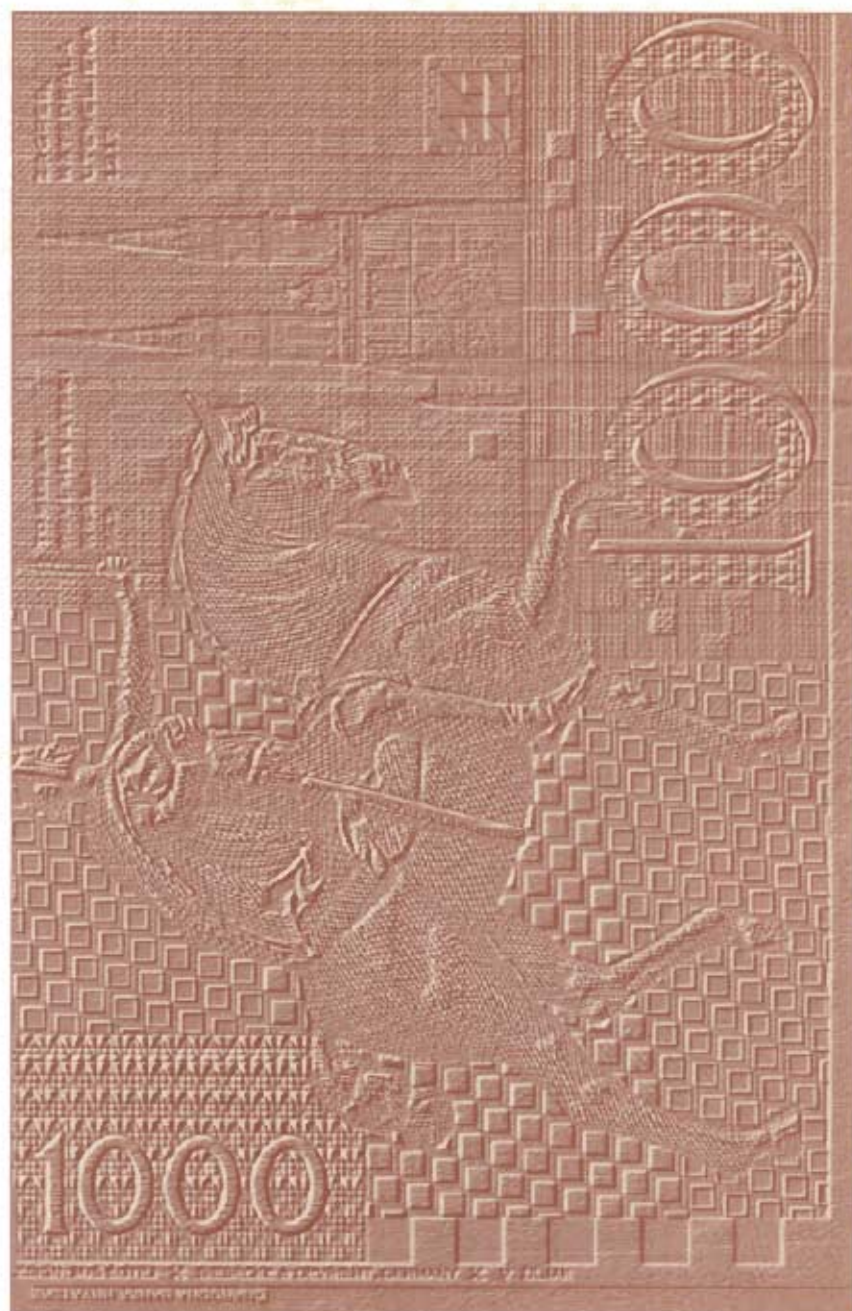


NATIONAL BANK OF CROATIA



BULLETIN

YEAR II
No. 15

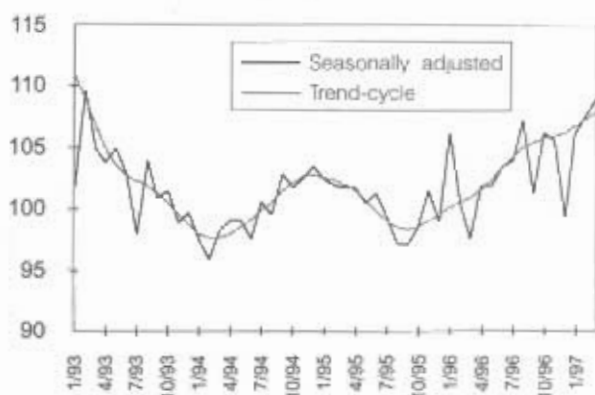
MAY 1997

MANUFACTURING INDUSTRY

As announced by the State Bureau of Statistics at the time of the change to the new classification of economic activities, data on industrial production were processed for the period up until March, and corrected for the last two months of the period. The new data indicate that annual growth in January of this year was 0.8%, in February cumulatively 1.7%. The growth attained at the end of the period amounted to 3.0%. The de-seasoned series shows that the irregular component is still (and often) present. However, it should gradually disappear with the restoration of peace in the country. The trend of total industrial production has a positive slope. Since its last lowpoint, this trend has been growing at an average rate of 0.5%. The rate of growth of total manufacturing industry was influenced by an increase in the area of electrical energy supply, as well as in gas and water supply (up 19.7%), and an increase in the area of mining and extraction (up 10.5%). At the same time, the area of processing industry recorded a 1.3% decrease in comparison with the first quarter of 1996. The decrease in the processing industry was in major part caused by decreases in the foodstuffs industry and in the chemical industry. Nevertheless, these decreases were balanced by some positive developments in the publishing industry, production of metal products, production of machines and equipment and in smaller processing industries. During the transfer to the new classification system, industrial production series at the level of sections and divisions were corrected retroactively, so they could be decomposed. The trend curve of the foodstuffs industry has been showing a downward tendency since the end of the last year. Cumulatively, it was 10.0% lower in the first quarter of this year. The production of chemicals and chemical products, as the second largest sector measured by the magnitude of the value added in industry, recorded a 7.5% decrease in production at the end of the first quarter. After a year-long period of decline, its trend cycle recorded positive growth rates

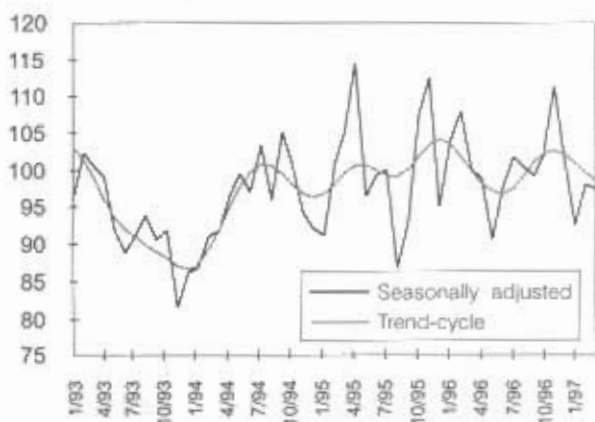
MANUFACTURING PRODUCTION INDEX

Seasonally adjusted and trend-cycle (1995 = 100)



