	5,253.3	5,344.2	5,321.1	5,397.5
3. Foreign currency deposits	37,970.9	38,689.1	40,040.3	39,165.5	38,163.3	34,567.0	34,970.5	35,206.2	35,614.5	36,014.3	36,189.6	36,482.1	36,966.0
4. Bonds and money market instruments	154.1	148.9	139.3	134.5	132.2	132.0	138.0	498.5	536.2	510.7	495.3	490.2	476.1
5. Restricted and blocked deposits	4,315.2	4,222.1	4,256.7	4,598.2	4,123.4	4,300.8	4,375.0	4,013.0	3,996.7	3,886.4	3,863.8	3,806.4	3,814.7
o/w: Households' blocked f/c deposits	3,419.1	3,182.4	3,228.1	3,184.1	3,151.0	3,125.8	3,110.5	2,844.1	2,807.4	2,798.7	2,759.5	2,764.1	2,742.7
6. Other (net)	17,981.1	18,519.4	18,316.8	18,509.0	19,273.2	18,808.9	18,506.6	21,346.7	21,289.2	21,760.6	22,079.5	22,665.1	22,119.3
Total (1+2+3+4+5+6)	79,636.5	79,901.9	80,414.2	79,742.6	78,973.1	75,649.9	76,236.8	79,987.5	80,829.6	80,984.8	81,781.4	81,905.8	82,632.6

1) The privatisation of Privredna banka Zagreb brought about a one-off decrease in its balance sheet of 2,759.4 million kuna. Loans in f/c to public enterprises diminished on the assets side and at the same time obligations to the Republic of Croatia arising from foreign credits diminished on the liabilities side. Loans in f/c to public enterprises are listed under assets item "2.2. Claims on other domestic sectors". Obligations to the Republic of Croatia arising from loans in f/c are listed under assets item "2.1 Claims on central government and funds (net)".

Table B2: Number of Reporting Deposit Money Banks 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	December	**57**	10	26	6	9	4	2	**22**	10	11	1
1997	December	**60**	4	28	9	8	9	2	**33**	12	18	3
1998	December	**60**	3	26	8	11	10	2	**33**	4	25	4
1999	January	**60**	4	24	9	12	9	2	**33**	4	25	4
	February	**60**	4	24	9	11	10	2	**33**	4	25	4
	March	**60**	4	24	9	12	9	2	**33**	5	24	4
	April	**59**	4	23	9	12	9	2	**33**	5	24	4
	May	**54**	4	22	8	11	7	2	**33**	6	23	4
	June	**54**	4	22	9	9	8	2	**31**	5	22	4
	July	**54**	4	24	7	8	9	2	**31**	7	20	4
	August	**54**	4	22	9	8	9	2	**31**	5	22	4
	September	**54**	3	25	7	8	9	2	**31**	4	23	4
	October	**54**	3	25	7	8	9	2	**31**	3	24	4
	November	**54**	3	25	7	7	10	2	**31**	3	24	4
	December	**53**	4	23	7	7	10	2	**30**	5	21	4

Table C1: Monetary Authorities Accounts (Assets)

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
ASSETS													
1. Foreign assets	**17,592.5**	**16,917.1**	**16,464.0**	**17,376.5**	**17,277.1**	**18,769.0**	**19,157.8**	**19,552.5**	**20,678.3**	**20,414.5**	**21,899.2**	**21,392.3**	**23,135.7**
1.1. Gold	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Holdings of SDRs	1,444.4	1,455.7	1,515.9	1,551.3	1,490.4	1,504.4	1,505.3	1,471.9	1,504.6	1,521.6	1,392.3	1,431.6	1,449.2
1.3. Reserve position in the IMF	1.0	1.1	1.1	1.3	1.3	1.4	1.4	1.3	1.4	1.6	1.6	1.6	1.6
1.4. Currency and demand deposits with foreign banks	342.0	347.9	378.0	1,118.7	1,431.4	1,437.4	1,441.7	743.9	721.2	722.5	729.5	1,104.9	1,109.6
1.5. Time deposits with foreign banks	11,696.6	10,531.1	9,983.2	11,043.3	11,144.1	12,906.1	13,678.7	14,898.6	15,935.9	15,540.9	16,816.9	15,680.0	17,702.4
1.6. Securities in f/c	4,107.2	4,580.1	4,584.5	3,660.6	3,208.6	2,918.6	2,529.5	2,435.4	2,513.9	2,626.6	2,957.5	3,172.8	2,871.6
1.7. Nonconvertible foreign exchange	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
2. Claims on central government and funds	**-**	**1,583.7**	**1,760.9**	**1,270.0**	**1,370.8**	**1,374.4**	**1,374.4**	**1,374.4**	**1,378.0**	**1,378.0**	**1,078.0**	**1,081.9**	**24.1**
2.1. Claims in kuna	-	1,583.7	1,760.9	1,270.0	1,370.8	1,374.4	1,374.4	1,374.4	1,378.0	1,378.0	1,078.0	1,081.9	24.1
Bridging loans	-	1,583.7	1,631.6	1,270.0	1,370.0	1,370.0	1,370.0	1,370.0	1,370.0	1,370.0	1,070.0	1,070.0	0.0
Loans under separate decrees	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdue claims	-	-	129.3	-	0.8	4.4	4.4	4.4	8.0	8.0	8.0	11.9	24.1
2.2. Claims in f/c	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Claims on other domestic sectors	**1.0**	**0.8**	**0.6**	**0.4**	**3.2**	**307.6**	**303.6**	**302.2**	**296.9**	**291.6**	**286.5**	**281.6**	**276.1**
4. Claims on DMBs	**1,053.8**	**803.5**	**1,723.8**	**1,638.0**	**2,204.4**	**1,184.6**	**1,309.4**	**1,384.8**	**1,423.4**	**1,609.5**	**1,126.5**	**1,336.2**	**1,139.4**
4.1. Credits to DMBs	1,044.4	793.8	1,713.4	1,627.3	2,193.2	1,173.3	1,298.0	1,368.5	1,403.4	1,597.4	1,113.2	1,322.5	1,126.0
Refinancing of DMBs	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term credits against securities portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-
Lombard credits	252.3	18.7	498.0	206.0	224.4	22.5	136.8	39.7	237.9	165.8	68.0	327.1	176.7
Short-term liquidity credits	-	-	870.0	1,035.3	1,114.5	1,098.3	1,115.2	1,149.0	1,140.0	1,081.0	1,026.0	975.0	929.0
Other credits	333.0	328.5	345.4	386.1	360.9	52.5	45.9	31.7	25.5	23.0	19.2	20.4	20.4
CNB bills under repurchase agreement	459.2	446.5	-	-	493.4	-	-	148.0	-	327.6	-	-	-
4.2. CNB deposits with DMBs	9.3	9.7	10.4	10.6	11.1	11.3	11.5	11.7	12.0	12.1	12.4	12.9	13.4
4.3. Overdue claims	0.0	-	-	0.1	0.0	-	0.0	4.7	8.0	0.0	0.9	0.9	0.0
5. Claims on other banking institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (1+2+3+4+5)	**18,647.3**	**19,305.2**	**19,949.2**	**20,284.9**	**20,855.5**	**21,635.7**	**22,145.2**	**22,613.9**	**23,776.7**	**23,693.6**	**24,390.2**	**24,092.1**	**24,575.3**

Table C1: Monetary Authorities Accounts (Liabilities)

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
LIABILITIES													
1. Reserve money	**9,954.2**	**9,547.8**	**9,308.3**	**8,966.1**	**9,014.3**	**9,295.1**	**9,493.9**	**10,242.5**	**10,255.6**	**9,906.7**	**10,278.2**	**9,863.1**	**10,310.0**
1.1. Currency outside banks	5,718.8	5,405.8	5,266.1	5,029.7	5,099.5	5,378.8	5,608.4	6,251.5	5,937.1	5,533.5	5,825.9	5,453.8	5,958.9
1.2. DMBs' cash in vaults	251.4	220.0	214.6	207.6	224.5	233.4	245.9	260.1	263.5	260.3	266.8	259.1	382.1
1.3. DMBs' deposits	3,980.2	3,919.4	3,825.5	3,726.5	3,686.5	3,674.4	3,637.1	3,727.1	4,041.4	4,110.5	4,181.9	4,143.8	3,960.4
Settlement accounts	467.5	361.3	371.9	378.3	326.4	426.1	304.9	258.7	369.6	385.5	421.4	344.7	247.9
Statutory reserves	3,512.7	3,558.1	3,453.6	3,348.3	3,360.1	3,248.3	3,332.1	3,468.4	3,671.8	3,725.0	3,760.5	3,799.1	3,712.5
CNB bills on obligatory basis	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4. Deposits of other banking institutions	2.4	2.2	1.3	1.5	1.1	7.7	1.7	2.7	12.7	1.8	2.8	5.6	8.5
1.5. Deposits of other domestic sectors	1.3	0.4	0.7	0.8	2.8	0.8	0.8	1.0	0.9	0.6	0.8	0.7	-
2. Restricted and blocked deposits	**1,787.6**	**2,273.9**	**2,804.3**	**3,523.2**	**3,805.3**	**4,300.0**	**4,275.9**	**4,286.7**	**4,780.5**	**4,837.1**	**4,931.0**	**4,984.3**	**5,016.8**
2.1. Statutory reserve in f/c	1,668.4	2,138.4	2,673.2	3,381.7	3,656.7	3,965.5	3,939.8	3,944.5	4,436.7	4,477.9	4,560.0	4,610.8	4,636.2
2.2. Restricted deposits	119.1	135.4	131.0	141.5	148.6	334.5	336.2	342.2	343.7	359.1	371.0	373.5	380.6
2.3. Escrow deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Foreign liabilities	**1,465.4**	**1,478.6**	**1,545.5**	**1,589.6**	**1,528.9**	**1,548.7**	**1,549.6**	**1,515.6**	**1,555.8**	**1,573.3**	**1,444.0**	**1,568.5**	**1,671.2**
3.1. Use of IMF credit	1,461.3	1,472.9	1,539.4	1,583.3	1,522.5	1,542.2	1,543.1	1,509.4	1,549.4	1,566.9	1,437.5	1,485.1	1,501.7
3.2. Liabilities to international organizations	4.1	5.7	6.1	6.3	6.3	6.4	6.5	6.3	6.4	6.4	6.5	6.7	6.8
3.3. Liabilities to foreign banks	-	-	-	-	-	-	-	-	-	-	-	76.7	162.7
4. Central government and funds deposits	**434.8**	**750.6**	**644.7**	**530.5**	**556.9**	**494.6**	**600.0**	**577.5**	**589.0**	**467.6**	**661.9**	**547.1**	**397.2**
4.1. Demand deposits	390.2	706.0	610.0	495.8	522.2	474.8	580.2	557.7	569.2	467.6	637.1	547.1	394.2
Central government demand deposits	291.0	615.4	554.6	424.7	443.8	402.8	530.4	517.9	503.5	394.6	563.8	516.1	388.0
Central government funds demand deposits	99.3	90.6	55.5	71.1	78.4	72.0	49.8	39.9	65.6	73.1	73.3	31.0	6.2
4.2. Central government f/c deposits	-	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
4.3. CNB bills	44.6	44.6	34.7	34.7	34.7	19.8	19.8	19.8	19.8	-	24.7	-	2.9
5. CNB bills	**2,242.9**	**2,227.4**	**2,104.7**	**1,906.4**	**1,883.1**	**2,085.9**	**2,306.1**	**2,264.8**	**2,765.2**	**2,720.2**	**3,106.7**	**2,917.4**	**2,887.2**
5.1. CNB bills in kuna	830.7	778.4	623.2	419.7	509.1	628.9	829.8	813.1	924.8	955.5	1,571.7	1,453.1	1,252.5
5.2. CNB bills in f/c	1,412.2	1,449.0	1,481.5	1,486.6	1,374.0	1,457.0	1,476.3	1,451.7	1,840.3	1,764.7	1,535.1	1,464.3	1,634.7
6. Capital accounts	**2,898.2**	**3,194.7**	**3,694.0**	**3,832.4**	**3,901.7**	**4,025.6**	**4,116.2**	**3,979.0**	**4,086.8**	**4,148.4**	**4,206.4**	**4,424.6**	**4,535.5**
7. Other items (net)	**-135.8**	**-167.8**	**-152.2**	**-63.1**	**165.3**	**-114.3**	**-196.6**	**-252.3**	**-256.1**	**40.3**	**-238.0**	**-212.9**	**-242.4**
Total (1+2+3+4+5+6+7)	18,647.3	19,305.2	19,949.2	20,284.9	20,855.5	21,635.7	22,145.2	22,613.9	23,776.7	23,693.6	24,390.2	24,092.1	24,575.3

Table D1: Deposit Money Banks' Accounts

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[1]
ASSETS													
1. Reserves	**5,908.1**	**6,276.5**	**6,729.0**	**7,325.4**	**7,907.3**	**7,919.4**	**7,844.8**	**7,925.1**	**8,762.7**	**8,856.4**	**8,998.7**	**9,031.4**	**8,987.9**
1.1. In kuna	4,239.7	4,138.0	4,055.7	3,943.8	4,257.4	3,953.9	3,905.1	3,977.1	4,322.1	4,378.5	4,438.7	4,420.6	4,352.6
1.2. In f/c	1,668.4	2,138.4	2,673.2	3,381.6	3,649.9	3,965.5	3,939.8	3,948.0	4,440.6	4,477.9	4,560.0	4,610.8	4,635.3
2. Foreign assets	**12,763.1**	**12,315.3**	**12,625.4**	**11,740.9**	**10,975.3**	**10,163.9**	**10,821.6**	**11,573.7**	**11,813.5**	**12,113.8**	**12,135.4**	**12,739.9**	**12,400.1**
3. Claims on central government and funds	**14,864.2**	**14,888.3**	**16,893.7**	**16,571.6**	**16,611.9**	**16,406.9**	**16,590.9**	**16,128.6**	**16,155.7**	**15,876.3**	**15,372.1**	**15,797.6**	**16,264.4**
3.1. Bonds arising from blocked f/c deposits	5,802.3	5,393.6	5,522.2	5,562.5	5,559.6	5,582.3	5,404.1	5,727.0	5,493.6	5,515.6	5,418.3	5,438.8	5,419.9
3.2. Big bonds	2,103.1	2,101.0	2,108.2	2,088.8	2,109.4	2,058.3	2,055.6	1,686.3	1,695.4	1,702.7	1,652.6	1,670.2	1,680.0
3.3. Other claims	6,958.8	7,393.7	9,263.3	8,920.2	8,942.9	8,766.3	9,131.1	8,715.4	8,966.7	8,658.0	8,301.2	8,688.6	9,164.5
4. Claims on other domestic sectors	**59,596.7**	**60,214.7**	**59,265.0**	**59,866.2**	**59,989.8**	**54,987.5**	**54,504.3**	**57,781.2**	**57,477.4**	**57,595.3**	**57,927.6**	**58,081.0**	**55,399.7**
4.1. Claims on local government and funds	654.0	690.0	732.5	731.9	702.8	715.7	763.3	857.7	853.6	869.4	844.2	859.5	905.6
4.2. Claims on enterprises	41,225.5	41,756.0	40,382.4	40,742.9	40,856.0	36,424.3	35,684.8	38,022.8	37,869.7	37,829.1	37,979.5	38,066.2	35,244.3
4.3. Claims on households	17,717.2	17,768.7	18,150.1	18,391.4	18,431.1	17,847.6	18,056.2	18,900.7	18,754.0	18,896.9	19,103.9	19,155.3	19,249.8
5. Claims on other banking institutions	**0.4**	**0.4**	**0.4**	**0.4**	**-**	**-**	**-**	**53.5**	**54.5**	**47.1**	**47.3**	**46.0**	**45.4**
6. Claims on other financial institutions	**193.9**	**201.3**	**209.3**	**194.3**	**173.5**	**166.6**	**163.5**	**144.2**	**134.6**	**144.6**	**150.2**	**150.3**	**154.0**
Total (1+2+3+4+5+6)	**93,326.4**	**93,896.5**	**95,722.9**	**95,698.7**	**95,657.9**	**89,644.3**	**89,925.1**	**93,606.3**	**94,398.4**	**94,633.6**	**94,631.3**	**95,846.3**	**93,251.5**
LIABILITIES													
1. Demand deposits	**7,808.9**	**7,238.6**	**6,754.7**	**6,950.4**	**6,931.2**	**7,509.9**	**7,658.6**	**7,795.9**	**8,363.7**	**8,023.5**	**7,979.5**	**7,680.7**	**7,891.5**
2. Savings and time deposits	**5,683.8**	**5,675.4**	**5,638.4**	**5,353.1**	**5,246.5**	**4,944.1**	**4,977.2**	**4,872.0**	**5,078.7**	**5,253.3**	**5,344.2**	**5,321.1**	**5,397.5**
3. Foreign currency deposits	**37,970.9**	**38,689.1**	**40,040.3**	**39,165.5**	**38,163.3**	**34,567.0**	**34,970.5**	**35,206.2**	**35,614.5**	**36,014.3**	**36,189.6**	**36,482.1**	**36,966.0**
4. Bonds and money market instruments	**154.1**	**148.9**	**139.3**	**134.5**	**132.2**	**132.0**	**138.0**	**498.5**	**536.2**	**510.7**	**495.3**	**490.2**	**476.1**
5. Foreign liabilities	**16,176.8**	**16,383.1**	**16,738.4**	**16,911.3**	**17,186.4**	**16,432.4**	**16,383.7**	**16,581.8**	**16,636.4**	**16,593.3**	**16,650.4**	**16,995.1**	**17,169.9**
6. Central government and funds' deposits	**7,298.3**	**7,607.4**	**7,876.5**	**8,246.3**	**8,156.5**	**8,050.4**	**8,146.0**	**8,247.8**	**8,378.3**	**8,242.2**	**8,358.7**	**8,554.3**	**5,828.6**
7. Credit from central bank	**1,049.2**	**799.5**	**1,719.6**	**1,633.9**	**2,233.6**	**1,189.8**	**1,306.8**	**1,365.9**	**1,402.7**	**1,596.7**	**1,112.5**	**1,321.8**	**1,125.3**
8. Restricted and blocked deposits	**4,196.0**	**4,086.6**	**4,125.7**	**4,456.7**	**3,974.8**	**3,966.4**	**4,038.8**	**3,670.8**	**3,653.0**	**3,527.3**	**3,492.8**	**3,433.0**	**3,434.2**
o/w: Households' blocked f/c deposits	3,419.1	3,182.4	3,228.1	3,184.1	3,151.0	3,125.8	3,110.5	2,844.1	2,807.4	2,798.7	2,759.5	2,764.1	2,742.7
9. Capital accounts	**19,785.6**	**20,929.2**	**18,738.9**	**18,619.5**	**19,034.5**	**17,983.3**	**17,859.7**	**20,799.1**	**20,869.3**	**21,071.3**	**21,312.4**	**21,877.3**	**21,975.4**
10. Other items (net)	**-6,797.2**	**-7,661.4**	**-6,048.8**	**-5,772.4**	**-5,401.1**	**-5,130.9**	**-5,554.2**	**-5,431.7**	**-6,134.3**	**-6,199.0**	**-6,304.0**	**-6,309.3**	**-7,013.1**
Total (1+2+3+4+5+6+7+8+9+10)	**93,326.4**	**93,896.5**	**95,722.9**	**95,698.7**	**95,657.9**	**89,644.3**	**89,925.1**	**93,606.3**	**94,398.4**	**94,633.6**	**94,631.3**	**95,846.3**	**93,251.5**

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

Table D2: Deposit Money Banks' Foreign Assets

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Foreign assets in f/c	**12,743.4**	**12,295.6**	**12,605.7**	**11,721.0**	**10,959.5**	**10,156.0**	**10,813.0**	**11,508.9**	**11,743.2**	**12,056.0**	**12,087.6**	**12,676.1**	**12,352.8**
1.1. Claims on foreign banks	11,980.5	11,450.2	11,862.4	11,097.0	10,319.4	9,790.2	10,439.6	10,999.8	11,194.6	11,411.9	11,329.6	11,878.4	11,598.5
Foreign currencies	586.9	490.2	547.1	752.9	698.6	725.5	793.7	1,058.7	947.3	779.2	616.7	673.9	886.7
Demand deposits	6,228.6	5,707.5	5,821.3	5,110.0	4,238.6	3,978.9	4,285.8	1,151.1	1,361.6	1,033.4	978.1	1,010.4	1,498.5
Time and notice deposits	4,637.1	4,721.3	4,978.6	4,732.5	4,887.8	4,564.7	4,815.8	8,136.0	8,230.0	8,935.6	9,077.4	9,522.1	8,509.4
Securities	51.1	50.4	50.1	50.0	43.0	50.0	57.4	-	-	-	-	-	-
Loans and advances	343.4	348.4	356.5	343.9	343.5	369.1	384.5	555.0	556.8	564.3	563.6	578.1	569.8
Shares and participations	133.5	132.4	108.8	107.7	107.9	102.0	102.5	98.9	98.9	99.4	93.8	94.0	134.1
1.2. Claims on foreign nonbanks	762.9	845.4	743.3	624.0	640.1	365.8	373.4	509.1	548.6	644.1	758.0	797.7	754.3
Claims on foreign governments	-	59.9	78.6	78.6	92.0	124.7	124.7	131.9	147.3	232.9	344.2	375.2	399.9
Claims on other nonresidents	583.9	608.1	503.5	502.7	503.7	236.6	244.2	373.2	397.3	407.2	409.8	418.5	350.4
Securities	3.7	4.1	4.3	4.3	4.3	4.3	4.4	4.2	4.3	4.3	4.3	4.5	4.5
Loans and advances	580.2	604.0	499.3	498.3	499.4	232.3	239.8	369.0	393.0	402.9	405.5	414.0	345.9
Shares and participations	179.0	177.5	161.2	42.7	44.4	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0
2. Foreign assets in kuna	**19.7**	**19.7**	**19.8**	**19.9**	**15.8**	**7.9**	**8.5**	**64.8**	**70.3**	**57.8**	**47.7**	**63.8**	**47.3**
2.1. Claims on foreign banks	3.1	3.1	3.1	3.4	3.7	3.7	3.9	48.4	51.6	30.6	31.0	47.0	16.6
2.2. Claims on foreign nonbanks	16.6	16.6	16.6	16.5	12.1	4.3	4.6	16.4	18.7	27.1	16.7	16.8	30.6
o/w: Loans and advances	16.6	16.6	16.6	16.5	12.1	4.3	4.6	14.5	16.8	25.2	14.8	14.9	29.6
Total (1+2)	**12,763.1**	**12,315.3**	**12,625.4**	**11,740.9**	**10,975.3**	**10,163.9**	**10,821.6**	**11,573.7**	**11,813.5**	**12,113.8**	**12,135.3**	**12,739.9**	**12,400.1**

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

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Bonds (c'part to blocked f/c savings deposits)	**5,802.3**	**5,393.6**	**5,522.2**	**5,562.5**	**5,559.6**	**5,582.3**	**5,404.1**	**5,727.0**	**5,493.6**	**5,515.6**	**5,418.3**	**5,438.8**	**5,419.9**
2. Big bonds	**2,103.1**	**2,101.0**	**2,108.2**	**2,088.8**	**2,109.4**	**2,058.3**	**2,055.6**	**1,686.3**	**1,695.4**	**1,702.7**	**1,652.6**	**1,670.2**	**1,680.0**
3. Other claims	**6,958.8**	**7,393.7**	**9,263.3**	**8,920.2**	**8,942.9**	**8,766.3**	**9,131.1**	**8,715.4**	**8,966.7**	**8,658.0**	**8,301.2**	**8,688.6**	**9,164.5**
3.1. In kuna	5,066.1	5,219.5	7,199.7	7,074.8	7,040.1	6,909.5	6,748.1	7,181.5	7,375.3	7,166.6	6,885.6	7,433.0	8,205.8
3.1.1. Claims on central government	4,614.1	4,854.3	6,845.3	6,743.3	6,688.0	6,664.2	6,440.9	6,774.9	6,807.5	6,644.6	6,275.0	6,818.2	7,473.1
Securities	4,426.9	4,665.8	6,655.9	6,553.0	6,497.7	6,475.2	6,241.2	6,573.4	6,605.9	6,439.9	6,034.1	6,581.2	6,539.1
Loans and advances	187.2	188.5	189.4	190.3	190.2	189.1	199.6	201.5	201.6	204.6	240.9	237.0	934.0
3.1.2. Claims on central government funds	452.0	365.2	354.4	331.5	352.1	245.3	307.2	406.7	567.8	522.0	610.5	614.8	732.7
Securities	-	-	-	-	-	-	-	85.1	92.6	41.5	32.7	17.0	-
Loans and advances	452.0	365.2	354.4	331.5	352.1	245.3	307.2	321.6	475.2	480.5	577.9	597.8	732.7
3.2. In f/c	1,892.7	2,174.2	2,063.6	1,845.4	1,902.9	1,856.8	2,383.1	1,533.8	1,591.4	1,491.4	1,415.6	1,255.6	958.8
3.2.1. Claims on central government	1,879.5	2,122.5	2,050.2	1,828.1	1,889.3	1,824.8	2,369.5	1,496.8	1,581.7	1,453.9	1,378.4	1,218.3	921.4
Bonds	1,182.2	1,483.7	1,310.7	1,145.6	1,204.5	1,209.2	1,379.0	809.5	834.4	779.6	703.1	527.5	518.1
Loans and advances	697.3	638.9	739.5	682.6	684.8	615.6	990.6	687.4	747.3	674.3	675.4	690.8	403.3
3.2.2. Claims on central government funds	13.2	51.7	13.5	17.3	13.6	32.0	13.5	37.0	9.7	37.5	37.2	37.3	37.4
Securities	0.2	38.6	0.0	3.8	0.1	18.5	0.1	27.3	-	27.8	27.4	27.5	27.6
Loans and advances	13.0	13.1	13.4	13.5	13.5	13.5	13.5	9.7	9.7	9.8	9.8	9.8	9.8
Total (1+2+3)	**14,864.2**	**14,888.3**	**16,893.7**	**16,571.6**	**16,611.9**	**16,406.9**	**16,590.9**	**16,128.6**	**16,155.7**	**15,876.3**	**15,372.1**	**15,797.6**	**16,264.4**

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

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[1]
1. Claims in kuna	**50,509.7**	**50,871.8**	**50,148.3**	**50,586.3**	**50,719.0**	**46,138.7**	**46,119.1**	**48,458.9**	**48,097.8**	**48,119.0**	**48,331.9**	**48,250.2**	**48,336.4**
1.1. Money market instruments	101.8	130.5	176.6	242.3	289.3	258.2	243.0	217.2	173.0	176.0	139.2	117.7	365.7
1.2. Bonds	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	-	-	0.7	0.0
1.3. Loans and advances	45,956.0	46,123.6	46,017.0	46,283.0	46,331.9	41,933.7	41,323.1	44,222.9	43,943.3	43,949.8	44,282.1	44,234.3	44,505.1
1.4. Shares and participations	4,451.3	4,617.0	3,953.9	4,060.2	4,096.9	3,946.0	4,552.3	4,017.9	3,980.6	3,993.2	3,910.6	3,897.5	3,465.5
2. Claims in f/c	**9,087.0**	**9,342.9**	**9,116.7**	**9,279.9**	**9,270.9**	**8,848.8**	**8,385.1**	**9,322.3**	**9,379.6**	**9,476.3**	**9,595.7**	**9,830.9**	**7,063.3**
2.1. Securities	0.6	0.7	0.7	0.7	0.7	0.7	4.2	0.2	0.2	0.2	72.0	73.3	74.9
2.2. Loans and advances	9,086.3	9,342.3	9,116.1	9,279.3	9,270.2	8,848.2	8,380.9	9,322.1	9,379.4	9,476.1	9,523.7	9,757.6	6,988.5
Total (1+2)	**59,596.7**	**60,214.7**	**59,265.0**	**59,866.2**	**59,989.8**	**54,987.5**	**54,504.3**	**57,781.2**	**57,477.4**	**57,595.3**	**57,927.6**	**58,081.0**	**55,399.7**

1) Loans in f/c decreased by a one-off 2,759.4 million kuna.

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

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[1]
LOANS IN KUNA													
1. Loans to central government and funds	633.2	548.5	542.5	519.7	540.6	432.9	505.7	523.1	676.7	685.2	818.8	834.8	1,666.6
1.1. Loans to central government	181.9	183.8	188.1	188.7	188.5	188.0	199.2	201.5	201.6	204.6	240.9	237.0	934.0
1.2. Loans to central government funds	451.3	364.7	354.4	330.9	352.1	244.9	306.5	321.6	475.2	480.5	577.9	597.8	732.7
2. Loans to local government	623.5	604.2	644.7	642.0	613.2	626.7	676.4	767.4	761.9	743.7	721.5	737.7	785.7
3. Loans to enterprises	27,660.0	27,796.2	27,268.0	27,299.4	27,338.9	23,497.2	22,630.0	24,613.3	24,486.5	24,372.8	24,522.3	24,405.9	24,533.4
4. Loans to households	17,672.5	17,723.2	18,104.4	18,341.5	18,379.8	17,809.8	18,016.7	18,842.2	18,695.0	18,833.4	19,038.3	19,090.6	19,186.1
5. Loans to other banking institutions	0.4	0.4	0.4	0.4	-	-	-	40.9	42.2	34.7	33.8	31.9	31.3
6. Loans to other financial institutions	114.2	121.7	124.2	108.4	105.9	103.9	100.9	120.2	110.1	120.2	125.8	124.4	138.6
A. Total (1+2+3+4+5+6)	46,703.7	46,794.2	46,684.1	46,911.4	46,978.4	42,470.5	41,929.7	44,907.0	44,772.3	44,789.8	45,260.5	45,225.5	46,341.6
LOANS IN F/C													
1. Loans to central government and funds	637.4	645.0	745.8	682.8	682.2	611.7	904.4	697.1	757.0	684.0	685.2	700.6	413.1
1.1. Loans to central government	624.5	631.9	732.4	669.4	668.7	598.2	890.9	687.4	747.3	674.3	675.4	690.8	403.3
1.2. Loans to central government funds	13.0	13.1	13.4	13.5	13.5	13.5	13.5	9.7	9.7	9.8	9.8	9.8	9.8
2. Loans to local government	30.5	85.8	87.9	88.3	88.2	87.5	85.2	85.4	85.4	121.0	121.1	120.7	118.7
3. Loans to enterprises	9,009.8	9,209.7	8,981.3	9,139.6	9,129.1	8,721.8	8,256.0	9,178.1	9,234.9	9,291.5	9,337.0	9,572.2	6,806.1
4. Loans to households	46.0	46.8	46.9	51.4	52.9	38.9	39.8	58.5	59.0	63.5	65.6	64.7	63.7
5. Loans to other banking institutions	-	-	-	-	-	-	-	1.7	1.5	1.5	1.7	1.7	1.7
6. Loans to other financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Total (1+2+3+4+5+6)	9,723.8	9,987.3	9,861.8	9,962.1	9,952.4	9,459.8	9,285.3	10,020.8	10,137.8	10,161.6	10,210.5	10,459.8	7,403.2
TOTAL (A+B)	56,427.5	56,781.4	56,545.9	56,873.5	56,930.8	51,930.3	51,215.0	54,927.9	54,910.2	54,951.4	55,471.1	55,685.3	53,744.9

1) Loans in f/c to public enterprises decreased by a one-off 2,759.4 million kuna.

Table D6: Demand Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Local governments and funds	514.3	441.3	404.1	439.2	472.7	398.0	457.2	290.2	320.2	351.4	351.8	356.8	314.7
2. Enterprises	4,794.2	4,216.3	3,845.7	4,128.0	4,019.5	4,512.4	4,450.2	4,608.3	5,012.1	4,721.5	4,671.0	4,467.0	4,695.6
3. Households	2,492.2	2,461.7	2,367.1	2,236.2	2,280.3	2,437.1	2,565.7	2,700.2	2,810.1	2,749.4	2,737.5	2,652.4	2,686.5
4. Other banking institutions	-	-	-	-	-	-	-	4.3	4.9	6.0	6.2	6.0	6.9
5. Other financial institutions	190.0	185.7	164.8	166.3	175.3	181.6	214.9	196.8	219.6	197.5	215.4	201.3	190.0
6. Less: Checks of other banks and checks in collection	-181.8	-66.4	-27.0	-19.2	-16.7	-19.2	-29.3	-3.8	-3.2	-2.3	-2.4	-2.8	-2.2
Total (1+2+3+4+5+6)	7,808.9	7,238.6	6,754.7	6,950.4	6,931.2	7,509.9	7,658.6	7,795.9	8,363.7	8,023.5	7,979.5	7,680.7	7,891.5

Table D7: Time and Savings Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Savings deposits of households	**1,117.5**	**1,145.2**	**1,112.5**	**1,049.2**	**1,050.1**	**1,021.6**	**1,077.9**	**1,294.4**	**1,352.5**	**1,290.7**	**1,299.7**	**1,298.6**	**1,371.4**
1.1. Local governments and funds	-	-	-	-	-	-	-	97.7	99.5	106.5	107.0	96.4	91.7
1.2. Enterprises	-	-	-	-	-	-	-	79.9	87.9	73.1	79.5	74.8	92.1
1.3. Households	1,117.5	1,145.2	1,112.5	1,049.2	1,050.1	1,021.6	1,077.9	1,093.0	1,144.5	1,085.4	1,093.7	1,108.4	1,167.3
1.4. Other banking institutions	-	-	-	-	-	-	-	2.9	2.9	2.9	2.9	2.9	2.6
1.5. Other financial institutions	-	-	-	-	-	-	-	20.9	17.6	22.8	16.6	16.1	17.8
2. Time and notice deposits	**4,566.3**	**4,530.2**	**4,525.9**	**4,303.9**	**4,196.3**	**3,922.6**	**3,899.3**	**3,577.6**	**3,726.1**	**3,962.6**	**4,044.5**	**4,022.5**	**4,026.2**
2.1. Local governments and funds	185.3	289.6	291.4	240.9	199.0	200.5	191.3	162.6	173.7	181.8	187.1	183.3	176.1
2.2. Enterprises	1,569.2	1,522.0	1,544.1	1,490.1	1,457.3	1,316.4	1,365.5	1,273.0	1,386.6	1,420.4	1,587.7	1,541.5	1,417.0
2.3. Households	1,998.7	1,984.9	1,910.4	1,790.9	1,766.9	1,656.9	1,605.7	1,474.5	1,475.1	1,520.5	1,535.7	1,541.1	1,531.7
2.4. Other banking institutions	-	0.0	0.0	0.0	0.0	0.0	0.0	14.7	14.9	18.4	18.0	17.9	33.5
2.5. Other financial institutions	813.1	733.8	779.9	782.0	773.0	748.8	736.7	652.7	676.0	821.4	716.0	738.8	867.8
Total (1+2)	**5,683.8**	**5,675.4**	**5,638.4**	**5,353.1**	**5,246.5**	**4,944.1**	**4,977.2**	**4,872.0**	**5,078.7**	**5,253.3**	**5,344.2**	**5,321.1**	**5,397.5**