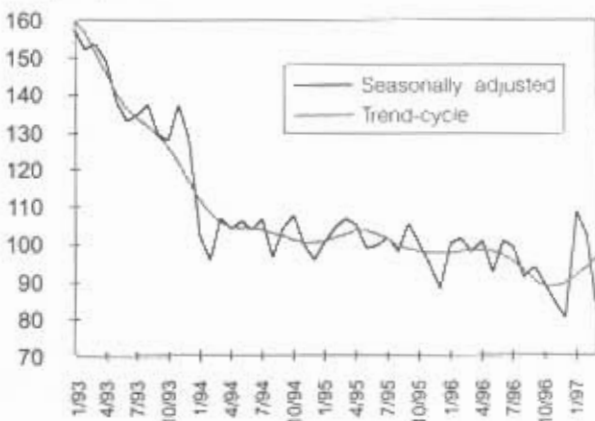
PRODUCTION OF FOOD AND BEVERAGES

Seasonally adjusted and trend-cycle (1995 = 100)



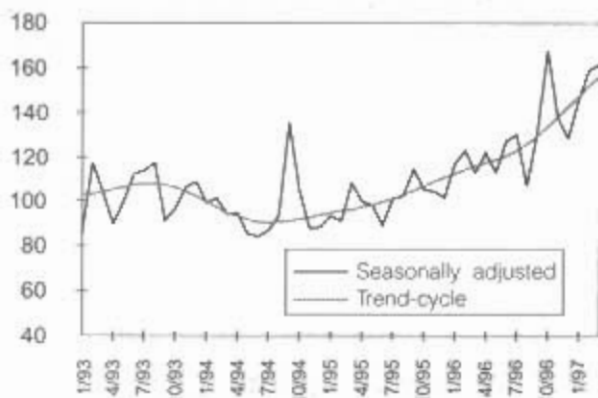
PRODUCTION OF CHEMICALS AND CHEMICAL PRODUCTS

Seasonally adjusted and trend-cycle (1995 = 100)

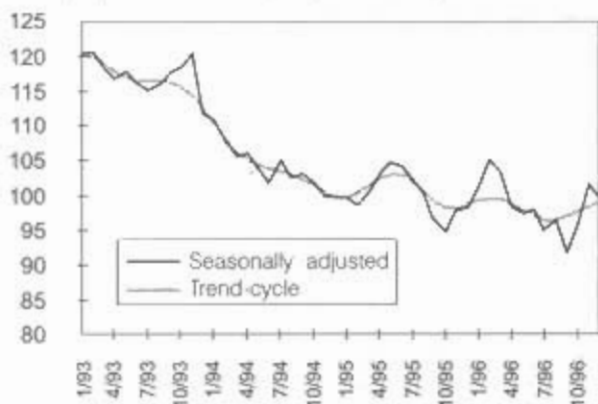
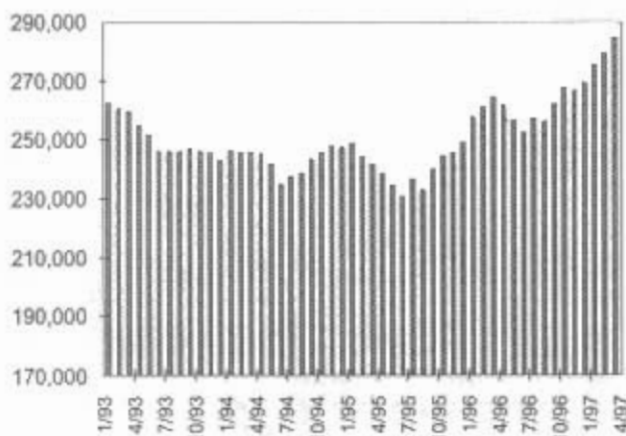


ELECTRICITY, GAS, STEAM AND HOT WATER SUPPLY

Seasonally adjusted and trend-cycle (1995 = 100)

**STOCKS OF FINAL GOODS IN MANUFACTURING SECTOR**

Seasonally adjusted and trend-cycle (1995 = 100)

**NUMBER OF THE UNEMPLOYED**

during the last couple of months. The next sector in size, supply of electrical energy, gas, steam and hot water, recorded a significant increase of 32.0%, continuing the two-year long cycle of consecutive growth.

The statistics of merchandise trade with foreign countries showed that manufacturing industry exported more goods in the first three months of this year than in the first three months of the last year. Exports of total manufacturing industry increased by 21.2% when measured in kunas. It is worth mentioning that the processing industry recorded a 17.9% increase. Compared to the same period in 1996, imports grew in the first three months of 1997 by 35.2%.

The number of unemployed increased in March by 7.8% compared to the same month last year. Cumulatively, the first quarter of the year exceeded the same period last year by 7.2%. The tendency of increase in the number of unemployed, which began in the second quarter of 1996, continued throughout the first quarter of 1997. The prevailing Law on Members of Croatian Defense Forces, under which registration with the Croatian Employment Agency brings certain rights, has contributed greatly to this. According to the law, demobilized persons who failed to register with the Employment Agency by the legal deadline (30 days after the date of demobilization) could still register with the Croatian Employment Agency until the end of March this year, in order to realize their legal rights. That caused a significant increase in the number of unemployed toward the end of March, while the number of demobilized defense force members registered with the Employment Agency increased from late January to late March by 47.0%. The labor market is obviously unable to deal with this exogenous influence through a gradual adjustment of supply to the newly-created demand. Total employment recorded at the end of March was 0.2% lower than that recorded a month earlier. That decrease was mainly caused by a decrease in the number of employed in so-called economic subjects, as well as in individual agriculture.

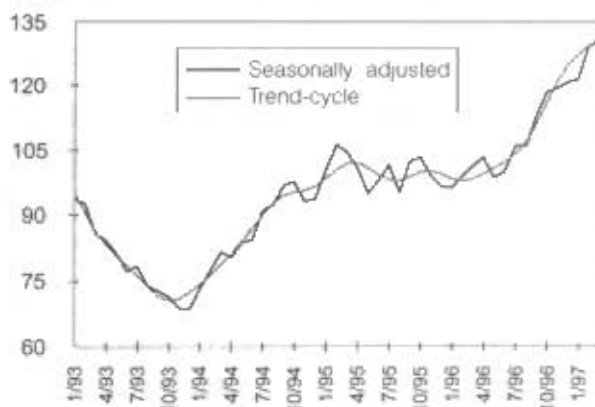
TRADE

Total turnover in retail trade in the last three months of 1997 was 27.1% higher in real terms than in the first quarter of 1996, while in March alone the turnover on the annual level increased by 29.2%. The trend curve shows extremely rapid growth. This is caused by some optimism in the light of the fact that, according to the last survey, trading activity makes up 16.0% of the gross national product, and is ranked second among economic activities. If we take into consideration the estimates made by traders themselves, we find that turnover is expected to grow at a nominal annual rate of around 30% at the end of May 1997. The truth is that in our circumstances, there has been some unregistered turnover in retail trade, so we can be quite sure in saying that the currently registered turnover in retail trade is slightly underestimated. Merchandise inventories were 7.3% lower in the first three months of 1997 than in the same period last year. Real turnover achieved in wholesale trade increased by 9.0% at an annual level.

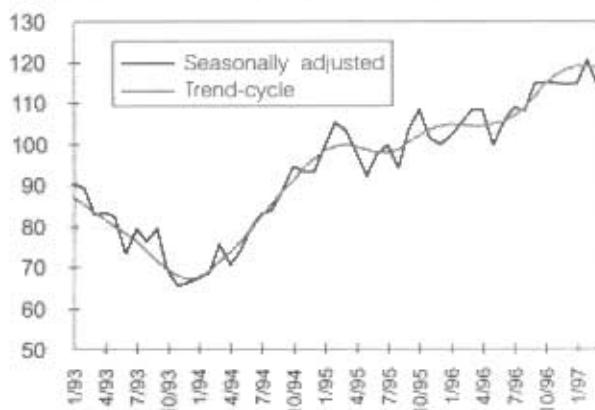
CONSTRUCTION,
TRANSPORTATION AND
TOURISM

The statistical data on the construction industry, namely the number of working hours completed and the value of construction works executed in the first two months of the year, indicate that the construction industry managed to attain a level of activity that exceeds the activity recorded in the same period last year. However, the credit should in part be given to good weather conditions at the beginning of this year. The data for 1996 and 1997 were decreased by the amount of works which are, according to the New Classification of Economic Activities (NKD), no longer included in construction works. The data for the above two years are comparable, which cannot be said about the longer series of data. The number of effective working hours in construction (achieved through both regular working hours and overtime

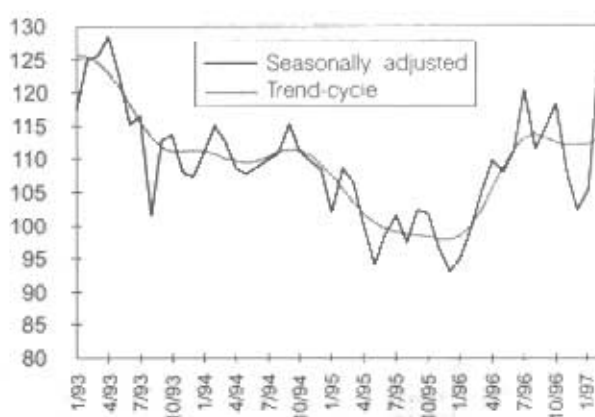
INDEX OF REAL TURNOVER IN RETAIL TRADE
Seasonally adjusted and trend-cycle (1995 = 100)



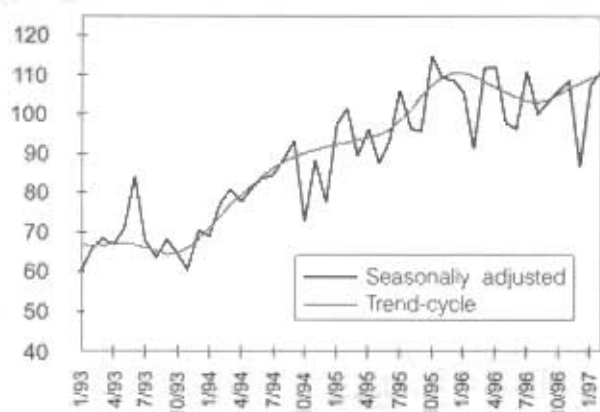
INDEX OF REAL TURNOVER IN WHOLESALE
Seasonally adjusted and trend-cycle (1995 = 100)



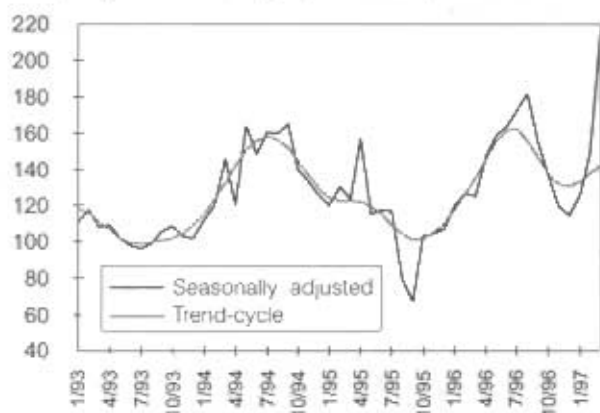
EFFECTIVE WORKING HOURS IN CONSTRUCTION INDUSTRY
Seasonally adjusted and trend-cycle (1995 = 100)



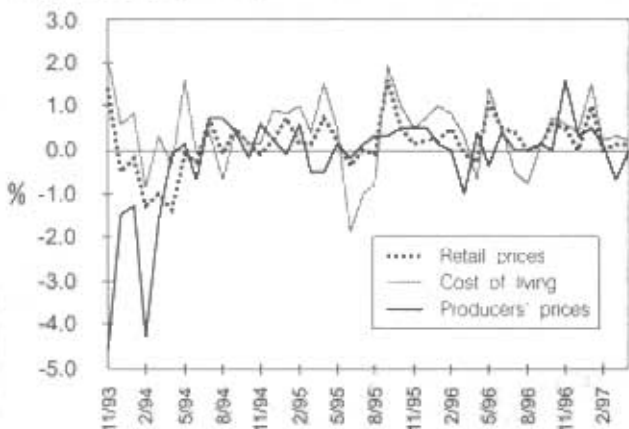
TRANSPORTATION - TRANSPORTED GOODS
Seasonally adjusted and trend-cycle (1995 = 100)



TOURISM - OVERNIGHT STAYS
Seasonally adjusted and trend-cycle (1995 = 100)



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



hours, or through the redistribution of working hours) was 17.9% higher at the end of February 1997 than in the same period last year. Data on the presence of workers at construction sites showed a 22.5% increase compared to the 1996 figure.

The revival of transportation activity that occurred during 1996, increasing the mobility of people, capital and information, and contributing to the growth of the entire domestic activity, continued at the beginning of this year. The number of passengers transported in all forms of transportation in the first two months of the year was 5.9% higher at an annual level. Activation of a number of transportation routes caused an increase in the transportation of goods, especially in maritime transportation, the transportation of goods increased by 9.5%. The planned construction of new transportation routes would mean an additional engagement of domestic production resources.

The Government has attempted to resolve the internal indebtedness problem of the tourist economy by convening meetings with commercial banks on reprogramming the hotel industry's debt. This should improve conditions for the tourist season. Indicators of the Croatian tourist sector in the last three months compared to the same period last year show a 33.4% increase in the number of overnights, and a 20.0% increase in the number of tourist arrivals. This increase was in major part due to intense tourist arrivals around the Easter holidays. Such an inflow of tourists supports the industry's aspirations to stretch the tourist season throughout the year.

PRICES

March recorded a minimal increase in retail prices and the cost of living, as well as a stagnation in producers' prices.

Retail prices recorded a 0.1% increase in April compared to March. Among product groups, the most significant increase was recorded in the prices of agricultural products non-inclusive of seasonal products (0.9%), prices of agricultural products inclusive of seasonal

products (0.7), while at the same time stagnation was recorded in retail prices of industrial non-foodstuff products and tobacco.

The annual growth of retail prices has been quite moderate. Retail prices grew by 4.1% in the first four months of this year compared to the same period in 1996. Prices of goods increased by an average of 2.8%, while prices of services increased by 9.7%.