Table D8: Foreign Currency Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Savings deposits	**12,140.3**	**12,554.0**	**13,034.1**	**13,007.3**	**12,816.1**	**11,186.3**	**11,435.0**	**11,701.2**	**11,911.9**	**11,978.5**	**11,883.5**	**12,080.9**	**12,228.1**
1.1. Local governments and funds	19.5	20.2	21.1	31.5	34.4	42.5	57.1	54.1	55.1	44.4	28.8	24.7	29.5
1.2. Enterprises	2,091.9	2,000.4	2,045.4	2,098.5	1,943.2	1,734.0	1,946.0	2,004.7	2,048.7	2,095.0	2,032.0	2,042.3	1,842.6
1.3. Households	9,976.4	10,467.0	10,891.4	10,781.8	10,732.1	9,296.1	9,309.2	9,525.1	9,682.3	9,713.9	9,737.1	9,905.3	10,256.6
1.4. Other banking institutions	-	-	-	-	-	-	-	9.6	11.3	10.6	6.2	7.4	6.4
1.5. Other financial institutions	52.5	66.4	76.3	95.4	106.4	113.7	122.7	107.7	114.3	114.6	79.5	101.1	93.0
2. Time deposits	**25,830.6**	**26,135.1**	**27,006.2**	**26,158.1**	**25,347.2**	**23,380.6**	**23,535.5**	**23,505.0**	**23,702.6**	**24,035.8**	**24,306.2**	**24,401.3**	**24,737.9**
2.1. Local governments and funds	-	-	-	-	-	-	-	11.7	12.1	12.1	18.4	16.7	15.5
2.2. Enterprises	1,579.4	1,554.5	1,686.6	1,609.8	1,585.2	1,613.6	1,762.2	1,549.5	1,507.2	1,548.2	1,576.1	1,522.4	1,442.3
2.3. Households	23,994.7	24,328.6	25,024.3	24,256.8	23,510.8	21,538.0	21,621.9	21,764.4	22,004.8	22,294.6	22,485.9	22,597.3	22,957.7
2.4. Other banking institutions	-	-	-	-	-	-	-	3.7	4.3	4.4	3.5	2.6	2.5
2.5. Other financial institutions	256.5	252.1	295.2	291.5	251.2	229.1	151.4	175.8	174.2	176.5	222.3	262.1	320.0
Total (1+2)	**37,970.9**	**38,689.1**	**40,040.3**	**39,165.5**	**38,163.3**	**34,567.0**	**34,970.5**	**35,206.2**	**35,614.5**	**36,014.3**	**36,189.6**	**36,482.1**	**36,966.0**

Table D9: Bonds and Money Market Instruments

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Money market instruments (net)	**4.5**	**3.7**	**-2.6**	**2.7**	**2.1**	**1.4**	**1.6**	**3.4**	**2.8**	**2.7**	**2.8**	**2.6**	**1.4**
2. Bonds (net)	**24.1**	**24.2**	**22.1**	**22.8**	**22.8**	**42.8**	**42.8**	**420.4**	**460.8**	**434.8**	**428.5**	**425.0**	**423.4**
3. Other domestic borrowing	**125.6**	**121.1**	**119.8**	**108.9**	**107.2**	**87.8**	**93.6**	**74.7**	**72.6**	**73.2**	**64.0**	**62.6**	**51.2**
3.1. Local governments and funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-
3.2. Enterprises	22.5	22.1	21.8	20.0	19.9	14.1	15.8	13.2	13.5	13.2	12.0	13.6	13.7
3.3. Other banking institutions	54.2	52.3	53.1	53.0	51.8	50.8	54.2	39.2	35.7	34.8	34.9	25.3	15.7
3.4. Other financial institutions	48.9	46.6	44.8	35.8	35.5	22.9	23.6	22.2	23.4	25.2	17.1	23.7	21.8
Total (1+2+3)	**154.1**	**148.9**	**139.3**	**134.5**	**132.2**	**132.0**	**138.0**	**498.5**	**536.2**	**510.7**	**495.3**	**490.2**	**476.1**

Table D10: Deposit Money Banks' Foreign Liabilities

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Foreign liabilities in f/c	**15,878.2**	**16,094.9**	**16,486.6**	**16,695.0**	**16,973.9**	**16,291.6**	**16,214.9**	**16,428.4**	**16,487.6**	**16,490.7**	**16,526.6**	**16,777.3**	**17,026.8**
1.1. Liabilities to foreign banks	10,557.0	10,631.0	10,858.2	11,013.5	11,416.6	11,239.8	11,214.9	11,323.0	11,259.6	11,448.4	11,426.0	11,533.7	11,525.4
Current accounts	242.3	223.3	270.2	320.4	305.0	217.1	158.9	258.8	283.9	277.6	252.8	250.3	157.1
Time and notice deposits	411.5	457.5	407.9	439.8	393.1	426.0	631.8	719.4	776.7	949.3	948.5	939.9	1,267.0
Loans and advances	9,903.2	9,950.1	10,180.1	10,253.3	10,718.4	10,596.7	10,424.2	10,344.8	10,199.0	10,221.4	10,224.7	10,343.5	10,101.2
1.2. Liabilities to foreign nonbanks	5,321.2	5,463.9	5,628.4	5,681.5	5,557.4	5,051.8	4,999.9	5,105.4	5,228.0	5,042.3	5,100.6	5,243.6	5,501.4
Savings and time deposits	2,892.6	3,008.7	3,119.3	3,120.2	2,989.4	2,473.1	2,393.7	2,393.5	2,512.1	2,320.6	2,373.8	2,444.6	2,545.9
Sight deposits	620.5	639.0	640.7	655.0	674.4	563.3	611.5	622.3	661.5	618.0	645.9	695.0	754.0
Time and notice deposits	2,272.1	2,369.7	2,478.6	2,465.1	2,315.0	1,909.8	1,782.2	1,771.2	1,850.6	1,702.7	1,728.0	1,749.6	1,791.9
Loans and advances	2,428.6	2,455.3	2,509.1	2,561.4	2,568.0	2,578.7	2,606.2	2,711.9	2,715.9	2,721.7	2,726.8	2,799.0	2,955.5
2. Foreign liabilities in kuna	**298.6**	**288.2**	**251.7**	**216.4**	**212.5**	**140.8**	**168.8**	**153.4**	**148.8**	**102.6**	**123.7**	**217.8**	**143.1**
2.1. Liabilities to foreign banks	156.3	164.7	128.1	93.6	74.2	68.9	93.2	75.8	23.3	29.4	50.1	142.2	65.0
Demand deposits	70.5	87.2	48.9	47.2	33.5	28.2	51.3	72.3	19.5	25.6	38.0	129.3	52.6
Time and notice deposits	85.8	77.5	79.2	46.5	40.7	40.7	41.9	3.1	3.2	3.2	7.9	8.7	11.7
Loans and advances	-	-	-	-	-	-	-	0.3	0.7	0.7	4.2	4.2	0.7
2.2. Liabilities to foreign nonbanks	142.3	123.5	123.6	122.7	138.3	71.9	75.5	77.6	125.5	73.1	73.6	75.5	78.1
Demand deposits	41.0	41.9	42.7	41.5	32.7	34.3	35.8	44.5	90.0	38.4	36.6	39.5	42.1
Time and notice deposits	96.1	76.4	75.7	75.9	100.3	32.3	34.4	32.7	35.3	34.6	36.9	35.9	35.9
Loans and advances	5.2	5.2	5.3	5.3	5.3	5.3	5.3	0.4	0.1	0.1	0.1	0.1	0.1
Total (1+2)	**16,176.8**	**16,383.1**	**16,738.4**	**16,911.3**	**17,186.4**	**16,432.4**	**16,383.7**	**16,581.8**	**16,636.4**	**16,593.3**	**16,650.4**	**16,995.1**	**17,169.9**

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

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[1]
1. In kuna	**3,033.3**	**3,163.5**	**3,200.3**	**3,214.8**	**3,229.7**	**3,122.4**	**3,179.1**	**3,239.7**	**3,272.9**	**3,149.6**	**3,227.3**	**3,182.7**	**3,269.6**
1.1. Central government deposits	130.1	143.3	133.3	127.4	141.8	126.8	126.7	232.4	218.8	255.3	270.2	262.5	330.9
Demand deposits	4.5	6.1	1.8	1.5	27.7	12.4	9.1	96.4	52.2	53.8	62.6	57.0	74.7
Savings deposits	-	-	-	-	-	-	-	5.8	15.7	16.1	26.7	19.6	15.9
Time and notice deposits	100.4	112.0	106.2	100.5	88.7	87.0	90.0	95.6	116.3	149.8	145.2	150.4	202.3
Loans and advances	25.2	25.2	25.2	25.4	25.4	27.4	27.6	34.5	34.5	35.6	35.6	35.6	38.1
1.2. Central government funds deposits	2,903.2	3,020.2	3,067.0	3,087.4	3,088.0	2,995.6	3,052.4	3,007.4	3,054.1	2,894.3	2,957.1	2,920.2	2,938.8
Demand deposits	83.0	95.1	59.5	55.1	53.0	39.6	72.1	82.8	95.3	45.5	84.5	48.3	40.6
Savings deposits	-	-	-	-	-	-	-	2.9	8.5	4.8	3.8	4.1	4.5
Time and notice deposits	33.9	39.9	44.1	37.4	45.6	49.3	50.2	55.8	57.9	75.1	77.9	78.6	57.2
Loans and advances	2,786.4	2,885.2	2,963.4	2,994.8	2,989.3	2,906.7	2,930.0	2,865.9	2,892.4	2,768.9	2,790.9	2,789.1	2,836.5
2. In f/c	**4,265.0**	**4,443.9**	**4,676.2**	**5,031.4**	**4,926.7**	**4,928.0**	**4,966.9**	**5,008.1**	**5,105.4**	**5,092.6**	**5,131.4**	**5,371.6**	**2,559.0**
2.1. Central government deposits	4,249.5	4,423.4	4,638.7	4,992.5	4,879.1	4,883.8	4,943.0	4,985.1	5,083.1	5,073.6	5,110.4	5,354.9	2,497.6
Savings deposits	83.2	142.8	142.1	321.0	161.8	129.8	139.2	101.4	89.7	89.0	79.1	148.7	59.1
Time and notice deposits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	9.5	9.5	9.6	10.8	10.7	10.5
Refinanced loans and advances	4,166.2	4,280.6	4,496.5	4,671.4	4,717.3	4,753.9	4,803.7	4,874.2	4,983.9	4,975.1	5,020.5	5,195.5	2,428.0
2.2. Central government funds deposits	15.5	20.5	37.6	38.9	47.6	44.2	23.9	23.0	22.3	19.0	21.0	16.7	61.4
Savings deposits	8.0	6.5	26.4	27.7	35.8	29.4	17.9	19.2	19.3	17.8	14.8	10.6	55.2
Time and notice deposits	7.5	14.0	11.2	11.2	11.8	14.8	6.1	3.8	3.0	1.1	6.1	6.1	6.1
Total (1+2)	**7,298.3**	**7,607.4**	**7,876.5**	**8,246.3**	**8,156.5**	**8,050.4**	**8,146.0**	**8,247.8**	**8,378.3**	**8,242.2**	**8,358.7**	**8,554.3**	**5,828.6**

1) Refinanced loans and advances decreased by a one-off 2,759.4 million kuna.

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Restricted deposits	**700.6**	**826.5**	**817.3**	**1,190.2**	**740.6**	**753.8**	**839.6**	**826.7**	**845.6**	**728.6**	**733.3**	**668.9**	**691.4**
1.1. In kuna	202.5	250.2	248.1	239.5	245.5	221.2	240.1	157.9	75.8	59.3	91.4	76.2	81.8
1.2. In f/c	498.0	576.2	569.2	950.7	495.1	532.6	599.6	668.8	769.8	669.3	641.9	592.7	609.7
2. Blocked f/c deposits	**3,495.5**	**3,260.2**	**3,308.4**	**3,266.5**	**3,234.3**	**3,212.6**	**3,199.2**	**2,844.1**	**2,807.4**	**2,798.7**	**2,759.5**	**2,764.1**	**2,742.7**
2.1. Central government	74.0	75.7	78.2	80.3	81.2	81.5	81.9	-	-	-	-	-	-
2.2. Enterprises	2.4	2.0	2.1	2.1	2.1	5.2	6.8	-	-	-	-	-	-
2.3. Households	3,419.1	3,182.4	3,228.1	3,184.1	3,151.0	3,125.8	3,110.5	2,844.1	2,807.4	2,798.7	2,759.5	2,764.1	2,742.7
Total (1+2)	**4,196.0**	**4,086.6**	**4,125.7**	**4,456.7**	**3,974.8**	**3,966.4**	**4,038.8**	**3,670.8**	**3,653.0**	**3,527.3**	**3,492.8**	**3,433.0**	**3,434.2**

Table E1: Housing Savings Banks' Accounts

End of period, million kuna

	1998	1999											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
ASSETS													
1. Reserves	2.4	2.2	1.3	1.5	1.1	7.7	1.8	2.7	12.7	1.8	2.8	5.6	8.6
2. Claims on central government and funds	49.7	49.7	51.8	53.5	56.1	56.8	54.9	69.4	70.4	78.5	77.2	79.5	81.4
3. Claims on other domestic sectors	-	-	-	-	0.3	0.5	5.3	-	-	-	0.0	-	5.3
o/w: Claims on households	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Claims on banks	54.2	52.3	53.1	53.0	51.8	50.8	54.2	42.9	41.8	42.3	38.3	33.1	57.0
Total (1+2+3+4)	106.3	104.3	106.3	108.1	109.3	115.8	116.1	115.0	124.9	122.6	118.3	118.2	152.3
LIABILITIES													
1. Time deposits	8.7	10.5	12.3	13.5	15.1	16.7	19.2	21.4	24.1	27.9	33.2	42.5	87.6
2. Bonds and money market instruments	0.4	0.4	0.4	0.4	-	-	-	-	-	-	-	-	-
3. Capital accounts	108.3	108.8	108.6	107.4	106.4	114.2	111.2	110.0	118.8	116.0	114.0	109.8	117.4
4. Other items (net)	-11.0	-15.4	-14.9	-13.2	-12.2	-15.1	-14.3	-16.4	-18.0	-21.3	-28.9	-34.0	-52.7
Total (1+2+3+4)	106.3	104.3	106.3	108.1	109.3	115.8	116.1	115.0	124.9	122.6	118.3	118.2	152.3

Table F1: Credit Rates of Croatian National Bank

In percentage, on annual basis

Year	Month	CNB discount rate	Credit rates: On lombard credits [1]	On intervention credits	Intra-day refinance facility [1]	On short-term liquidity credits	On advances on the account of statutory reserves [1]	On inaccurately calculated statutory reserves [1]	On arrears
1	2	3	4	5	6	7	8	9	10
1992	December	1,889.39	2,840.09	-	6,881.51	-	4,191.93	6,881.51	4,191.93
1993	December	34.49	46.78	-	289.60	-	101.22	289.60	166.17
1994	December	8.50	18.00	19.00	17.00	14.00	-	19.00	22.00
1995	December	8.50	25.49	19.00	17.00	-	-	19.00	22.00
1996	December	6.50	11.00	19.00	17.00	-	-	19.00	18.00
1997	December	5.90	9.50	19.00	17.00	-	-	19.00	18.00
1998	December	5.90	12.00	19.00	7.00	14.00	-	19.00	18.00
1999	January	5.90	12.00	19.00	7.00	14.00	-	19.00	18.00
	February	5.90	12.00	19.00	7.00	14.00	-	19.00	18.00
	March	7.90 [2]	13.00 [3]	19.00	7.00	14.00	-	19.00	18.00
	April	7.90	13.00	19.00	7.00	14.00	-	19.00	18.00
	May	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	June	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	July	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	August	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	September	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	October	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	November	7.90	13.00	19.00	-	14.00	-	19.00	18.00
	December	7.90	13.00	19.00	-	14.00	-	19.00	18.00

1) Breaks in the series of data are explained in the Notes on Methodology.
2) Since March 17, 1999.
3) Since March 10, 1999.

Table F2: Deposit Rates of Croatian National Bank

In percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB [1]	Interest rates on CNB bills on obligatory basis	Interest rates on CNB bills on voluntary basis [1]				Interest rates on CNB bills on voluntary basis in f/c		
				Due in 7 days	Due in 35 days	Due in 91 days	Due in 182 days	Due in 63 days	Due in 91 days	Due in 182 days
1	2	3	4	5	6	7	8	9	10	11
1992	December	367,60	556,66	1 057,67	1 889,39	-	-	-	-	-
1993	December	0,00	-	67,84	63,08	97,38	-	-	-	-
1994	December	5,15	-	9,00	12,00	14,00	-	-	-	-
1995	December	5,50	16,50	12,00	25,54	27,00	-	-	-	-
1996	December	5,50	-	-	8,00	9,50	-	-	-	-
1997	December	4,50	-	-	8,00	9,00	10,00	-	-	-
1998	December	5,90	-	-	9,50	10,50	11,00	4,60	3,12	3,08
1999	January	5,90	-	-	9,50	10,50	11,00	3,90	2,98	-
	February	5,90	-	-	9,50	10,50	11,50	4,01	2,92	2,87
	March	5,90	-	-	9,71	10,80	11,78	3,81	3,78	-
	April	5,90	-	-	10,06	11,00	12,00	3,95	2,56	-
	May	5,90	-	-	10,09	11,00	12,00	3,44	2,59	-
	June	5,90	-	-	10,10	11,14	12,13	3,93	2,44	5,15
	July	5,90	-	-	10,10	11,18	12,15	4,09	2,54	-
	August	5,90	-	-	10,10	11,25	12,20	3,76	2,51	-
	September	5,90	-	-	10,26	11,31	12,28	4,02	2,69	5,75
	October	5,90	-	-	10,40	11,54	12,39	4,28	4,04	-
	November	5,90	-	-	10,50	11,55	12,50	4,58	3,61	-
	December	5,90	-	-	10,50	11,55	12,50	4,83	3,56	-

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

Table F3: Deposit Money Banks' Reserves on Obligatory Basis

Daily averages and percentages, million 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	December	3,652.9	35.91	3,312.0	90.67	-	3,652.9	35.91	5.50	0.1
1997	December	4,348.8	32.02	3,914.2	90.01	-	4,348.8	32.02	4.50	0.5
1998	December	3,967.2	29.57	3,469.8	87.46	57.4	4,024.7	30.00	5.28	9.6
1999	January	3,969.1	29.50	3,441.8	86.72	47.9	4,016.9	29.86	5.66	13.6
	February	3,878.5	29.50	3,388.8	87.37	44.7	3,923.2	29.84	5.74	9.2
	March	3,792.7	30.04	3,307.8	87.21	41.0	3,833.7	30.37	5.63	6.4
	April	3,722.2	30.50	3,258.7	87.55	35.8	3,758.0	30.79	5.61	0.1
	May	3,652.5	30.50	3,208.1	87.83	29.5	3,682.0	30.75	5.62	0.0
	June	3,661.6	30.50	3,211.1	87.70	27.2	3,688.8	30.73	5.59	0.0
	July	3,867.7	30.50	3,386.2	87.55	28.9	3,896.6	30.73	5.58	1.1
	August	3,863.9	30.50	3,398.8	87.96	33.4	3,897.3	30.76	5.59	7.1
	September	4,170.6	30.50	3,666.5	87.91	33.6	4,204.2	30.75	5.60	1.8
	October	4,195.5	30.50	3,695.4	88.08	35.0	4,230.5	30.75	5.72	0.4
	November	4,294.4	30.50	3,765.3	87.68	33.0	4,327.5	30.73	5.60	1.3
	December	4,210.1	30.50	3,695.1	87.77	37.3	4,247.4	30.77	5.62	0.9

Table F4: Deposit Money Banks' Liquidity Indicators

Daily averages and percentages, million kuna and %

Year	Month	Free reserves	Primary liquidity ratio (in %)	Secondary liquidity sources	CNB bills on voluntary basis in kuna	CNB bills on voluntary basis in f/c
1	2	3	4	5	6	7
1993	December	-18.5	-0.52	188.0	1.9	-
1994	December	119.5	1.72	393.7	210.2	-
1995	December	49.4	0.63	199.4	218.7	-
1996	December	267.9	2.63	98.5	780.9	-
1997	December	396.3	2.92	32.7	728.9	-
1998	December	221.9	1.65	445.5	850.4	1,377.4
1999	January	177.3	1.32	406.4	772.5	1,425.1
	February	287.2	2.18	955.9	733.6	1,474.1
	March	150.3	1.19	1,622.0	456.9	1,558.6
	April	152.7	1.25	1,571.7	443.3	1,402.6
	May [1)]	112.4	0.94	1,397.2	546.7	1,428.0
	June	91.4	0.76	1,276.9	745.0	1,484.0
	July	109.4	0.86	1,253.1	832.7	1,471.3
	August	126.5	1.00	1,389.5	847.5	1,670.0
	September	120.5	0.88	1,375.1	937.0	1,813.0
	October	324.0	2.36	1,134.3	1,255.7	1,702.8
	November	102.9	0.73	1,291.2	1,514.7	1,440.6
	December	179.6	1.30	1,183.6	1,348.7	1,507.6

1) Since May 10, 1999 banks over which bankruptcy proceedings were initiated have been excluded from monetary statistics.

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	December	10.41	9.66	18.46	19.35	11.51	18.97	22.56	12.12	19.28	21.11	10.95
1997	December	9.41	8.46	14.06	14.12	13.24	14.40	16.92	12.25	13.56	14.58	10.05
1998	December	15.81	10.00	16.06	16.22	11.73	13.04	14.28	11.15	6.96	8.29	5.92
1999	January	16.13	10.00	16.13	16.19	11.90	13.90	15.08	11.15	6.91	7.73	6.12
	February	15.50	10.00	16.92	16.98	12.18	13.62	14.91	11.58	6.30	6.99	5.08
	March	15.47	10.00	16.25	16.42	11.62	13.22	14.49	10.73	5.72	6.25	4.79
	April	15.21	10.00	16.01	16.17	10.81	13.42	14.76	11.00	6.32	6.58	5.92
	May	14.55	10.00	16.56	16.60	15.33	13.40	14.64	11.31	5.54	5.74	5.07
	June	12.37	10.00	14.16	14.56	9.99	13.34	14.66	11.11	5.24	5.14	5.47
	July	12.60	10.00	14.56	14.57	13.67	12.68	13.75	10.83	6.64	6.29	6.95
	August	12.80	10.00	14.55	14.54	17.17	13.11	13.87	10.89	5.65	4.87	6.87
	September	12.90	10.00	14.02	14.03	13.25	12.93	13.82	10.58	6.00	5.68	6.42
	October	11.55	8.83	13.28	13.36	10.29	12.73	13.99	10.88	6.30	6.25	6.38
	November	12.79	10.00	13.35	13.37	11.48	13.28	13.85	11.82	6.62	6.63	6.60
	December	12.72	10.00	13.54	13.52	15.14	12.53	13.66	10.81	6.89	7.27	6.57
Relative significance [1]		**2.44**	**47.56**	**23.68**	**23.35**	**0.33**	**24.22**	**14.59**	**9.63**	**2.09**	**0.96**	**1.13**

1) This 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

		Interest rates on deposits in kuna				Interest rates on deposits in f/c		
Year	Month	Total average	On demand deposits	On time and savings deposits [1]	Interest rates on time and savings deposits in kuna indexed to f/c	Total average	On demand deposits	On time and savings deposits [1]
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	December	4.15	2.19	10.19	9.46	5.09	1.44	7.77
1997	December	4.35	2.19	9.10	7.63	4.77	1.75	6.36
1998	December	4.11	2.31	7.73	7.47	3.98	2.09	4.89
1999	January	4.48	2.28	8.66	6.49	4.34	2.15	5.41
	February	4.57	2.24	8.73	6.99	4.21	2.05	5.27
	March	4.51	2.23	8.92	7.47	4.05	1.96	5.11
	April	4.34	2.21	8.53	6.46	4.17	1.96	5.31
	May	4.33	2.21	9.14	7.35	4.18	1.89	5.30
	June	4.17	2.21	8.66	6.22	4.05	1.90	5.11
	July	4.08	2.21	8.60	5.91	3.91	1.87	4.91
	August	4.13	2.22	8.88	6.24	4.27	1.78	5.50
	September	4.28	2.23	8.89	6.64	4.09	1.80	5.24
	October	4.35	2.21	9.03	5.43	4.33	1.80	5.56
	November	4.22	2.21	8.48	5.42	4.10	1.77	5.26
	December	4.27	2.24	8.87	6.62	4.23	1.80	5.43

1) From December 1992 through June 1995 in column 5 data 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

Million EUR, current exchange rate

	1998	1999											
		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
A. Purchases of foreign exchange													
1. Legal persons	3,186.0	172.7	197.2	282.7	242.1	230.4	232.3	306.2	213.9	258.4	244.6	235.2	309.2
2. Natural persons	2,273.5	113.4	101.5	147.1	196.5	188.0	212.6	295.4	303.0	190.8	155.0	130.4	136.3
2.1. Residents	1,854.5	106.4	95.2	137.0	178.1	164.2	175.4	215.9	186.3	151.4	137.7	120.2	126.9
2.2. Non-residents	419.1	7.0	6.3	10.1	18.4	23.8	37.2	79.5	116.7	39.4	17.3	10.2	9.4
3. Commercial banks	1,138.2	54.4	47.0	76.1	79.5	92.7	80.1	185.8	169.6	124.7	89.4	95.5	109.6
4. Croatian National Bank	582.2	156.0	162.4	120.0	40.5	33.8	63.3	-	-	51.8	74.1	110.8	122.1
Total (1+2+3+4)	7,179.9	496.5	508.1	625.9	558.5	544.8	588.3	787.4	686.5	625.7	563.1	571.9	677.1
B. Sales of foreign exchange													
1. Legal persons	4,656.0	312.3	299.2	369.8	320.1	344.3	392.5	398.3	385.1	414.4	397.2	385.4	468.4
2. Natural persons	1,011.8	77.9	134.1	104.1	53.2	48.8	48.0	55.2	52.0	57.1	65.1	79.3	118.3
2.1. Residents	1,011.5	77.9	134.1	104.1	53.2	48.8	48.0	55.2	52.0	57.0	65.0	79.2	118.2
2.2. Non-residents	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.1	0.1	0.1	0.1
3. Commercial banks	1,138.2	54.4	47.0	76.1	79.5	92.7	80.1	185.8	169.6	124.7	89.4	95.5	109.6
4. Croatian National Bank	217.0	4.5	0.0	5.6	7.1	4.6	0.6	9.7	8.6	6.1	0.5	1.0	-
Total (1+2+3+4)	7,022.9	449.1	480.3	555.6	459.9	490.3	521.2	649.0	615.3	602.3	552.2	561.2	696.3
C. Net purchasing (A-B)													
1. Legal persons	-1,470.1	-139.6	-102.0	-87.1	-78.1	-113.9	-160.2	-92.1	-171.2	-156.0	-152.6	-150.2	-159.2
2. Natural persons	1,261.7	35.5	-32.6	43.0	143.2	139.2	164.5	240.2	251.0	133.7	89.9	51.1	17.9
2.1. Residents	843.0	28.5	-39.0	32.9	124.9	115.4	127.3	160.7	134.3	94.4	72.6	41.0	8.7
2.2. Non-residents	418.7	7.0	6.3	10.1	18.3	23.8	37.2	79.5	116.7	39.3	17.2	10.1	9.3
3. Croatian National Bank	365.2	151.5	162.4	114.5	33.4	29.2	62.7	-9.7	-8.6	45.7	73.6	109.8	122.1
Total (1+2+3)	156.8	47.4	27.8	70.4	98.5	54.5	67.0	138.4	71.2	23.4	10.9	10.7	-19.2
Memo: Other Croatian National Bank transactions													
Purchases of foreign exchange	0.0	0.0	0.0	106.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales of foreign exchange	171.0	49.2	0.0	0.0	0.0	0.0	0.0	48.5	0.0	0.0	0.0	0.0	0.0

Table H1: Balance of Payments - Summary (preliminary data upon the second phase of revision)
Million US dollars

	1993	1994	1995	1996	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
A. CURRENT ACCOUNT (1+6)	**606.1**	**826.1**	**-1,451.5**	**-1,147.5**	**-2,344.0**	**-1,549.7**	**-1,468.5**	**-590.0**	**-525.4**	**410.9**	**-764.2**
1. Goods, services, and income (2+5)	**276.9**	**297.0**	**-2,255.5**	**-2,179.9**	**-3,215.7**	**-2,257.8**	**-1,968.4**	**-718.3**	**-647.1**	**286.8**	**-889.8**
1.1. Credit	6,317.7	7,266.5	7,302.8	8,112.6	8,585.0	8,963.5	8,344.6	1,639.1	1,975.0	2,895.3	1,835.1
1.2. Debit	-6,040.9	-6,969.5	-9,558.3	-10,292.5	-11,800.7	-11,221.3	-10,313.0	-2,357.3	-2,622.2	-2,608.5	-2,725.0
2. Goods and services (3+4)	**396.4**	**461.5**	**-2,226.9**	**-2,110.2**	**-3,193.4**	**-2,094.1**	**-1,622.0**	**-625.0**	**-536.4**	**371.8**	**-832.4**
2.1. Credit	6,189.6	7,117.5	7,084.0	7,842.7	8,221.3	8,568.6	8,079.1	1,565.8	1,921.3	2,809.0	1,782.9
2.2. Debit	-5,793.1	-6,656.0	-9,310.9	-9,953.0	-11,414.7	-10,662.7	-9,701.1	-2,190.9	-2,457.7	-2,437.2	-2,615.3
3. Goods	**-741.7**	**-1,171.8**	**-3,268.0**	**-3,690.2**	**-5,224.3**	**-4,168.9**	**-3,300.7**	**-663.7**	**-948.1**	**-716.9**	**-971.9**
3.1. Credit	3,903.8	4,260.4	4,632.7	4,545.7	4,210.3	4,604.5	4,371.2	982.2	1,050.5	1,204.9	1,133.5
3.2. Debit	-4,645.5	-5,432.2	-7,900.7	-8,235.9	-9,434.6	-8,773.4	-7,671.8	-1,646.0	-1,998.7	-1,921.8	-2,105.4
4. Services	**1,138.1**	**1,633.3**	**1,041.1**	**1,580.0**	**2,030.9**	**2,074.8**	**1,678.7**	**38.7**	**411.8**	**1,088.7**	**139.5**
4.1. Credit	2,285.8	2,857.1	2,451.3	3,297.0	4,011.0	3,964.1	3,707.9	583.6	870.8	1,604.1	649.4
4.2. Debit	-1,147.7	-1,223.8	-1,410.2	-1,717.0	-1,980.1	-1,889.3	-2,029.3	-544.9	-459.0	-515.4	-509.9
5. Income	**-119.6**	**-164.5**	**-28.6**	**-69.7**	**-22.2**	**-163.7**	**-346.4**	**-93.2**	**-110.8**	**-85.0**	**-57.4**
5.1. Credit	128.2	149.0	218.8	269.8	363.8	394.9	265.5	73.2	53.7	86.3	52.3
5.2. Debit	-247.7	-313.4	-247.4	-339.5	-386.0	-558.6	-611.9	-166.4	-164.5	-171.3	-109.7
6. Current transfers	**329.2**	**529.1**	**804.0**	**1,032.3**	**871.7**	**708.1**	**499.9**	**128.3**	**121.8**	**124.1**	**125.7**
6.1. Credit	509.0	671.9	972.9	1,183.1	966.3	921.1	833.2	203.8	199.3	200.9	229.1
6.2. Debit	-179.8	-142.8	-168.8	-150.8	-94.6	-213.1	-333.3	-75.5	-77.5	-76.9	-103.4
B. CAPITAL AND FINANCIAL ACCOUNT	**-395.6**	**-240.8**	**1,092.5**	**2,050.8**	**2,651.9**	**1,459.2**	**1,410.9**	**946.7**	**11.2**	**-151.1**	**604.1**
B1. Capital account	**-**	**-**	**-**	**16.2**	**21.5**	**19.1**	**24.9**	**5.6**	**5.8**	**6.3**	**7.2**
B2. Financial account, excl. reserves	**70.9**	**502.6**	**1,535.6**	**2,567.8**	**3,058.5**	**1,591.6**	**1,814.5**	**700.0**	**215.4**	**14.1**	**885.1**
1. Direct investment	**77.8**	**106.3**	**95.7**	**509.1**	**323.7**	**800.6**	**1,304.4**	**99.3**	**173.5**	**102.7**	**928.9**
1.1. Abroad	-18.5	-6.8	-5.6	-24.4	-186.1	-93.3	-42.9	-12.2	0.7	-3.9	-27.5
1.2. In Croatia	96.3	113.1	101.2	533.4	509.8	893.9	1,347.3	111.5	172.7	106.6	956.5
2. Portfolio investment	**-0.1**	**8.6**	**4.8**	**628.3**	**576.5**	**14.9**	**575.8**	**325.2**	**-13.4**	**10.0**	**254.0**
2.1. Assets	-0.5	1.0	0.1	6.2	11.1	-0.1	-0.3	-0.1	0.0	-0.2	-0.1
2.2. Liabilities	0.4	7.7	4.6	622.1	565.4	15.0	576.1	325.3	-13.4	10.2	254.1
3. Other investment	**-6.8**	**387.7**	**1,435.2**	**1,430.5**	**2,158.3**	**776.2**	**-65.7**	**275.5**	**55.4**	**-98.6**	**-297.9**
3.1. Assets	-148.8	11.4	429.5	850.8	190.4	368.2	-523.4	460.4	-478.3	-547.9	42.5
3.2. Liabilities	142.0	376.3	1,005.6	579.6	1,967.9	407.9	457.7	-184.9	533.7	449.3	-340.4
B3. Reserve Assets	**-466.5**	**-743.4**	**-443.1**	**-533.3**	**-428.0**	**-151.5**	**-428.5**	**241.1**	**-210.0**	**-171.5**	**-288.1**
C. NET ERRORS AND OMISSIONS	**-210.5**	**-585.3**	**359.0**	**-903.2**	**-307.9**	**90.6**	**57.6**	**-356.7**	**514.1**	**-259.8**	**160.0**

Table H2: Balance of Payments - Goods and Services (preliminary data upon the second phase of revision), Million US dollars