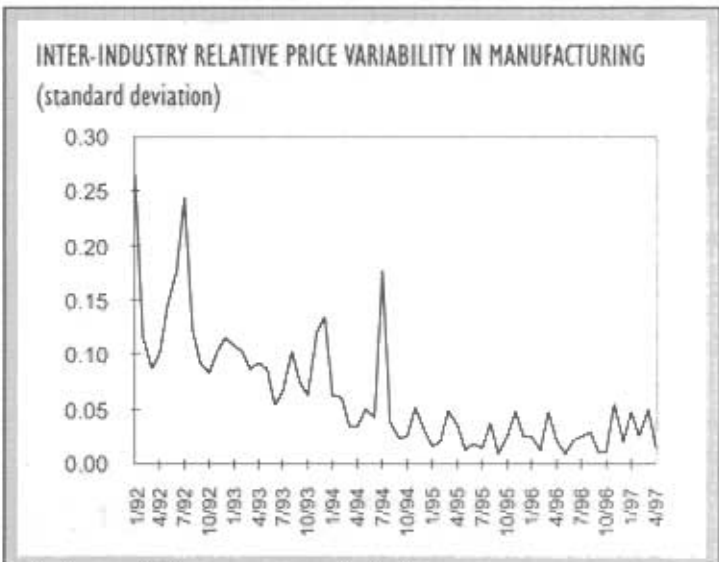
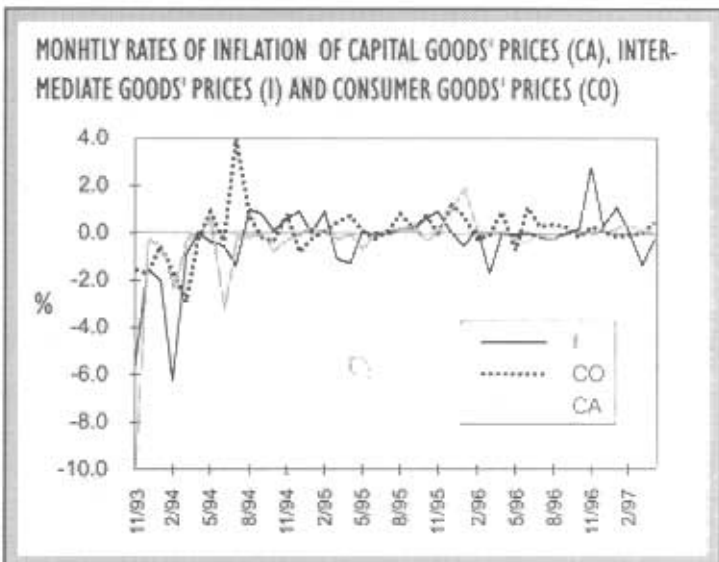
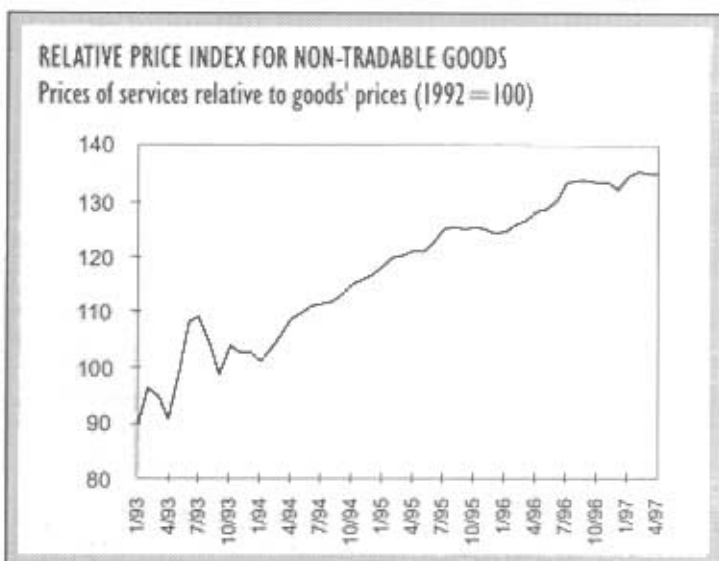
The cost of living increased by 0.2% in April compared to March. A look at the structure of the increase in the cost of living in April reveals a minimal increase in goods (0.1%), the most significant among which was the increase in prices of clothing and footwear, hygiene products, health and education, culture and entertainment, amounting to 0.4%. Among services, we recorded a 0.3% increase in the cost of living in April compared to March.

The level of prices of industrial products, measured by producers' prices, recorded no change in April compared to the March level. Prices of consumer goods increased by 0.5%. The prices of intermediate goods decreased by 0.3%, while prices of investment goods remained at their March levels. Among individual groups of products, the most significant increase in April compared to March 1997 was recorded in the production of coal (2.2%), production of non-ferrous metals and production of animal feed (1.9%). At the same time, the most significant decrease in prices was recorded in production of oil and natural gas (-9.0%) and in the iron and steel industry (-4.9%).

In April, the index of variations in relative producer's prices in manufacturing industry reached one of the lowest levels yet recorded. This is an indication of stability in the system of prices.

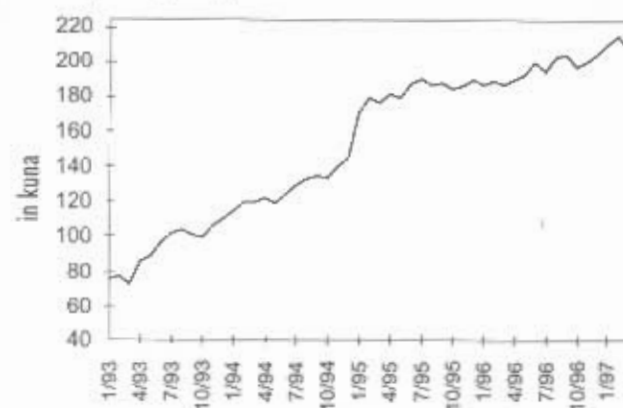
WAGES AND STATE BUDGET

The average monthly net wage paid in regular employment in March 1997 increased by 6.0% in real terms compared to last year's average, and by 11.0% compared to the same month last year. The monthly gross salary (comprising all sorts of net payments and



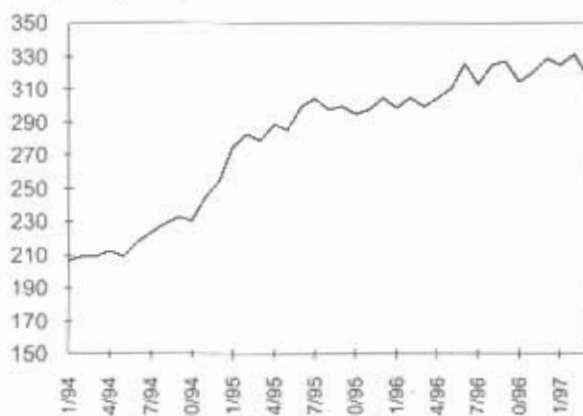
REAL AVERAGE NET WAGE

Constant prices, January 1993

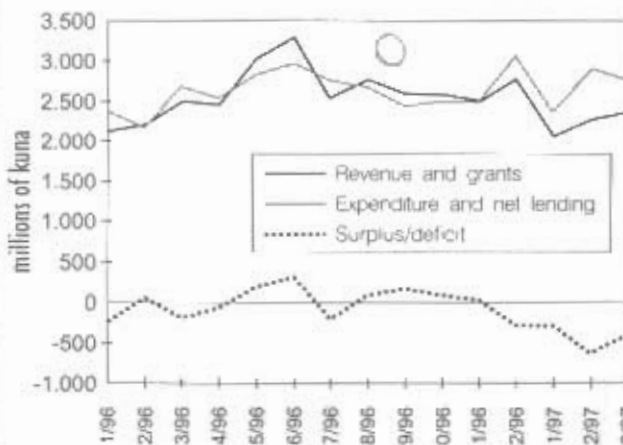


REAL AVERAGE GROSS WAGE

Constant prices, January 1993



REALIZATION OF BUDGET



legally prescribed compulsory contribution payments, as well as tax and municipal tax payments) paid in March 1997 exceeded last year's average by 1.1% in real terms, while in comparison with the monthly gross salary paid in March 1996, the increase amounted to 6.0%. The Croatian Government's Memorandum on Economic Policies, composed in conjunction with the signing of an EFF arrangement with the International Monetary Fund, contains a warning that an excessive increase in wages could decrease our country's export competitiveness. The Memorandum also states that in economic subjects under majority ownership of the state, wages should be set in accordance with the estimated rate of inflation and in line with attempts to decrease expenses and increase profitability in these subjects. For this purpose, wages and salaries would be monitored via the average monthly gross wage payroll and related contributions, which in 1997 should not exceed the average level paid in the third quarter of 1996. This sort of control should be possible in enterprises under the state governance.

At the end of the first quarter of 1997, the State Budget recorded a deficit in the amount of 47% of the total estimated deficit in 1997. This means that in the coming months the deficit should not continue to increase at the same speed, or else there should be sufficient surplus attained to compensate for the deficit and to end the year with the planned deficit of 2.8 billion kuna. Revenues and subsidies were nominally 2.1% lower in the first three months of this year than in the first three months last year, while spending plus net borrowing grew by 10.9%. The deficit was financed from foreign sources in its entirety. Foreign financing was also used to repay part of the debt to domestic sectors.

MONETARY DEVELOPMENTS

Following a significant decrease in January and stagnation in February, money demand was back on its feet again in March. Growth of cash was particularly intensive: it grew by 265

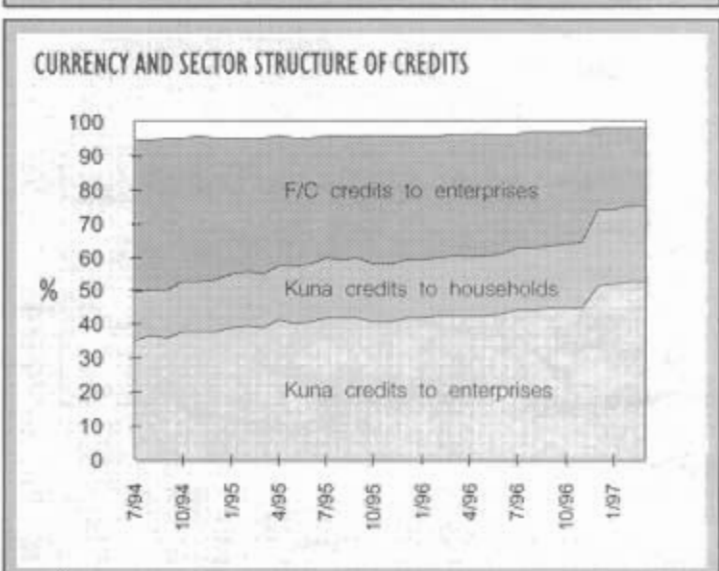
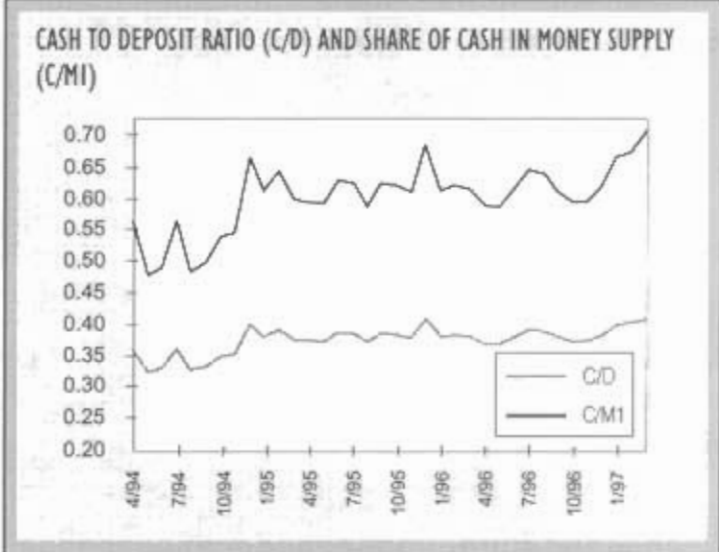
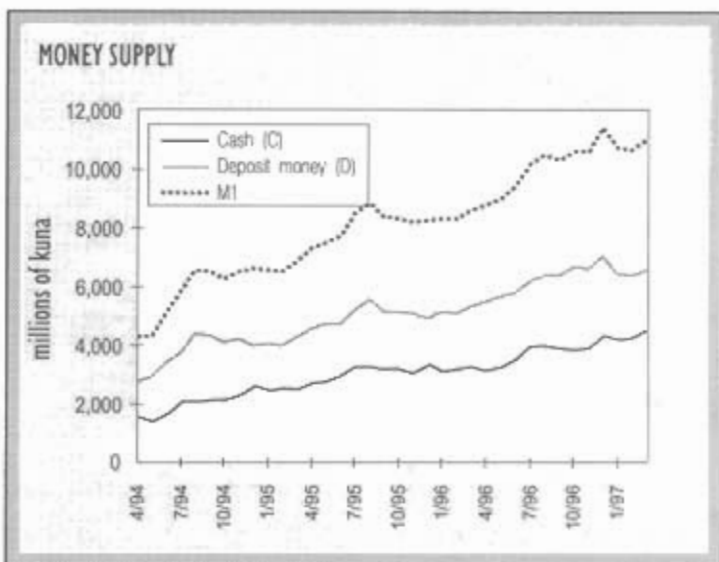
million kuna (i.e. 6.2%) compared to the situation at the end of February. The end of the month of March coincided with the end of the week, which was also a public holiday. This all added to the strong growth of cash at the end of the month. Intensive growth of cash continued in April. Inter-monthly "peaks" of cash in circulation exceeded the amount of 4.9 billion kuna.

Deposit money grew in March by a moderate 51 million kuna. When we analyze the total growth of the money supply in the first quarter of the year, we notice a decrease in the money supply in the amount of 0.4 million kuna (i.e. 3.6%), due to a decrease in deposit money by 0.6 million kuna (i.e. -8.5%), and an increase in cash by 0.2 million kuna or 4.3%.

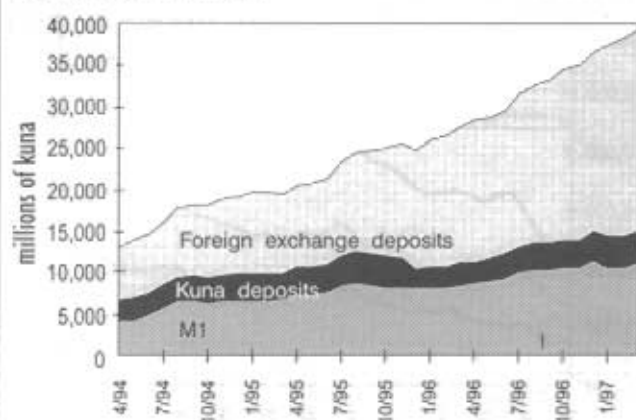
Growth of quasi-money was slightly more moderate than originally estimated, due to a moderate increase in foreign currency deposits, which grew by 400 million kuna i.e. 1.7%. Kuna deposits, whose revived growth we mentioned in the previous issue of the bulletin, grew in March by a significant 300 million kuna, or (high) 8.2% in the relative amount.