	1993	1994	1995	1996	1997	1998	1999	1999			
								Q1	Q2	Q3	Q4
1. Goods	**-741.7**	**-1,171.8**	**-3,268.0**	**-3,690.2**	**-5,224.3**	**-4,168.9**	**-3,300.7**	**-663.7**	**-948.1**	**-716.9**	**-971.9**
1.1. Credit	3,903.8	4,260.4	4,632.7	4,545.7	4,210.3	4,604.5	4,371.2	982.2	1,050.5	1,204.9	1,133.5
1.1.1. Exports fob in trade statistics	3,903.8	4,260.4	4,632.7	4,511.8	4,170.7	4,541.1	4,279.7	961.4	1,029.5	1,179.6	1,109.2
1.1.2. Adjustments for coverage	0.0	0.0	0.0	33.9	39.6	63.4	91.5	20.8	21.1	25.4	24.2
1.2. Debit	-4,645.5	-5,432.2	-7,900.7	-8,235.9	-9,434.6	-8,773.4	-7,671.8	-1,646.0	-1,998.7	-1,921.8	-2,105.4
1.2.1. Imports cif in trade statistics	-4,666.4	-5,229.3	-7,509.9	-7,787.9	-9,104.0	-8,383.1	-7,777.4	-1,665.7	-2,035.5	-1,942.9	-2,133.3
1.2.2. Adjustments for coverage	-310.4	-574.2	-924.0	-1,001.0	-977.0	-985.5	-446.6	-98.5	-107.7	-116.9	-123.5
1.2.3. Adjustments for classification	331.3	371.3	533.2	552.9	646.4	595.2	552.2	118.3	144.5	137.9	151.5
2. Services	**1,138.1**	**1,633.3**	**1,041.1**	**1,580.0**	**2,030.9**	**2,074.8**	**1,678.7**	**38.7**	**411.8**	**1,088.7**	**139.5**
2.1. Transportation	314.4	321.0	313.8	310.0	282.5	227.6	77.6	13.8	20.9	39.0	3.8
2.1.1. Credit	646.2	665.1	707.3	710.6	681.5	565.7	461.6	109.4	120.1	139.0	93.2
2.1.2. Debit	-331.8	-344.0	-393.5	-400.6	-399.0	-338.1	-384.0	-95.6	-99.2	-99.9	-89.4
2.2. Travel	935.2	1,405.5	924.3	1,503.9	1,999.7	2,133.2	1,790.0	79.7	429.7	1,105.3	175.2
2.2.1. Credit	1,309.8	1,801.4	1,345.9	2,014.3	2,529.8	2,733.4	2,501.6	307.4	560.0	1,283.4	350.7
2.2.2. Debit	-374.6	-395.9	-421.6	-510.4	-530.1	-600.3	-711.6	-227.7	-130.3	-178.1	-175.5
2.3. Other services	-111.6	-93.2	-196.9	-233.9	-251.4	-286.0	-188.9	-54.9	-38.9	-55.6	-39.6
2.3.1. Credit	329.7	390.7	398.2	572.1	799.6	665.0	744.7	166.8	190.7	181.7	205.5
2.3.2. Debit	-441.3	-483.9	-595.1	-806.0	-1,051.0	-951.0	-933.6	-221.7	-229.6	-237.3	-245.0
Total (1+2)	**396.4**	**461.5**	**-2,226.9**	**-2,110.2**	**-3,193.4**	**-2,094.1**	**-1,622.0**	**-625.0**	**-536.4**	**371.8**	**-832.4**

Table H3: Balance of Payments - Income and Current Transfers (preliminary data upon the second phase of revision), Million US dollars

	1993	1994	1995	1996	1997	1998	1999	1999			
								Q1	Q2	Q3	Q4
1. Income	**-119.6**	**-164.5**	**-28.6**	**-69.7**	**-22.2**	**-163.7**	**-346.4**	**-93.2**	**-110.8**	**-85.0**	**-57.4**
1.1. Compensation of employees	17.1	35.3	38.7	38.9	55.6	69.7	60.1	16.3	14.4	14.2	15.2
1.1.1. Credit	17.1	35.3	38.7	46.7	70.2	81.0	74.9	19.9	17.4	17.8	19.7
1.1.2. Debit	0.0	0.0	0.0	-7.8	-14.6	-11.4	-14.8	-3.6	-3.1	-3.7	-4.5
1.2. Direct investment income	0.3	12.3	0.8	10.1	-51.9	-100.3	-80.0	-3.3	-60.1	-13.2	-3.4
1.2.1. Credit	0.4	13.2	7.0	17.5	16.9	5.3	3.9	0.8	1.0	1.1	1.0
1.2.2. Debit	-0.1	-0.9	-6.2	-7.4	-68.8	-105.6	-84.0	-4.1	-61.1	-14.2	-4.5
1.3. Portfolio investment income	0.0	0.1	-0.1	-2.0	-91.5	-102.6	-129.2	-63.5	-3.5	-61.5	-0.7
1.3.1. Credit	0.0	0.1	0.2	0.2	2.6	0.2	0.1	0.0	0.0	0.1	0.0
1.3.2. Debit	0.0	0.0	-0.3	-2.2	-94.1	-102.8	-129.3	-63.5	-3.5	-61.6	-0.7
1.4. Other investment income	-137.0	-212.2	-68.0	-116.6	65.6	-30.4	-197.2	-42.7	-61.6	-24.4	-68.5
1.4.1. Credit	110.6	100.3	173.0	205.6	274.1	308.4	186.6	52.6	35.2	67.3	31.5
1.4.2. Debit	-247.6	-312.5	-240.9	-322.2	-208.5	-338.8	-383.8	-95.3	-96.8	-91.7	-100.0
2. Current transfers	**329.2**	**529.1**	**804.0**	**1,032.3**	**871.7**	**708.1**	**499.9**	**128.3**	**121.8**	**124.1**	**125.7**
2.1. General government	245.1	234.5	279.8	154.5	32.8	-9.2	-130.1	-24.6	-30.8	-30.7	-44.0
2.1.1. Credit	252.0	261.1	309.2	193.4	55.6	77.6	76.2	17.8	16.7	16.5	25.1
2.1.2. Debit	-6.9	-26.6	-29.3	-38.9	-22.8	-86.8	-206.3	-42.5	-47.5	-47.2	-69.1
2.2. Other sectors	84.1	294.6	524.2	877.8	838.9	717.3	630.0	152.9	152.6	154.8	169.7
2.2.1. Credit	257.0	410.8	663.7	989.7	910.7	843.5	757.0	186.0	182.6	184.4	204.1
2.2.2. Debit	-172.9	-116.2	-139.5	-111.9	-71.9	-126.3	-127.0	-33.0	-30.0	-29.6	-34.3
Total (1+2)	**209.6**	**364.6**	**775.4**	**962.7**	**849.4**	**544.4**	**153.5**	**35.1**	**11.0**	**39.1**	**68.3**

Table H4: Balance of Payments - Other Investments (preliminary data upon the second phase of revision), Million US dollars

	1993	1994	1995	1996	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
1. Assets	**-148.8**	**11.4**	**429.5**	**850.8**	**190.4**	**368.2**	**-523.4**	**460.4**	**-478.3**	**-547.9**	**42.5**
1.1. Trade credits	0.0	0.0	0.0	36.3	18.1	-19.5	-153.8	163.7	-235.5	-51.8	-30.2
1.1.1. Other sectors	0.0	0.0	0.0	36.3	18.1	-19.5	-153.8	163.7	-235.5	-51.8	-30.2
1.1.1.1. Short - term	0.0	0.0	0.0	36.3	18.1	-19.5	-153.8	163.7	-235.5	-51.8	-30.2
1.2. Currency and deposits	-148.8	11.4	429.5	814.5	172.3	387.7	-369.6	296.7	-242.8	-496.2	72.7
1.2.1. Banks	-210.6	-189.5	-467.1	-622.6	-341.1	383.8	340.6	491.5	-86.9	-178.4	114.3
1.2.2. Other sectors	61.8	200.9	896.6	1,437.1	513.4	4.0	-710.2	-194.9	-155.9	-317.7	-41.6
2. Liabilities	**142.0**	**376.3**	**1,005.6**	**579.6**	**1,967.9**	**407.9**	**457.7**	**-184.9**	**533.7**	**449.3**	**-340.4**
2.1. Trade credits	0.0	0.0	0.0	390.1	217.9	-466.9	36.8	-236.4	174.9	121.6	-23.4
2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.7	-0.1	0.3	-0.1	0.5
2.1.1.1. Long term	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-0.1	-0.4	-0.1	-0.4
2.1.1.2. Short term	0.0	0.0	0.0	0.0	0.0	0.0	1.6	0.0	0.7	0.0	1.0
2.1.2. Other sectors	0.0	0.0	0.0	390.1	217.9	-466.9	36.2	-236.3	174.7	121.7	-23.9
2.1.2.1. Long term	0.0	0.0	0.0	0.0	0.0	0.0	-36.7	-4.6	-13.8	-2.2	-16.1
2.1.2.2. Short term	0.0	0.0	0.0	390.1	217.9	-466.9	72.9	-231.7	188.5	123.9	-7.8
2.2. Loans	-116.3	-29.6	425.6	643.0	1,478.9	1,050.7	385.2	88.9	367.2	280.4	-351.3
2.2.1. Monetary authorities	-24.0	105.5	97.6	-4.3	37.3	-8.9	-31.4	-2.3	-9.5	-2.2	-17.5
2.2.1.1.Use of Fund credit and loans	-24.0	105.5	97.6	-4.3	37.3	-8.9	-31.4	-2.3	-9.5	-2.2	-17.5
2.2.1.1.1. Drawings	0.0	114.2	103.0	0.0	39.5	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-24.0	-8.7	-5.4	-4.3	-2.2	-8.9	-31.4	-2.3	-9.5	-2.2	-17.5
2.2.2. General government	-119.3	-131.5	-47.2	268.6	95.7	-61.4	182.6	4.0	247.2	236.6	-305.2
2.2.2.1. Long-term	-119.3	-131.5	-147.2	260.4	104.2	-12.2	229.8	54.0	88.6	31.7	55.6
2.2.2.1.1. Drawings	3.7	10.4	9.4	349.8	180.7	248.0	297.2	72.0	98.7	55.1	71.4
2.2.2.1.2. Repayments	-123.0	-141.9	-156.6	-89.4	-76.4	-260.2	-67.4	-18.0	-10.1	-23.4	-15.9
2.2.2.2. Short-term (net)	0.0	0.0	100.0	8.2	-8.6	-49.2	-47.2	-50.0	158.6	205.0	-360.8
2.2.3. Banks	-20.6	6.3	218.3	200.4	401.1	313.2	-66.9	-24.0	33.4	-44.3	-32.0
2.2.3.1. Long-term	-38.0	-8.7	-52.1	64.4	339.3	363.9	-53.9	-20.5	41.6	-43.5	-31.6
2.2.3.1.1. Drawings	55.2	69.4	72.0	167.5	589.9	518.6	589.4	30.1	299.1	234.5	25.7
2.2.3.1.2. Repayments	-93.2	-78.1	-124.1	-103.1	-250.6	-154.7	-643.3	-50.6	-257.4	-278.0	-57.3
2.2.3.2. Short-term (net)	17.4	15.0	270.4	135.9	61.9	-50.7	-13.0	-3.6	-8.2	-0.8	-0.4
2.2.4. Other sectors	47.6	-9.8	156.9	178.4	944.7	807.8	300.9	111.3	96.0	90.2	3.4
2.2.4.1. Long-term	-32.2	-4.6	57.4	128.8	749.8	671.4	247.2	28.3	69.0	51.6	98.3
2.2.4.1.1. Drawings	94.7	104.5	233.7	327.0	1,009.6	973.2	770.9	161.2	224.7	157.4	227.6
2.2.4.1.2. Repayments	-126.9	-109.1	-176.3	-198.2	-259.8	-301.8	-523.6	-132.9	-155.7	-105.7	-129.3
2.2.4.2. Short-term (net)	79.8	-5.2	99.5	49.7	194.9	136.4	53.7	83.0	27.0	38.6	-94.9
2.3. Currency and deposits	0.0	46.3	274.3	25.9	271.1	-175.9	35.6	-37.5	-8.4	47.2	34.3
2.3.1. Monetary authorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.3.2. Banks	0.0	46.3	274.3	25.9	271.1	-175.9	35.6	-37.5	-8.4	47.2	34.3
2.4. Other liabilities (short-term)	258.4	359.5	305.7	-479.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4.1. General government	189.6	243.9	213.1	125.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4.2. Banks	50.0	78.4	78.8	-604.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4.3. Other sectors	18.8	37.3	13.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2)	**-6.8**	**387.7**	**1,435.2**	**1,430.5**	**2,158.3**	**776.2**	**-65.7**	**275.5**	**55.4**	**-98.6**	**-297.9**

Table H5: Balance of Payments - Summary (preliminary data upon the second phase of revision)
Million kuna

	1993	1994	1995	1996	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
A. CURRENT ACCOUNT (1+6)	**4,298.4**	**5,462.6**	**-7,873.9**	**-6,322.8**	**-14,192.9**	**-9,845.9**	**-10,406.5**	**-3,775.9**	**-3,790.9**	**2,818.5**	**-5,658.2**
1. Goods, services, and income (2+5)	**2,917.3**	**1,707.7**	**-12,077.2**	**-11,942.9**	**-19,549.4**	**-14,355.5**	**-14,040.0**	**-4,703.8**	**-4,680.6**	**1,931.0**	**-6,586.6**
1.1. Credit	24,094.3	43,154.9	38,264.5	44,011.7	53,137.4	57,052.8	59,358.7	10,887.8	14,155.2	20,839.1	13,476.6
1.2. Debit	-21,177.0	-41,447.1	-50,341.6	-55,954.6	-72,686.8	-71,408.2	-73,398.7	-15,591.6	-18,835.9	-18,908.1	-20,063.2
2. Goods and services (3+4)	**3,354.6**	**2,668.7**	**-11,924.6**	**-11,555.0**	**-19,478.7**	**-13,287.4**	**-11,453.7**	**-4,083.3**	**-3,855.9**	**2,630.9**	**-6,145.5**
2.1. Credit	23,588.8	42,270.2	37,118.4	42,546.1	50,872.5	54,546.5	57,608.3	10,406.3	13,792.8	20,301.7	13,107.5
2.2. Debit	-20,234.2	-39,601.6	-49,043.0	-54,101.2	-70,351.3	-67,833.9	-69,062.0	-14,489.6	-17,648.7	-17,670.8	-19,253.0
3. Goods	**-1,788.2**	**-6,864.0**	**-17,347.2**	**-20,063.7**	**-32,376.0**	**-26,556.5**	**-23,580.2**	**-4,403.5**	**-6,824.0**	**-5,208.0**	**-7,144.8**
3.1. Credit	13,270.6	25,480.6	24,294.4	24,693.7	25,758.2	29,278.2	31,177.3	6,528.7	7,541.6	8,752.9	8,354.1
3.2. Debit	-15,058.8	-32,344.7	-41,641.5	-44,757.4	-58,134.2	-55,834.7	-54,757.5	-10,932.2	-14,365.6	-13,960.8	-15,498.8
4. Services	**5,142.8**	**9,532.7**	**5,422.6**	**8,508.7**	**12,897.3**	**13,269.0**	**12,126.5**	**320.1**	**2,968.1**	**7,838.9**	**999.3**
4.1. Credit	10,318.2	16,789.6	12,824.1	17,852.5	25,114.4	25,268.3	26,431.0	3,877.6	6,251.2	11,548.9	4,753.4
4.2. Debit	-5,175.4	-7,256.9	-7,401.5	-9,343.7	-12,217.1	-11,999.2	-14,304.6	-3,557.4	-3,283.1	-3,709.9	-3,754.1
5. Income	**-437.3**	**-960.9**	**-152.6**	**-387.9**	**-70.7**	**-1,068.0**	**-2,586.3**	**-620.5**	**-824.7**	**-700.0**	**-441.1**
5.1. Credit	505.5	884.6	1,146.0	1,465.6	2,264.8	2,506.3	1,750.4	481.5	362.4	537.3	369.1
5.2. Debit	-942.8	-1,845.6	-1,298.7	-1,853.5	-2,335.5	-3,574.3	-4,336.7	-1,102.0	-1,187.2	-1,237.3	-810.2
6. Current transfers	**1,381.1**	**3,754.9**	**4,203.3**	**5,620.1**	**5,356.5**	**4,509.6**	**3,633.5**	**927.9**	**889.8**	**887.5**	**928.4**
6.1. Credit	2,055.6	5,064.7	5,085.5	6,442.6	5,939.1	5,859.0	5,881.0	1,338.1	1,417.2	1,435.5	1,690.3
6.2. Debit	-674.5	-1,309.8	-882.2	-822.5	-582.6	-1,349.4	-2,247.5	-410.2	-527.4	-548.0	-761.9
B. CAPITAL AND FINANCIAL ACCOUNT	**-1,230.1**	**-1,358.4**	**5,770.9**	**13,752.3**	**17,171.4**	**9,160.9**	**10,387.4**	**6,634.2**	**456.3**	**-1,049.8**	**4,346.8**
B1. Capital account	**0.0**	**0.0**	**0.0**	**87.3**	**132.4**	**121.9**	**173.4**	**35.3**	**40.6**	**44.7**	**52.8**
B2. Financial account, excl. reserves	**618.3**	**2,975.2**	**8,038.8**	**16,545.7**	**19,724.2**	**10,093.6**	**13,514.9**	**5,035.7**	**1,923.7**	**144.5**	**6,411.1**
1. Direct investment	**166.0**	**620.2**	**504.0**	**2,765.7**	**1,991.8**	**5,134.0**	**9,323.6**	**673.6**	**1,249.8**	**748.7**	**6,651.6**
1.1. Abroad	-90.7	-40.9	-29.3	-132.8	-1,149.4	-592.2	-313.2	-83.6	5.4	-28.5	-206.5
1.2. In Croatia	256.7	661.1	533.4	2,898.6	3,141.2	5,726.2	9,636.8	757.2	1,244.4	777.2	6,858.0
2. Portfolio investment	**-3.3**	**50.5**	**24.7**	**3,349.8**	**3,520.2**	**107.5**	**4,010.2**	**2,163.8**	**-97.1**	**72.5**	**1,871.0**
2.1. Assets	-1.5	6.2	0.7	33.7	70.6	-0.9	-2.1	-0.5	0.0	-1.1	-0.5
2.2. Liabilities	-1.8	44.3	24.0	3,316.1	3,449.6	108.4	4,012.4	2,164.3	-97.1	73.6	1,871.5
3. Other investment	**455.6**	**2,304.5**	**7,510.1**	**10,430.2**	**14,212.2**	**4,852.1**	**181.1**	**2,198.3**	**771.0**	**-676.7**	**-2,111.5**
3.1. Assets	-152.9	120.5	2,203.3	4,635.1	765.9	2,257.0	-4,771.0	2,762.4	-3,712.4	-4,033.3	212.3
3.2. Liabilities	608.6	2,184.0	5,306.8	5,795.0	13,446.3	2,595.1	4,952.0	-564.2	4,483.4	3,356.6	-2,323.8
B3. Reserve Assets	**-1,848.4**	**-4,333.5**	**-2,267.9**	**-2,880.7**	**-2,685.2**	**-1,054.5**	**-3,300.9**	**1,563.2**	**-1,508.0**	**-1,239.0**	**-2,117.1**
C. NET ERRORS AND OMISSIONS	**-3,068.3**	**-4,104.2**	**2,103.0**	**-7,429.5**	**-2,978.5**	**684.9**	**19.1**	**-2,858.2**	**3,334.6**	**-1,768.7**	**1,311.4**