The most dynamic change in the previous month occurred on the asset side. Banks' credit grew by 1.4 billion kuna or 4.0%. Such a strong credit boom has not been recorded in the last three years, especially not at the beginning of the year, due to the fact that credit grows seasonally more intensive in the second half of the year. For comparison, the average monthly increase in credit during the last 12 months amounted to 0.6 billion kuna. The most significant increase was recorded in kuna credits to enterprises (0.8 billion kuna) and to households (0.35 billion kuna). Foreign currency credit to enterprises increased by 0.35 billion kuna.

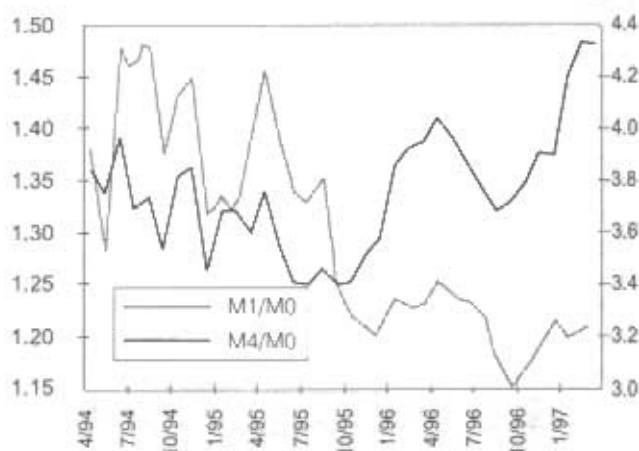
Such an increase in credit fits into the longer trend of change in the foreign currency structure of the credit. In the middle of 1994, half of the total credit granted to all sectors was contracted in foreign currency, while the share of foreign currency loans in total credit granted in March 1997 amounted to less than 24%. Kuna loans to enterprises



MONETARY AGGREGATE M4

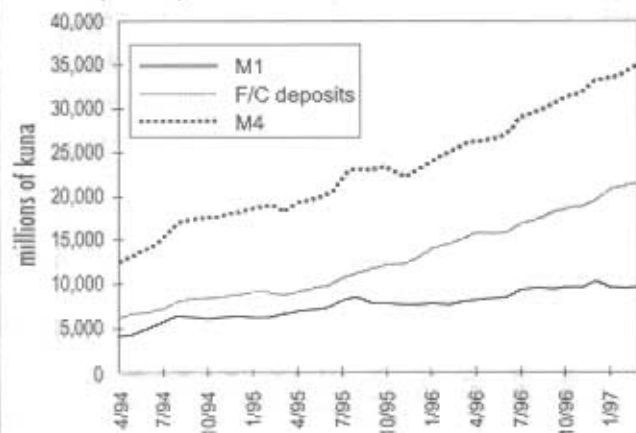


Kuna deposits = savings and time deposits + bonds.

MONEY MULTIPLIERS ($m1 = M1/M0$ and $m4 = M4/M0$)

REAL MONEY

Constant prices, April 1994



increased their share in the total credit from 35% recorded around the middle of 1994, to over 52% in March 1997. Kuna loans to the household sector accounted in the middle of 1994 for 14% of the total credit, while in March 1997 kuna loans to households accounted for 23% of the total credit granted. This increase in the share of credit granted to enterprises and households was achieved at the expense of credit to the government sector, which over the years has changed sources of financing. Consequently, the current share of loans granted to the central government amounts to only 0.7% of the total credit.

Let us take a separate look at the first quarter. The most impressive developments were recorded in the item claims from the central government. The government paid back the amount of 1.4 billion kuna to deposit money banks. The major portion of this amount was paid back in February this year. A major credit boom followed in March, accompanied by an intense growth of cash in March and April. It is obvious that the discharge of the government's liabilities toward deposit money banks influenced the liquidity of the entire banking (and financial) system and enabled banks to direct investment of their assets into "other domestic sectors". The government actually settled all of its outstanding debt to deposit money banks. The rest up to the amount of 1.86 billion kuna (which is the total amount planned in the budget for decreasing the financing by deposit money banks) refers to yet another portion of the "old foreign currency savings" which will become due in June 1997.

On the other hand, according to the data on realization of state budget spending in the first quarter of the year, the government intensified its payments for goods and services in March 1997. Such tendencies are quite encouraging, because promptness in settling arrears, i.e. payments due to all sectors and not only to the banking sector, should cause a fundamental improvement in the liquidity of the entire economy.

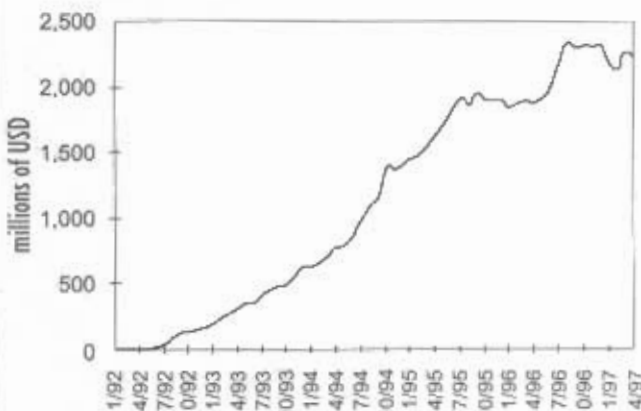
The growth of credit and the growth of cash both undoubtedly indi-

cate an increase in dynamics and a revitalization of economics flows. The fact that cash increased and deposit money decreased (i.e. there was a change in the cash-deposit quotient in the direction of cash) could mean that the decrease in kuna deposits without fixed term caused, with a time lag, the substitution of cash for deposit money.

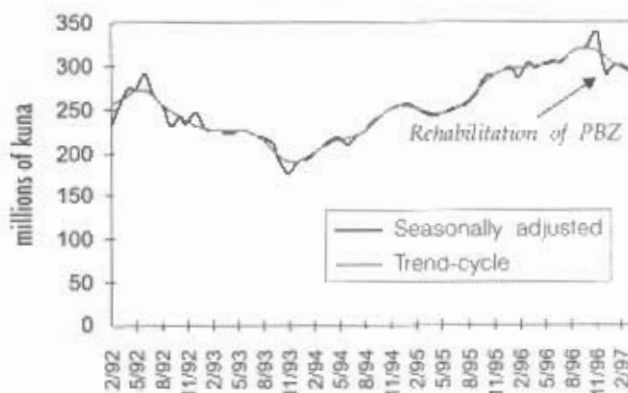
The total increase in credit in the first quarter of 1997, in the amount of 2.7 billion kuna (or 8.0%), was influenced by the monetary policy with its gradual loosening of banks' liabilities as well as by fiscal policy through the rehabilitation of problematic banks and through the prompt servicing of its liabilities. It is now deposit money banks' turn to invest their assets in the economic sector and households by means of further reduction of interest rates (and of their expenditures), as well as through correct choice of solvent and creditworthy projects.

Developments in reserve money in April were characterized by a significant increase in cash and high giro account balances. However, the deadline for payment of the profit tax as per enterprises' annual financial statements should generate some outflow from giro accounts of enterprises (indirectly also from banks' accounts), toward government's giro accounts. Purchases of voluntary treasury bills of the National Bank of Croatia was 100 million kuna lower at the end of April than at the end of March. Primary issue of the National Bank of Croatia in April was characterized by a somewhat more intensive use of lombard credit than usual, especially around the middle of the month. There were no interventions in the foreign exchange market in April, except for the repurchase of the equivalent of 30 million kuna which became due on 14 April. The government took a 150 million kuna loan from the National Bank of Croatia at the beginning of the month. The first 50 million kuna were returned three days later, while the remaining 100 million were returned by the end of the month. The balance of claims from the central government at the end of April was, as usual for the end of the month period, zero.

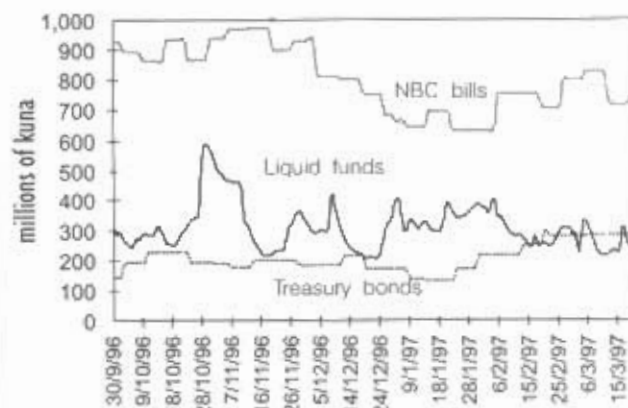
NBC'S INTERNATIONAL RESERVES



DMB'S DOMESTIC CREDITS Constant prices, January 1992



NBC BILLS, TREASURY BILLS OF THE MINISTRY OF FINANCE AND DMB'S LIQUID FUNDS WITH THE NBC



EXCHANGE RATE

Although the nominal exchange rate of the kuna to the German mark could be judged as very stable, there has been a very slight depreciation of the kuna present (0.06% change in the average monthly exchange rate in April compared to March). This trend of depreciation relative to the German Mark, which was hardly noticeable on the monthly level, has been present since the beginning of the year. Cumulatively the kuna was 0.5% weaker in relation to the German mark on 30 April, than on 31 December 1996. Such a change can be regarded as inconsequential, especially in light of the fact that the large inflow of foreign currency to government's accounts caused no upheaval in Croatian foreign exchange market.

Looking ahead, it is far more likely to expect the seasonal influence of the second quarter to cause slight strengthening of the kuna in relation to the German mark.

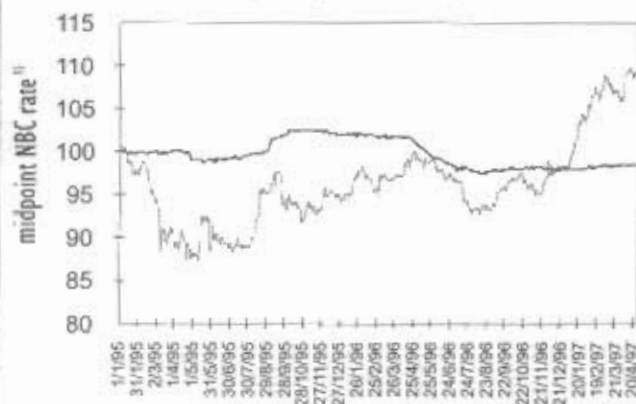
In April this year, the kuna also depreciated nominally in relation to the Italian lira, though very slightly (0.8% change in the average monthly exchange rate in April compared to March).

The US dollar nominally slightly gained to the kuna in April. Nevertheless, the percentage of the appreciation was significantly lower than in preceding months (0.7% change in the average monthly exchange rate in April compared to March). In one word, changes in nominal exchange rates in April indicated a nominal depreciation of the kuna relative to major foreign currencies. However, the percentage of the depreciation remained under 1.0%.

April also recorded a slight depreciation in both indices of the real effective exchange rate we have been following. The real effective exchange rate index measured by producers' prices recorded a 0.45% depreciation, while the real effective exchange rate index measured by retail prices recorded a 0.34% depreciation.

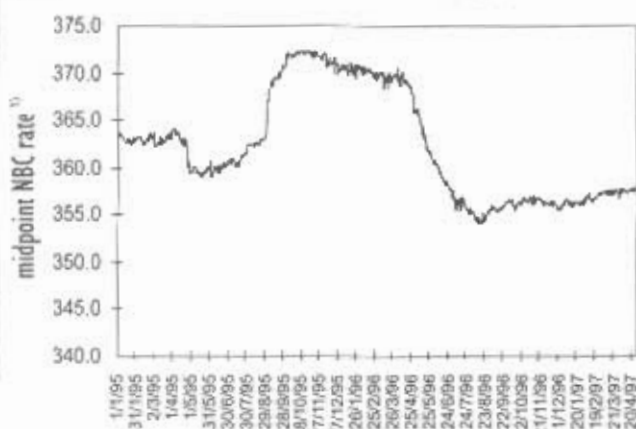
Such developments in both indices of the real effective exchange rate in February were in major part influenced by the real depreciation of the kuna (measured by producers' prices) in rela-

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



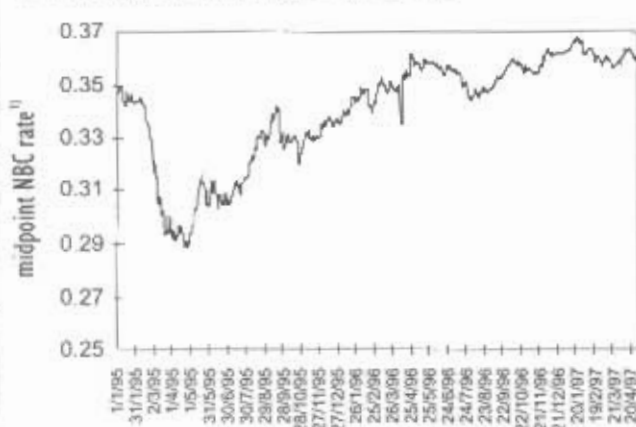
1) Average of asked and bid rates in largest DMBs.

DAILY NOMINAL EXCHANGE RATE - KUNA VS. 100 DEM



1) Average of asked and bid rates in largest DMBs.

DAILY NOMINAL EXCHANGE RATE - KUNA VS. ITL



1) Average of asked and bid rates in largest DMBs.

tion to following currencies: the British pound at the rate of 1.97%, the Swiss frank at 0.86%, the US dollar at 0.81%, the Slovenian tolar at 0.75% and to the Italian lira at 0.66%.

BALANCE OF PAYMENTS

The current account deficit amounted to USD 1,452.2 million in 1996, which is approximately 15.2% less than the year before. A decrease was also recorded in the item net errors and omissions (which amounted to USD 822.2 million in 1996 or around 36.8% less than the year before), and in foreign exchange reserves of the National bank of Croatia (which grew by USD 418.8 million in 1996, or around 14.6% less than the increase in reserves recorded in the year before).

An increase was also recorded in financial transactions, which amounted to USD 1,048.7 million in 1996, or around 16.3% more than in 1995.