Table H6: International Reserves and Banks' Foreign Exchange Reserves

End of period, million US dollars

Year	Month	International Reserves of the Croatian National Bank: Total	Special drawing rights	Reserve position in the Fund	Foreign exchange: Total	Foreign exchange: Currency and deposits	Foreign exchange: Bonds and notes	Banks' foreign exchange reserves
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	December	2,314.0	125.6	-	2,188.4	2,016.6	171.8	1,992.1
1997	December	2,539.1	147.1	0.1	2,391.9	2,011.7	380.2	2,333.2
1998	December	2,815.7	231.2	0.2	2,584.4	1,927.0	657.4	1,949.4
1999	January	2,610.3	224.6	0.2	2,385.5	1,678.7	706.8	1,765.6
	February	2,396.5	220.7	0.2	2,175.7	1,508.3	667.4	1,660.8
	March	2,451.0	218.8	0.2	2,232.0	1,715.6	516.4	1,457.8
	April	2,413.3	208.2	0.2	2,204.9	1,756.7	448.2	1,328.1
	May	2,584.1	207.1	0.2	2,376.8	1,984.9	391.9	1,485.8
	June	2,610.3	205.1	0.2	2,405.0	2,060.3	344.7	1,544.8
	July	2,755.2	207.4	0.2	2,547.6	2,204.4	343.2	1,669.6
	August	2,847.6	207.2	0.2	2,640.2	2,294.0	346.2	1,696.8
	September	2,816.0	209.9	0.2	2,605.9	2,243.5	362.3	1,723.2
	October	2,993.4	190.3	0.2	2,803.1	2,398.8	404.3	1,654.4
	November	2,825.6	189.1	0.2	2,636.3	2,217.2	419.1	1,645.1
	December	3,025.0	189.5	0.2	2,835.3	2,459.8	375.5	1,608.9

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1992		**0.340174**	0.024304	**0.050419**	0.020916	**0.190597**	0.375277	**0.264299**	0.171018
1993		**4.133563**	0.305485	**0.621058**	0.224018	**2.433869**	5.369428	**3.577417**	2.155526
1994		**7.087400**	0.524804	**1.079560**	0.371475	**4.381763**	9.166192	**5.995300**	3.692018
1995		**6.757758**	0.518734	**1.047969**	0.321342	**4.425311**	8.252950	**5.229967**	3.649342
1996		**6.804708**	0.513722	**1.062735**	0.352150	**4.404976**	8.479850	**5.433800**	3.614536
1997		**6.959708**	0.505322	**1.056355**	0.361942	**4.246962**	10.081567	**6.157050**	3.555932
1998		**7.136608**	0.514421	**1.079581**	0.366683	**4.395149**	10.539883	**6.362292**	3.619321
1999		**7.579622**	0.550834	**1.155501**	0.391455	**4.738375**	11.504100	**7.112441**	3.875409
1999	January	**7.340488**	0.533474	**1.118992**	0.379103	**4.575519**	10.430367	**6.316871**	3.753243
	February	**7.482794**	0.543796	**1.140745**	0.386454	**4.683296**	10.870117	**6.673312**	3.825892
	March	**7.599532**	0.552280	**1.158541**	0.392483	**4.767060**	11.303258	**6.975289**	3.885579
	April	**7.597745**	0.552150	**1.158269**	0.392391	**4.749492**	11.410040	**7.090183**	3.884665
	May	**7.591294**	0.551681	**1.157285**	0.392058	**4.736886**	11.522752	**7.140947**	3.881367
	June	**7.595332**	0.551974	**1.157901**	0.392266	**4.764788**	11.681765	**7.309009**	3.883431
	July	**7.593833**	0.551865	**1.157672**	0.392189	**4.735407**	11.562606	**7.351939**	3.882665
	August	**7.586515**	0.551334	**1.156557**	0.391811	**4.742031**	11.483185	**7.143127**	3.878924
	September	**7.616564**	0.553517	**1.161138**	0.393363	**4.758611**	11.763126	**7.252575**	3.894288
	October	**7.636978**	0.555001	**1.164250**	0.394417	**4.791597**	11.810949	**7.128088**	3.904725
	November	**7.646675**	0.555706	**1.165728**	0.394918	**4.765402**	11.995839	**7.393988**	3.909683
	December	**7.667716**	0.557235	**1.168936**	0.396005	**4.790407**	12.215193	**7.573963**	3.920441

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

Year	Month	**HRK/EUR**	HRK/ATS	**HRK/FRF**	HRK/100 ITL	**HRK/CHF**	HRK/GBP	**HRK/USD**	HRK/DEM
1992		**0.964508**	0.070357	**0.145244**	0.054153	**0.546218**	1.206464	**0.798188**	0.495000
1993		**7.262200**	0.540504	**1.120052**	0.381300	**4.471653**	9.714800	**6.561900**	3.801812
1994		**6.902400**	0.516285	**1.052510**	0.346500	**4.288893**	8.784200	**5.628700**	3.632100
1995		**6.812200**	0.526742	**1.085365**	0.335800	**4.618693**	8.234500	**5.316100**	3.705900
1996		**6.863600**	0.506253	**1.055662**	0.362600	**4.098835**	9.359000	**5.539600**	3.562200
1997		**6.947200**	0.499445	**1.050510**	0.357700	**4.332003**	10.475600	**6.303100**	3.511000
1998		**7.329100**	0.531546	**1.114954**	0.377700	**4.567584**	10.451000	**6.247500**	3.739700
1999		**7.679009**	0.558055	**1.170657**	0.396588	**4.784268**	12.340257	**7.647654**	3.926215
1999	January	**7.387139**	0.536844	**1.126162**	0.381514	**4.581811**	10.668874	**6.480515**	3.776984
	February	**7.567448**	0.549948	**1.153650**	0.390826	**4.769165**	10.996704	**6.869506**	3.869175
	March	**7.596698**	0.552074	**1.158109**	0.392337	**4.768037**	11.455302	**7.089117**	3.884130
	April	**7.591112**	0.551668	**1.157258**	0.392048	**4.722115**	11.560627	**7.158725**	3.881274
	May	**7.591861**	0.551722	**1.157372**	0.392087	**4.775680**	11.602407	**7.262854**	3.881657
	June	**7.596586**	0.552065	**1.158092**	0.392331	**4.752307**	11.605141	**7.338988**	3.884073
	July	**7.591331**	0.551684	**1.157291**	0.392060	**4.752867**	11.501250	**7.096028**	3.881386
	August	**7.589463**	0.551548	**1.157006**	0.391963	**4.739723**	11.533770	**7.261254**	3.880431
	September	**7.632555**	0.554679	**1.163576**	0.394189	**4.771957**	11.926911	**7.249079**	3.902463
	October	**7.640805**	0.555279	**1.164833**	0.394615	**4.767515**	11.962664	**7.315275**	3.906682
	November	**7.658211**	0.556544	**1.167487**	0.395514	**4.779893**	12.133838	**7.570394**	3.915581
	December	**7.679009**	0.558055	**1.170657**	0.396588	**4.784268**	12.340257	**7.647654**	3.926215

Table H9: Indices of Effective Exchange Rate of the Kuna, Indices 1995=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Indices of producer's prices	Retail price index
1997	December	107.96	104.89	103.27
1998	January	108.31	105.63	101.17
	February	108.53	105.79	101.24
	March	109.32	108.41	101.92
	April	110.08	108.92	102.50
	May	110.10	109.02	102.24
	June	111.57	110.00	103.70
	July	111.81	110.45	104.17
	August	110.41	108.80	102.80
	September	109.96	108.20	101.51
	October	110.74	108.33	101.74
	November	111.99	108.62	102.68
	December	111.87	108.03	102.41
1999	January	112.30	108.16	102.31
	February	115.78	110.38	105.40
	March	118.67	114.14	107.92
	April	119.26	114.79	108.59
	May	119.46	115.49	108.10
	June	120.40	116.56	108.96
	July	120.56	116.38	108.13
	August	119.41	114.91	107.28
	September	120.33	115.83	107.62
	October	119.92	115.26	106.97
	November	121.40	115.15	108.50
	December	122.56	116.29	109.50

Table H10: External Debt Structured by Domestic Sectors

Million US dollars

	1993	1994	1995	1996	1997	1998	1999			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.
1. Direct investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**476.3**	**474.4**	**493.3**	**521.5**	**535.0**
2. Government	**123.1**	**134.0**	**240.7**	**2,397.3**	**2,905.7**	**3,400.4**	**3,582.8**	**3,858.3**	**4,016.0**	**3,892.5**
2.1. Portfolio investments	0.0	0.0	0.0	1,462.2	1,954.5	2,049.3	2,329.7	2,308.1	2,306.7	2,522.9
Bonds	0.0	0.0	0.0	1,462.2	1,954.5	2,049.3	2,329.7	2,308.1	2,306.7	2,522.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investments	123.1	134.0	240.7	935.1	951.2	1,351.1	1,253.1	1,550.3	1,709.3	1,369.6
2.2.1. Trade credits	1.4	2.6	5.4	12.2	18.1	2.7	2.5	2.7	2.6	3.3
Long-term	0.1	2.6	5.4	3.6	18.1	1.8	1.6	1.1	1.1	0.6
Short-term	1.3	0.0	0.0	8.6	0.0	0.8	0.9	1.6	1.5	2.7
2.2.2. Credits	121.7	131.4	235.3	922.9	933.1	1,348.4	1,250.6	1,547.6	1,706.7	1,366.3
Long-term	121.7	131.4	134.9	822.9	833.1	1,298.4	1,250.6	1,288.8	1,338.1	1,366.3
Short-term	0.0	0.0	100.4	100.0	100.0	50.0	0.0	258.8	368.5	0.0
3. Croatian National Bank	**20.6**	**126.1**	**222.5**	**208.3**	**231.8**	**233.9**	**223.3**	**210.3**	**216.2**	**196.6**
o/w: IMF	20.6	126.1	222.5	208.3	231.8	233.9	223.3	210.3	216.2	196.6
4. Banks	**1,876.7**	**2,066.6**	**2,434.9**	**1,251.8**	**2,215.6**	**2,269.6**	**2,096.0**	**1,965.1**	**1,987.7**	**1,957.2**
4.1. Portfolio investments	941.1	992.9	999.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	941.1	992.9	999.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Other investments	935.6	1,073.7	1,435.0	1,251.8	2,215.6	2,269.6	2,096.0	1,965.1	1,987.7	1,957.2
4.2.1. Currency and deposits	151.9	198.3	472.7	499.2	789.9	614.6	577.1	456.2	503.4	537.7
4.2.2. Credits	783.7	875.4	962.3	752.6	1,425.7	1,655.0	1,518.9	1,508.9	1,484.3	1,419.5
Long-term	782.1	871.9	957.0	630.2	1,382.0	1,620.1	1,484.3	1,483.0	1,459.2	1,387.6
Short-term	1.6	3.5	5.3	122.4	43.7	34.9	34.7	25.9	25.1	32.0
5. Other sectors	**617.4**	**693.1**	**911.0**	**1,450.2**	**2,098.5**	**3,267.9**	**3,130.4**	**3,148.1**	**3,376.0**	**3,274.5**
5.1. Portfolio investments	0.0	0.0	0.0	0.0	0.0	8.7	18.7	13.9	46.8	48.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.6	31.1
Money market instruments	0.0	0.0	0.0	0.0	0.0	8.7	18.7	13.9	14.2	17.4
5.2. Other investments	617.4	693.1	911.0	1,450.2	2,098.5	3,259.2	3,111.8	3,134.1	3,329.2	3,226.0
5.2.1. Trade credits	160.4	216.7	356.7	419.2	608.4	440.2	391.9	386.2	393.7	365.9
Long-term	117.9	182.0	268.5	296.7	442.8	321.1	289.3	273.8	278.8	253.3
Short-term	42.5	34.7	88.2	122.5	165.6	119.0	102.5	112.4	114.9	112.7
5.2.2. Credits	457.0	476.4	554.3	1,031.0	1,490.1	2,819.0	2,719.9	2,747.9	2,935.5	2,860.0
Long-term	447.9	464.1	523.1	973.3	1,260.9	2,427.0	2,325.4	2,349.8	2,487.3	2,532.6
Short-term	9.1	12.3	31.2	57.7	229.2	392.1	394.5	398.1	448.2	327.4
Total (1+2+3+4+5)	**2,637.8**	**3,019.8**	**3,809.1**	**5,307.6**	**7,451.6**	**9,648.0**	**9,507.0**	**9,675.1**	**10,117.3**	**9,855.8**

Table H11: External Debt Structured by Creditors
Million US dollars

	1993	1994	1995	1996	1997	1998	1999			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.
1. Portfolio investments	**941.1**	**992.9**	**999.9**	**1,462.2**	**1,954.8**	**2,058.0**	**2,348.4**	**2,322.0**	**2,353.5**	**2,571.4**
Bonds	941.1	992.9	999.9	1,462.2	1,954.8	2,049.3	2,329.7	2,308.1	2,339.4	2,554.0
o/w: London Club	941.1	992.9	999.9	1,462.2	1,428.4	1,404.7	1,392.8	1,392.8	1,380.9	1,380.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	8.7	18.7	13.9	14.2	17.4
2. Other investments	**1,696.7**	**2,026.9**	**2,809.2**	**3,845.4**	**5,496.8**	**7,590.0**	**7,158.6**	**7,353.1**	**7,763.7**	**7,284.4**
2.1. Currency and deposits	151.9	198.3	472.7	499.2	789.9	614.6	577.1	456.2	503.4	537.7
2.2. Long-term	1,490.2	1,778.1	2,111.4	2,935.0	4,168.4	6,309.8	5,969.1	6,023.0	6,220.1	6,172.7
A) Public creditors	1,047.2	1,202.2	1,340.2	1,889.6	1,867.0	2,196.7	2,078.7	2,042.1	2,095.6	2,063.0
1. International financial organizations	319.6	404.0	493.7	673.1	851.0	1,039.2	1,001.9	964.9	1,025.2	1,013.9
a) IMF	20.6	126.1	222.5	208.3	231.8	233.9	223.3	210.3	216.2	196.6
b) IBRD	88.8	71.4	59.6	188.4	294.5	344.1	345.1	340.2	383.0	395.0
c) IFC	2.1	2.3	2.5	0.0	0.0	30.9	29.7	28.7	30.0	28.6
d) EBRD	0.0	0.0	16.2	108.4	171.2	251.3	226.6	215.0	220.3	218.8
e) EUROFIMA	59.6	48.1	38.9	32.8	42.9	72.6	76.8	73.9	82.5	78.5
e) EIB	138.6	145.7	143.7	131.0	108.3	105.2	91.9	88.3	85.4	81.0
g) CEB	9.9	10.4	10.3	4.2	2.3	1.1	8.5	8.5	7.8	15.4
2. Governments and government agencies	727.6	798.2	846.5	1,216.5	1,016.0	1,157.5	1,076.8	1,077.2	1,070.4	1,049.1
a) Paris Club	666.2	709.5	750.6	1,014.1	852.5	884.8	822.2	802.8	793.6	770.1
b) Other	61.4	88.7	95.9	202.4	163.5	272.7	254.6	274.4	276.8	279.0
B) Private creditors	443.0	575.9	771.2	1,045.4	2,301.4	4,113.1	3,890.3	3,980.9	4,124.6	4,109.7
1. Banks	319.6	385.5	486.7	736.0	1,833.3	3,320.3	3,174.5	3,310.5	3,404.9	3,402.1
o/w: guaranteed by government agencies	244.9	301.9	297.3	191.8	167.0	213.7	221.5	292.6	317.6	346.3
2. Other sectors	123.4	190.4	284.5	309.4	468.1	792.8	715.8	670.4	719.7	707.6
o/w: guaranteed by government agencies	18.0	29.5	37.5	21.9	17.6	28.5	24.1	20.8	19.3	44.5
2.3. Short-term	54.6	50.5	225.1	411.2	538.5	665.6	612.4	873.9	1,040.2	574.1
A) Public creditors	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
B) Private creditors	54.6	50.5	225.1	411.2	538.5	665.6	612.4	873.8	1,040.2	574.1
1. Banks	10.5	15.7	136.2	278.6	370.1	381.1	319.9	564.0	689.5	227.6
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6
2. Other sectors	44.1	34.8	88.9	132.6	168.4	284.5	292.5	309.7	350.6	346.4
o/w: guaranteed by government agencies	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	24.4
Total (1+2)	**2,637.8**	**3,019.8**	**3,809.1**	**5,307.6**	**7,451.6**	**9,648.0**	**9,507.0**	**9,675.1**	**10,117.3**	**9,855.8**

Table H12: External Debt and Estimated Future Payments Structured by Domestic Sectors
Million US dollars

	Outstanding debt Dec. 31, 1999	Nonreported principal payments	Estimated future principal payments of medium and long-term credits								
			Q1 2000	Q2 2000	Q3 2000	Q4 2000	2000	2001	2002	2003	Other
1. Direct investments	**249.7**	**9.7**	**7.8**	**12.6**	**3.7**	**26.0**	**50.1**	**31.8**	**23.3**	**83.1**	**51.7**
2. Government	**3,916.7**	**0.8**	**75.1**	**121.3**	**175.3**	**25.9**	**397.6**	**414.4**	**610.8**	**293.9**	**2,199.3**
2.1. Portfolio investments	2,522.9	0.0	50.9	0.0	74.7	0.0	125.5	239.8	500.4	161.2	1,495.9
Bonds	2,522.9	0.0	50.9	0.0	74.7	0.0	125.5	239.8	500.4	161.2	1,495.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Other investments	1,393.9	0.8	24.3	121.3	100.6	25.9	272.0	174.5	110.4	132.7	703.4
2.2.1. Trade credits	3.1	0.3	0.9	1.4	0.0	0.4	2.7	0.1	0.0	0.0	0.0
Long-term	0.6	0.0	0.1	0.4	0.0	0.1	0.5	0.1	0.0	0.0	0.0
Short-term	2.5	0.3	0.8	1.0	0.0	0.3	2.2	0.0	0.0	0.0	0.0
2.2.2. Credits	1,390.8	0.5	23.4	119.9	100.6	25.5	269.3	174.5	110.4	132.7	703.4
Long-term	1,390.7	0.4	23.4	119.9	100.6	25.5	269.3	174.5	110.4	132.7	703.4
Short-term	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian National Bank	**196.6**	**0.0**	**0.0**	**15.0**	**0.0**	**15.0**	**29.9**	**30.5**	**32.6**	**34.6**	**69.1**
o/w: IMF	196.6	0.0	0.0	15.0	0.0	15.0	29.9	30.5	32.6	34.6	69.1
4. Banks	**1,955.6**	**61.6**	**62.8**	**116.2**	**58.0**	**53.8**	**290.8**	**458.0**	**156.4**	**129.3**	**859.4**
4.1. Portfolio investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4.2. Other investments	1,955.6	61.6	62.8	116.2	58.0	53.8	290.8	458.0	156.4	129.3	859.4
4.2.1. Currency and deposits	537.7	-	-	-	-	-	-	-	-	-	537.7
4.2.2. Credits	1,417.9	61.6	62.8	116.2	58.0	53.8	290.8	458.0	156.4	129.3	321.7
Long-term	1,377.8	35.8	54.1	112.8	56.0	53.7	276.5	458.0	156.4	129.3	321.7
Short-term	40.0	25.8	8.8	3.4	2.0	0.1	14.3	0.0	0.0	0.0	0.0
5. Other sectors	**3,445.1**	**494.1**	**331.1**	**196.1**	**173.8**	**146.7**	**847.8**	**537.6**	**470.3**	**230.1**	**865.1**
5.1. Portfolio investments	52.1	5.9	3.4	9.6	0.5	0.0	13.5	1.0	0.5	0.0	31.1
Bonds	33.7	0.0	0.5	0.0	0.5	0.0	1.0	1.0	0.5	0.0	31.1
Money market instruments	18.4	5.9	2.9	9.6	0.0	0.0	12.5	0.0	0.0	0.0	0.0
5.2. Other investments	3,393.0	488.3	327.7	186.5	173.3	146.7	834.3	536.5	469.8	230.1	834.0
5.2.1. Trade credits	373.1	123.7	48.3	36.2	22.4	31.4	138.3	52.6	30.9	16.8	10.8
Long-term	250.5	56.0	24.0	22.7	17.8	19.6	84.0	52.0	30.9	16.8	10.8
Short-term	122.6	67.6	24.2	13.5	4.6	11.9	54.3	0.6	0.0	0.0	0.0
5.2.2. Credits	3,019.9	364.6	279.4	150.3	150.9	115.3	695.9	484.0	438.9	213.3	823.2
Long-term	2,556.0	166.4	153.6	101.9	119.7	101.7	476.9	478.7	399.3	212.1	822.5
Short-term	463.9	198.2	125.8	48.5	31.2	13.6	219.0	5.2	39.6	1.2	0.7
Total (1+2+3+4+5)	**9,763.7**	**566.2**	**476.9**	**461.1**	**410.8**	**267.4**	**1,616.2**	**1,472.3**	**1,293.4**	**771.0**	**4,044.6**
Supplement: Estimated interes payments		54.2	176.0	91.6	133.6	78.8	480.0	394.3	306.4	246.2	647.2
Note: Publicly Guaranteed Debt	1,459.9										
o/w: Banks and Other Sectors	1,070.1										

Table I1: Consolidated Central Government
Million kuna

	1998	1999											
		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
TOTAL REVENUE AND GRANTS													
1. Budgetary central government	**43,808.6**	**2,312.2**	**2,867.9**	**3,180.5**	**3,501.0**	**3,130.1**	**3,488.8**	**3,618.1**	**3,478.9**	**3,698.6**	**9,034.6**	**3,388.8**	**4,655.9**
2. Extrabudgetary funds	**21,302.1**	**1,646.7**	**1,570.6**	**1,678.1**	**1,705.1**	**1,746.3**	**1,838.8**	**1,842.4**	**1,743.6**	**1,770.4**	**1,769.6**	**1,843.7**	**2,030.1**
2.1. Pension Fund	10,713.4	861.5	817.1	880.4	883.3	884.3	919.6	942.5	891.9	903.1	906.3	943.4	966.5
2.2. Health Insurance Fund	8,269.0	653.2	651.2	682.5	698.3	734.0	774.0	761.2	717.5	725.5	715.2	723.2	850.7
2.3. Employment Fund	718.2	58.4	57.6	63.3	61.4	63.2	75.7	66.6	64.9	69.7	64.3	61.7	53.8
2.4. Child Benefit Fund	542.8	0.8	0.6	0.7	1.1	1.1	0.9	1.0	0.5	0.9	0.5	0.4	0.6
2.5. Road Fund[1)]	-	-	-	-	-	-	-	-	-	-	-	-	-
2.6. Public Water Management Fund	1,058.6	72.9	44.1	51.2	61.0	63.7	68.6	71.1	68.8	71.3	83.3	115.1	158.5
A. Total (1+2)	**65,110.7**	**3,959.0**	**4,438.5**	**4,858.7**	**5,206.1**	**4,876.4**	**5,327.5**	**5,460.5**	**5,222.4**	**5,469.1**	**10,804.2**	**5,232.5**	**6,686.0**
TOTAL EXPENDITURE AND LENDING (minus repayments)													
3. Budgetary central government	**34,125.4**	**2,124.4**	**2,423.3**	**3,087.1**	**2,262.8**	**3,200.1**	**2,993.1**	**2,907.8**	**2,379.4**	**2,545.6**	**4,543.9**	**2,478.3**	**5,033.2**
4. Extrabudgetary funds	**30,103.1**	**2,695.4**	**2,502.4**	**2,640.1**	**2,722.1**	**2,713.3**	**2,839.7**	**2,978.8**	**2,669.0**	**3,047.3**	**3,088.6**	**2,952.7**	**3,514.6**
4.1. Pension Fund	16,170.4	1,533.9	1,483.2	1,522.1	1,630.3	1,494.2	1,686.8	1,545.3	1,562.8	1,614.2	1,633.1	1,622.9	1,669.7
4.2. Health Insurance Fund	10,776.0	907.3	800.7	908.3	856.0	946.4	885.5	1,126.7	928.9	1,056.5	1,136.7	1,007.9	1,358.6
4.3. Employment Fund	571.2	52.5	56.9	57.4	62.3	67.0	63.9	69.2	66.6	70.2	71.6	82.8	104.6
4.4. Child Benefit Fund	1,032.1	99.8	86.7	84.1	79.2	90.6	108.0	107.2	5.9	187.0	93.7	93.6	100.2
4.5. Road Fund[1)]	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6. Public Water Management Fund	1,553.3	101.9	74.8	68.2	94.3	115.1	95.5	130.4	104.7	119.4	153.5	145.6	281.5
B. Total (3+4)	**64,228.6**	**4,819.8**	**4,925.7**	**5,727.2**	**4,984.8**	**5,913.4**	**5,832.8**	**5,886.6**	**5,048.3**	**5,592.9**	**7,632.6**	**5,431.0**	**8,547.8**
C. Overall surplus/deficit (A-B)	**882.1**	**-860.8**	**-487.2**	**-868.5**	**221.3**	**-1,036.9**	**-505.3**	**-426.0**	**174.1**	**-123.9**	**3,171.6**	**-198.5**	**-1,861.8**
5. Budgetary central government (1-3)	**9,683.1**	**187.8**	**444.6**	**93.4**	**1,238.3**	**-70.0**	**495.6**	**710.3**	**1,099.5**	**1,153.0**	**4,490.7**	**910.5**	**-377.3**
6. Extrabudgetary funds (2-4)	**-8,801.1**	**-1,048.6**	**-931.8**	**-962.0**	**-1,017.0**	**-967.0**	**-1,000.9**	**-1,136.3**	**-925.4**	**-1,276.9**	**-1,319.0**	**-1,109.0**	**-1,484.6**

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

Table I2: Budgetary Central Government Operations
Million kuna

	1998	1999											
		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1. Total revenue	**43,808.6**	**2,312.2**	**2,867.9**	**3,180.5**	**3,501.0**	**3,130.1**	**3,488.8**	**3,618.1**	**3,478.9**	**3,698.6**	**9,034.6**	**3,388.8**	**4,655.9**
1.1. Current revenue	42,019.4	2,278.2	2,846.0	3,144.3	3,486.5	3,107.9	3,473.6	3,600.5	3,464.2	3,680.4	3,759.2	3,368.3	3,835.5
1.1.1. Tax revenue	39,899.7	2,236.7	2,725.8	2,989.3	3,322.0	2,960.9	3,345.3	3,437.9	3,308.6	3,505.8	3,620.0	3,215.0	3,650.2
1.1.2. Nontax revenue	2,119.7	41.5	120.1	154.9	164.5	147.1	128.3	162.5	155.6	174.6	139.2	153.3	185.3
1.2. Capital revenue	1,789.2	34.1	21.9	36.3	14.5	22.2	15.2	17.6	14.7	18.2	5,275.4	20.5	820.4
2. Grants	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
2.1. Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2. Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A. Total revenue and grants (1+2)	**43,808.6**	**2,312.2**	**2,867.9**	**3,180.5**	**3,501.0**	**3,130.1**	**3,488.8**	**3,618.1**	**3,478.9**	**3,698.6**	**9,034.6**	**3,388.8**	**4,655.9**
3. Total expenditure	**41,390.4**	**2,936.0**	**3,259.0**	**3,801.8**	**3,508.6**	**3,998.4**	**3,880.2**	**3,927.4**	**3,211.9**	**3,761.1**	**5,771.5**	**3,384.5**	**5,939.3**
3.1. Current expenditure	34,883.0	2,885.5	2,685.1	3,539.1	3,020.8	3,457.8	3,451.2	2,937.9	2,369.5	2,777.7	4,277.9	2,878.4	4,195.1
3.2. Capital expenditure	6,507.3	50.5	573.9	262.7	487.8	540.6	428.9	989.5	842.4	983.3	1,493.6	506.1	1,744.2
4. Lending minus repayments	**1,161.5**	**25.7**	**50.5**	**124.9**	**72.8**	**176.2**	**231.6**	**53.0**	**122.8**	**29.7**	**131.0**	**197.3**	**283.7**
B. Total expenditure and net lending (3+4)	**42,551.9**	**2,961.7**	**3,309.5**	**3,926.7**	**3,581.4**	**4,174.7**	**4,111.7**	**3,980.4**	**3,334.7**	**3,790.8**	**5,902.5**	**3,581.8**	**6,222.9**
5. Current account surplus without grants (1.1.-3.1.)	**7,136.4**	**-607.3**	**160.9**	**-394.8**	**465.7**	**-349.9**	**22.4**	**662.6**	**1,094.7**	**902.7**	**-518.7**	**489.9**	**-359.6**
6. Current account surplus with current grants (5+2.1.)	**7,136.4**	**-607.3**	**160.9**	**-394.8**	**465.7**	**-349.9**	**22.4**	**662.6**	**1,094.7**	**902.7**	**-518.7**	**489.9**	**-359.6**
7. Gross fixed capital formation [1]	**976.1**	**11.1**	**383.3**	**108.6**	**185.3**	**213.5**	**159.4**	**121.3**	**164.4**	**223.7**	**-4,491.8**	**79.9**	**624.3**
8. Gross capital formation [2]	**976.1**	**11.1**	**383.3**	**108.6**	**185.3**	**213.5**	**159.4**	**121.3**	**164.4**	**223.7**	**-4,491.8**	**79.9**	**624.3**
C. Overall surplus/deficit (A-B)	**1,256.7**	**-649.5**	**-441.6**	**253.9**	**-1,080.4**	**-1,044.6**	**-623.0**	**-362.3**	**144.2**	**-92.1**	**3,132.1**	**-193.0**	**-1,567.0**
9. Foreign financing	**-9.1**	**-149.7**	**203.7**	**1,387.2**	**0.2**	**1,140.1**	**737.6**	**589.5**	**34.4**	**23.0**	**-2,009.3**	**232.4**	**2,426.0**
10. Domestic financing	**-1,247.6**	**799.2**	**237.9**	**-641.0**	**80.1**	**-95.6**	**-114.7**	**-227.2**	**-178.6**	**69.1**	**-1,122.7**	**-39.4**	**-859.0**
10.1. From other government	190.0	0.0	50.0	-20.0	31.0	-51.0	-22.0	-20.0	-10.0	0.0	-30.0	0.0	-15.0
10.2. From monetary authorities	112.4	1,107.3	16.8	3.5	217.2	74.2	-53.0	6.0	-79.1	60.8	-659.5	-19.5	-672.7
10.3. From deposit money banks	-1,638.6	-308.1	171.1	-606.3	-168.1	-66.0	-36.1	-213.2	-89.5	8.3	-360.4	-19.9	-171.3
10.4. Other domestic financing	88.7	0.0	0.0	-18.3	0.0	-52.8	-3.5	0.0	0.0	0.0	-72.9	0.0	0.0
D. Total financing (9+10)	**-1,256.7**	**649.5**	**441.6**	**746.1**	**80.4**	**1,044.6**	**623.0**	**362.3**	**-144.2**	**92.1**	**-3,132.1**	**193.0**	**1,567.0**

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

Table I3: Central Government Debt

End of period, million kuna

	1993	1994	1995	1996	1997	1998	1999			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.
1. Domestic debt of central government	**22,865.2**	**18,674.1**	**17,741.2**	**17,274.8**	**15,541.2**	**15,048.1**	**17,936.2**	**17,491.3**	**16,922.7**	**16,782.2**
1.1. Domestic debt of the Republic of Croatia	22,542.3	18,410.0	17,631.2	17,260.7	15,467.1	14,582.9	17,587.4	17,067.7	16,363.2	16,012.1
Treasury bills	-	-	-	272.1	449.6	565.8	627.9	501.6	767.4	776.7
Money market instruments	-	141.6	134.5	254.3	44.0	96.8	543.8	348.6	164.0	153.3
Bonds	21,036.7	17,269.1	16,019.5	16,055.2	14,159.2	13,035.8	14,272.9	14,036.3	13,174.9	13,720.7
Credits from the Croatian National Bank	517.2	250.6	390.1	218.8	-	0.0	1,270.0	1,374.4	1,378.0	24.1
Credits from DMBs	988.4	748.7	1,087.1	460.2	814.3	884.4	872.9	806.8	878.9	1,337.3
1.2. Domestic debt of central government funds	322.9	264.1	110.0	14.1	74.1	465.2	348.8	423.6	559.5	770.1
Money market instruments	-	-	-	-	-	-	-	78.0	41.5	-
Bonds	-	-	-	11.8	2.8	0.2	3.8	27.3	27.8	27.6
Credits from DMBs	322.9	264.1	110.0	2.3	71.3	465.0	344.9	318.3	490.3	742.5
2. External debt of central government	**833.4**	**754.2**	**1,279.6**	**13,477.8**	**18,314.9**	**21,059.0**	**25,076.8**	**27,931.9**	**28,668.9**	**29,289.1**
2.1. External debt of the Republic of Croatia	....	....	....	....	....	19,920.0	23,891.2	26,670.3	27,363.5	27,902.7
Money market instruments	....	....	....	....	....	-	-	-	-	-
Bonds	....	....	....	....	....	12,431.1	16,129.4	16,552.3	16,333.5	18,903.3
Credits	....	....	....	....	....	7,489.0	7,761.7	10,118.0	11,030.0	8,999.4
2.2. External debt of central government funds	....	....	....	....	....	1,139.0	1,185.7	1,261.5	1,305.3	1,386.4
Money market instruments	....	....	....	....	....	-	-	-	-	-
Bonds	....	....	....	....	....	372.1	386.5	386.4	388.3	390.6
Credits	....	....	....	....	....	766.9	799.2	875.1	917.0	995.8
3. Total (1+2)	**23,698.6**	**19,428.3**	**19,020.8**	**30,752.7**	**33,856.1**	**36,107.1**	**43,013.0**	**45,423.1**	**45,591.6**	**46,071.3**

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	December	100.0	100.4	100.3	103.4	103.7	101.5	103.5	104.3	101.4
1997	December	100.7	101.2	99.9	103.8	104.9	101.6	103.6	104.1	102.3
1998.	December	100.2	100.7	100.0	105.4	105.3	97.9	105.7	106.4	98.8
1999.	January	100.5	100.9	100.1	103.1	103.3	99.1	103.1	103.3	99.1
	February	100.3	100.6	100.8	103.4	103.2	100.0	103.4	103.2	99.5
	March	100.4	100.5	99.4	103.5	103.3	101.3	103.4	103.3	100.1
	April	100.3	100.4	100.6	103.6	103.2	101.7	103.5	103.2	100.6
	May	100.7	100.8	99.9	103.8	103.2	101.7	103.5	103.2	100.8
	June	100.0	99.3	100.1	103.8	102.7	101.5	103.6	103.2	100.9
	July	101.1	100.3	100.9	105.1	104.4	102.7	103.8	103.3	101.1
	August	100.0	99.4	100.9	105.0	104.2	103.6	104.0	103.4	101.5
	September	100.6	100.4	100.6	104.7	103.9	104.3	104.0	103.5	101.8
	October	100.4	100.2	100.4	104.5	104.0	104.4	104.1	103.5	102.0
	November	99.9	99.8	101.8	104.3	103.3	105.6	104.1	103.5	102.3
	December	100.3	101.0	100.3	104.4	103.6	105.9	104.2	103.5	102.6

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	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	January	2,946.0	100.4	117.8	117.8
	February	2,884.0	97.9	116.5	117.2
	March	2,992.0	103.7	117.4	117.3
	April	3,045.0	101.8	117.5	117.3
	May	3,039.0	99.8	115.7	117.0
	June	3,076.0	101.2	114.0	116.5
	July	3,043.0	99.0	110.4	115.5
	August	3,064.0	100.7	112.7	115.2
	September	3,041.0	99.3	111.4	114.7
	October	3,041.0	100.0	108.9	114.1
	November	3,232.0	106.3	115.2	114.2
	December	3,262.0	100.9	111.2	114.0

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. The institutional sectors are: financial institutions, central government and funds, other domestic sectors and foreign sector.

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

The central government and funds comprise government institutions including Croatian Roads Authority, State Agency for Deposit Insurance and Bank Rehabilitation and Croatian Guarantee Agency, and following central government funds: Croatian Health Insurance Institute, Croatian Pension Insurance Institute, Croatian Employment Service, Croatian Privatization Fund, Public Water Management Fund and Croatian Bank for Reconstruction and Development. Other domestic sectors are 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 government (which comprises local government authorities and local funds), public and private enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal 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. In September 1999, all the monetary aggregates were revised. In previous publications of the CNB, data on claims and obligations of savings banks were not included in the compilation of the monetary aggregates.

Reserve money 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.

In May 1999 banks bankruptcy proceedings have been initiated over few banks so their assets and liabilities are excluded from monetary statistics. In April 1999 those banks' share in Monetary Aggregate M1 amounted to 259.3 million kuna and in Monetary Aggregate M4 amounted to 4,035.8 million kuna. Data for June 1999 are comparable to data for July 1999 if Bank placements are increased by 3,513.5 million kuna.

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.

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).

The 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 the item Restricted and blocked deposits represents the sum of corresponding items from the Monetary Authorities Accounts (excluding DMB's blocked deposits with the CNB) and DMB's Accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

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

Table B2: Number of Reporting Deposit Money Banks and Savings Banks and their Classification by 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 Accounts.

Special reporting requirements applied to savings banks until June 1995. Savings banks were not legally obliged to report on their operations, so that data up to June 1995 only to those savings banks that reported voluntarily to the CNB. From July 1995 on, the data cover all Savings banks. In accordance with the Banking Law, savings banks must meet the conditions set out in the law by December 31, 2001, or they will be liquidated.

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

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

Table C1: Monetary Authorities Accounts

The table reports data on claims and liabilities by monetary authorities. In September 1999, the data were revised, with savings banks being transferred for the subsector other banking institutions to the subsector banks. The whole data series has been revised accordingly.

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 timing differences between incoming revenues and execution of budgetary expenditures, long-term loans granted by special decrees by the government of the Republic of Croatia, and overdue claims on the 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, including banks in bankruptcy proceedings.

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. Short-term liquidity loans, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other credits include interventive credits, special credits for bridging liquidity problems granted in the past (initial credits, prerehabilitation credits) and due but unpaid credits. Overdue claims on DMBs comprise settlement account overdrafts (until mid-1994) and banks' failure to correctly and promptly allocate and maintain statutory reserve requirements.

Since May 1999 claims on other domestic sectors include overdue claims on banks over which bankruptcy proceedings have been initiated.

Due to the reclassification of savings banks from the subsector other banking institutions to the subsector banks, data for Claims on DMBs and Claims on other banking institutions were revised.

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

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

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

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

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

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

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

Due to the reclassification of savings banks from the subsector other banking institutions to the subsector banks, data for Currency outside banks, DMB's cash in vaults, DMB's deposits and Deposits of Other Banking Institutions were changed.

Since May 1999 including deposits of banks over which bankruptcy proceedings have been initiated.

Table D1: Deposit Money Banks' Accounts

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

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

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

Claims on central government and funds are the following forms of claims in kuna and foreign currency: securities and loans. The main forms of claims on the central government are shown separately: bonds issued in accordance with the 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: money market instruments, bonds, loans (including acceptances), and equities.

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

The 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, minus currency in the payment system, i.e. checks in banks' vaults and checks in collection.

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

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

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

Foreign liabilities comprise the following forms of kuna and foreign currency liabilities to foreign legal entities and individuals: giro and current accounts, savings deposits (including loro letters of credit and other forms of collateral), time deposits, loans received and liabilities due.

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; and 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.

Capital accounts are share capital, profit or less in the current year, retained profit (loss), required reserves, other capital reserves and provisions for identified and unidentified losses.

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

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

Tables D2-D12

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

Table D2: Deposit Money Bank's Foreign Assets

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

Foreign assets of DMB's comprise foreign assets in kuna and foreign currency.

Claims on foreign banks and Claims on foreign nonbanks (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency.

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

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

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 and equities.

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

Table D4: Deposit Money 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: money market instruments, bonds, loans and advances (including acceptances and purchased claims), and equities and arrears.

Since October 1994, foreign currency loans can be granted only when DMB's simultaneously borrow abroad in their own name and for the account of the end-user.

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

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

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

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

Table D6: Demand Deposits with Deposit Money Banks

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

Demand deposits are the sum of other domestic sectors', other banking institutions' and other financial institutions' giro and current accounts balances, minus currency in the payment system, i.e. by amount of checks in banks' vaults and checks in collection. Banks obligations arising from kuna payment instruments issued are included in the household sector.

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

Table D7: Time and Savings Deposits with Deposit Money Banks

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

In May 1999, banks bankruptcy proceedings have been initiated over few banks so their assets and liabilities are excluded from monetary statistics. In April 1999, Time and Savings deposits with those banks amounted to 323.7 million kuna. In July 1999, certain deposits of local government, government, enterprises, other banking institutions and other financial institutions were reclassified from savings to time deposits.

Table D8: Foreign Currency Deposits with Deposit Money Banks

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.

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

Table D9: Bonds and Money Market Instruments

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

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

Bonds (net) comprise DMBs net liabilities for kuna and foreign currency bonds issued, as well as debt and hybrid instruments that under certain conditions may be included in the supplementary capital of banks.

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

In May 1999, banks bankruptcy proceedings have been initiated over few banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' Bonds and Money market instruments amounted to 9 million kuna.

In July 1999, certain debt and hybrid instruments were reclassified from Time and notice deposits to Bonds (net). The amount reclassified was 3,513.5 million kuna.

Table D10: Deposit Money Banks' Foreign Liabilities

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 and foreign kuna liabilities.

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

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

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

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

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

Table D12: Restricted and Blocked Deposits with Deposit Money Banks

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.

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

Table E1: Housing Savings Banks' Accounts

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

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

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

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

Claims on banks include loans extended to banks, as well as deposits with banks.

The item Time deposits includes local government and households time deposits.

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

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

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

Table F1: Credit Rates of the Croatian National Bank

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

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

Furthermore, data shown in column 6 refer, until September 1994, to interest rates on special credits for savings deposits' payments and for payments from households' current accounts, and from October 1994 until September 1997 to interest rates on daily credits for savings deposits and current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day. In October 1997, this instrument was replaced by daily credits for overcoming short-term liquidity problems that are collateralized by CNB bills. Since December 16, 1998 this credit is incorporated in lombard credit, applying different interest rate for its usage within one day.

Data shown in column 7 refer, until December 1994 to interest rate on initial credits, and since March 18, 1998 to credits for overcoming illiquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures and since February 1999, to interest rates on short-term liquidity credits. Since December 1999 data show interest rates on short term liquidity credit over 3 months which is 1 percentage point higher than interest rate on lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0,5 percentage point higher than interest rate on lombard credits.

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

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

Table F2: Deposit Rates of the Croatian National Bank

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

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

Interest rates on obligatory CNB bills 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 CNB bills.

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

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

Table F3: Deposit Money Banks' Reserves on Obligatory Basis

This table shows data on monthly averages of day-to-day balances of DMB's required reserves with the CNB. Savings banks are included beginning in July 1999, and the earlier data have not been revised.

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

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

Column 7 shows the total amount of other obligatory deposits with the CNB, including obligatory CNB bills, those voluntary CNB bills used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves (until July 1995) and statutory reserves on f/c deposits, f/c credits from foreign banks and guaranties and f/c credits from foreign banks.

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

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

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

Table F4: Deposit Money Banks' Liquidity Indicators

The table reports monthly averages of day-to-day balances of some indicators of DMBs' liquidity. Savings banks are included beginning in July 1999. The past data has not been revised.

Column 3 shows free reserves, defined as bank's total reserves (on settlement accounts and in vaults) decreased by the minimal average settlement 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), short-term liquidity credits (since February 1999) as well as outstanding liabilities due to the CNB.

Column 6 reports monthly average of day-to-day balances of CNB bills on voluntary basis in kuna (until December 1994, this amount is decreased by the portion of voluntarily registered CNB bills used by banks to maintain the prescribed minimal liquidity).

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

Table G1: Deposit Money Banks' Credit Rates

The table contains weighted averages of DMBs' monthly interest rates on kuna and foreign currency loans, reported on a yearly basis. Savings banks are not covered.

Columns 3 and 4 show interest rates on the interbank, daily and overnight money markets, according to information received from Money Market Zagreb. Data on DMBs' interest rates on kuna and foreign currency credits are based on DMBs' periodic reports. Basis for calculation of weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reported month, with the exception of interest rates on giro and current accounts credit lines, for which weighted averages were calculated based on the balance of these loans at the end of the reported month.

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

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

Interest rates on foreign currency credits (columns 11, 12 and 13) refer to credits released in Deutschemark 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. Savings banks are not covered.

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 Deutschemark 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.

The basis for calculation of weighted averages is the end-of-month balance of deposits. Kuna and foreign currency time and savings deposits are exceptions; for them weighted averages are calculated (since July 1995) based on the 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 collateral for credit are included, while restricted deposits (deposits used for payment of imports and other restricted deposits) are not included into the calculation of weighted averages.

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 the euro (EUR), converted from other foreign currencies using the CNB's midpoint exchange rate (reporting period average). Other Croatian National Bank transactions include foreign exchange sales and purchases on behalf of the Ministry of Finance.

Table H1-H5: Balance of Payments

The balance of payments is compiled in accordance with the recommendations of the International Monetary Fund (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: reports of the Central Bureau of Statistics, the Croatian Health Insurance Institute, the Institute for Payment Transactions, commercial banks, enterprises and the Croatian National Bank, as well as research by the Tourism Institute and the Croatian National Bank.

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

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

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

Regarding exports, beginning with the first quarter of 1999, coverage has been increased via estimates of purchases by individual foreign travelers in the Republic of Croatia. These estimates are based on the Survey on Consumption of Foreign Travelers in Croatia carried out jointly by the Croatian National Bank and the Institute for Tourism. Regarding imports, the difference between c.i.f. and f.o.b. is estimated on the basis of research studies of the CNB on samples of the largest 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. From the first quarter of 1999 on, estimates are based on the Survey on Consumption of Domestic Travelers Abroad carried out jointly by the Croatian National Bank and the Institute for Tourism. For the 1993 to 1996 period, merchandise imports from the merchandise trade 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.

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

Income from travel-tourism is calculated on the basis of the Survey on the Consumption of Foreign Travelers in Croatia starting in the first quarter of 1999. This survey is carried out jointly by the Croatian National Bank and the Institute for Tourism. Additional data from the Croatian Health Insurance Institute on health services provided to non-residents is also used.

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

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

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

Income from travel and tourism is calculated as the total value of foreign exchange cash and checks purchased from nonresidents, the purchase of foreign checks from residents, foreign transfers of funds to the accounts of enterprises engaged in tourism, the sale of local currency and travelers checks abroad, health services provided to non-residents, receipts for scholarships and specialized study by non-residents in the Republic of Croatia, estimates of tourist expenditures of non-residents in registered lodging and accommodations and estimates of other forms of tourist expenditures of non-residents. The estimate of tourist expenditure in registered lodging and accommodations is based on research by the Institute of Tourism, and the estimate of other forms of tourist expenditure is based on econometric analysis of the Croatian National Bank. The other categories mentioned are based on data from foreign payments statistics.

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

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

The income account includes data from the foreign payments statistics on payments on the basis of interest, data from CNB research on income paid from foreign direct and portfolio investment of the private sector, Croatian National Bank data and Payments Institute data on income paid from foreign portfolio investment in the official sector and estimates of the factor income of resident peacekeeping and humanitarian missions in the Republic of Croatian, 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. Payments made abroad and income earned through business trips, education and training, tourist receipts and other tourist income are added to this. The total inflow is decreased by: estimated tourist income and estimates of purchases by individual foreign tourists in the Republic of Croatia (Survey on the Consumption of Foreign Tourists in Croatia carried out jointly by the Croatian National Bank and Institute of Tourism) plus 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. Realized foreign payments and expenditures from business trips, education and training, tourist payments and other tourist expenditures are added to this. The total outflow is decreased by: individuals' expenditures for goods abroad and expenditures for foreign tourism by residents.

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

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

Foreign direct and portfolio investment includes data on those investments from the research of the CNB and data from the securities register of the official sector (central bank and central government) at the Croatian National Bank and Payments Institute. In the 1993 to 1996 period, data on foreign direct investment of the private sector (banks and other sectors) do not includes 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.

Assets – trade credit has been compiled since the first quarter of 1996. It includes advances paid for goods imports by Croatian importers. Starting in the first quarter of 1999, it includes loans with maturities below 90 days given by Croatian exporters to foreign buyers.

Assets – foreign exchange and deposits – banks shows the change in the total liquid foreign exchange of banks authorized to do business abroad. Assets – 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.

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

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.

Currency and deposits includes changes in those foreign exchange and kuna foreign liabilities of the monetary authorities (CNB) and banks based on current accounts, time accounts, loro letters of credit, guarantees, sight deposits and demand deposits.

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

Table H6: International Reserves and Banks' Foreign Exchange Reserves

The international reserves of the Croatian National Bank are shown according to the methodology contained in the *Balance of Payments Manual* (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International reserves include special drawing rights, reserve position in the International Monetary Fund, foreign currency, and deposits at foreign banks, as well as bonds and debt instruments.

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

Table H9: Indices of Effective Exchange Rate of the Kuna

Index of the nominal effective exchange rate of the kuna is a weighted geometric average of the index of bilateral exchange rates of the kuna against the euro, US dollar, Swiss franc, British pound and Slovenian tolar. The weights are determined based on the average share of a particular foreign currency in the structure of the current account of the balance of foreign currency transactions between July 1996 and January 2000. The year 1995 is a base period for calculating the index. The index of the nominal effective exchange rate is an aggregate indicator of the average value of national currency against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the currency basket. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna corrected for the relevant relative price indices (the ratio of price indices in partner countries and domestic prices). Producer price and retail price indices are used, in particular the total harmonized retail price index for the Economic and Monetary Union member countries. Data for the last two months are preliminary.

Table H10: External Debt Structured by Domestic Sectors

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

External debt by domestic sector is shown in the same manner as in the Capital and Financial Account of the BOP:

a) Direct Investments – include borrower lender transactions that are interrelated by ownership (borrower or lender owns more then 10 percent of the other);
b) Government – in addition to central government, this item includes government funds, the Croatian Bank for Reconstruction and Development, local government authorities and funds;
c) Croatian National Bank;
d) Banks – banking institutions and saving banks;
e) Other domestic sectors – consist of other financial institutions (other than banks and savings banks), enterprises and households.

Each sector is further divided into Portfolio and other investments. Portfolio investments include bond and money market instruments. Other investments include currency and deposits (foreign deposits) and Credits. Credits are divided into Trade credits (sale of goods for delayed payment) and Other credits (all other credit obligations).

Outstanding external debt is expressed in millions of US dollars according to the CNB's midpoint foreign currency rate at the end of the period. The balance includes so-called non-reported principal payments (they should have been paid but are not statistically reported as paid) and future principal payments.

Table H11: External Debt Structured by Creditors

The Table shows outstanding external debt by foreign creditors valued in the same way as in Table H8.

Table H12: External Debt and Estimated Future Payments Structured by Domestic Sectors

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

Projected interest payments do not include interest on foreign deposits and late interest. Payments are projected at the interest rates at the contracting time and do not reflect changes of variable interest rates.

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

Table I3: Central Government Debt

Data on central government debt are gathered from available data and are not reconciled with the Ministry of Finance of the Republic of Croatia. Central government debt consists of domestic and external debt. The sources of data on domestic debt of the central government are the following: first, the official publication of the Ministry of Finance "Ministry of Finance Monthly Statistical Review" regarding data on securities issued by the Republic of Croatia, and second, Monetary Authorities' Accounts and Deposit Money Banks' Accounts regarding data on securities issued by the central government funds and loans received. The source of data on central government external debt is the external debt statistics collected by the CNB.

LIST OF ABBREVIATIONS AND SYMBOLS

acc.	- account
CBS	- Central Bureau of Statistics
CNB	- Croatian National Bank
dep.	- deposit
DMB	- deposit money bank
f/c	- foreign currency
f/x	- foreign exchange
GDP	- gross domestic product
Gov.	- Government
IMF	- International Monetary Fund
manufactur.	- manufacturer
o.w.	- of which
prod.	- producers
Q	- quarterly
res.	- reserve
RR	- reserve requirement
sett.	- settlement
SNA	- System of National Accounts

ABBREVIATIONS FOR CURRENCIES

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

SYMBOLS

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

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Published by: Croatian National Bank
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Web: http://www.hnb.hr

Design and DTP: Gandalf d.o.o., Zagreb
Printed by: Tipotisak, Zagreb
Printed in 1000 copies.

Those using data from this publication are requested to cite the source.

ISSN 1331-6567

ISSN 1331-6567