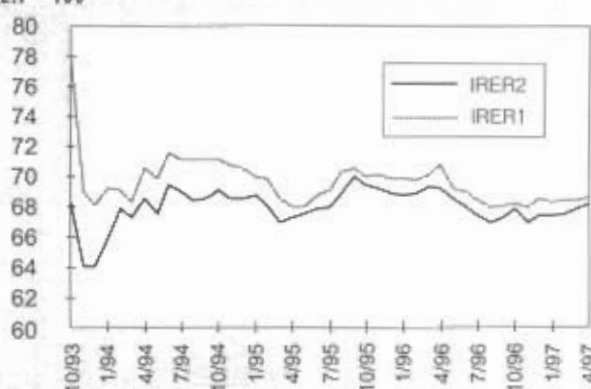
Such high rates of decrease in the deficit of the current account, as well as in the item net errors and omissions, are due to the following: an increase in net tourist revenues in 1996 compared to 1995 in the amount of USD 339.8 million i.e. 41.8%, an increase in direct foreign investment in the amount of around USD 268.4 million i.e. 333.37%, and an increase in net current transfers in the amount of USD 132.9 million i.e. 20.6%.

If we take a look at the kuna amounts of exports and imports (which are more reliable due to strong oscillations in the exchange rate of the US dollar), we notice a slight decrease in exports and imports in March compared to February. Exports recorded in March 1997 were 15.4% lower than the March 1996 figure, while imports increased by 5.7% in the same period.

On the side of exports, in the first three months 1997 compared to the same period last year, we recorded a 16.2% increase in intermediate goods and a 32.7% increase in consumer goods, while at the same time investment goods recorded a 5.2% decrease in exports.

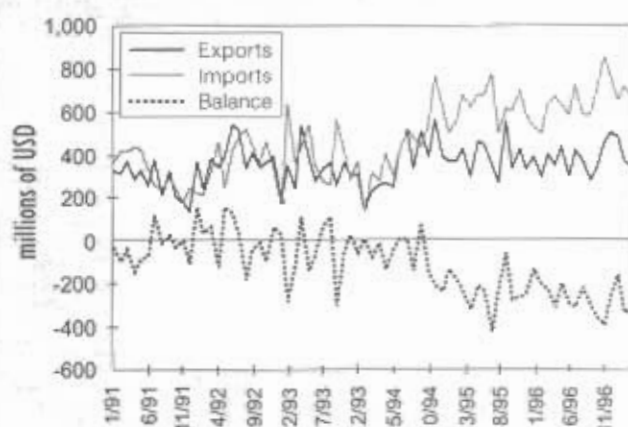
On the side of imports, in March 1997 compared to March 1996, growth was recorded in intermediate goods (26.4%), in investment goods (61.2%), and in consumer goods (30.2%).

INDEX OF REAL EFFECTIVE EXCHANGE RATE OF CROATIAN KUNA 1992:1=100



Note: IRER1 - with retail prices
IRER2 - with producers' prices

MERCHANDISE EXPORTS, IMPORTS AND TRADE BALANCE



BALANCE OF PAYMENTS in millions of USD (preliminary data)

	indices		
	Jan. - Dec. 96	Jan. - Dec. 95	Jan. - Dec. 96/Jan. - Dec. 95
Current account	-1452.2	-1712.0	84.8
Capital and financial accounts	1048.7	901.7	116.3
NBC international reserves	-418.8	-490.2	85.4
Net errors and omissions	822.2	1300.5	63.2

source: NBC

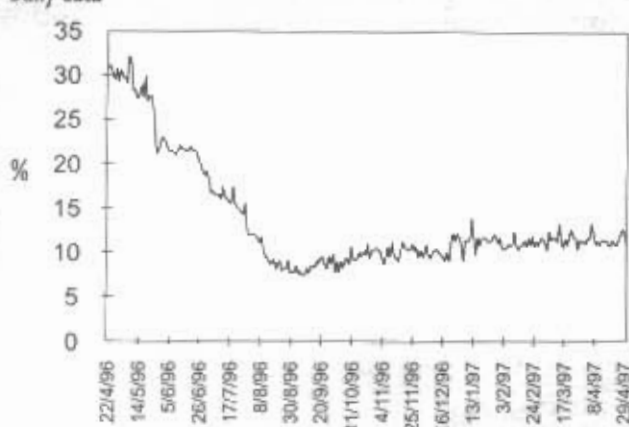
MERCHANDISE EXPORTS AND IMPORTS (in millions of USD)

	Jan.-Mar. 1997.	Jan.-Mar. 1996.	Mar. 1997.	Mar. 1996.
EXPORTS	1195.8	1082.1	338.9	400.8
IMPORTS	2040.7	1661.7	668.9	632.9

source: Bureau of Statistics

ANNUAL INTEREST RATE ON THE ZAGREB MONEY MARKET

Daily data



MONEY MARKET AND INTEREST RATES

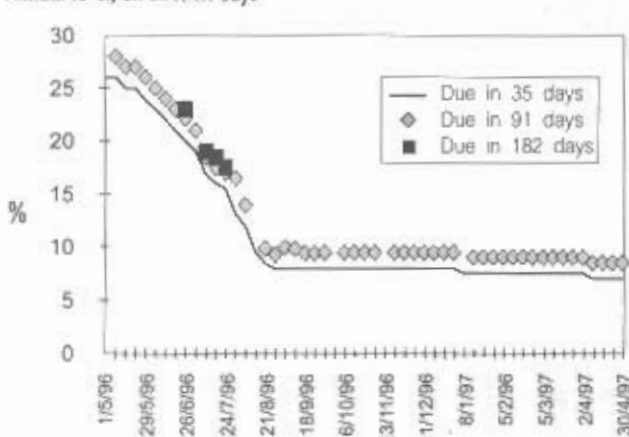
Significant oscillations continued in the average daily interest rates on the Money Market (between 10.8% and 13.4%). Interest rates have been slightly higher than at the end of 1996 (the monthly average increased by approximately 3.0% in the last six months), due to several reasons. First, there has been a transit of maturity of loans on the Money Market from short term (less expensive) toward longer term (i.e. more expensive), and from revocable loans (less expensive) toward time loans (more expensive). The second reason is the imbalance of supply and demand, which does not only emerge from the wishes of participants in the Money Market, but also from various limits, such as the maximum amount of loan granted to one debtor. Regardless of the increase in interest rates, the situation on the Money Market should not be considered alarming, due to the fact that interest rates seem to be quite stable (judging from monthly averages in 1997). Besides, the National Bank of Croatia introduced several measures designed to prevent interest rates from growing, such as a decrease in the legal reserve requirement and a decrease in interest rates paid on treasury bills of the NBC. It should be noted that the end of April is expected to bring slightly higher interest rates due to the expected decrease in liquidity of the banking system. That is consequent to legal persons' obligation to pay the profit tax as per the annual financial statement for 1996.

Interest rates paid on voluntary treasury bills of the National Bank of Croatia decreased in auctions held in April, currently amounting to 7.0% for 35 days maturity and 8.5% for 91 days maturity. Interest rates paid on treasury bills of the Ministry of Finance also decreased, as a consequence of enormous interest in their purchase. Interest rates paid on treasury bills of the Ministry of Finance, attained in the last couple of auctions, amounted to 9.75% for 42 days maturity and 10.95% for 91 days maturity.

Deposit money banks' interest rates slightly decreased in March. Nevertheless,

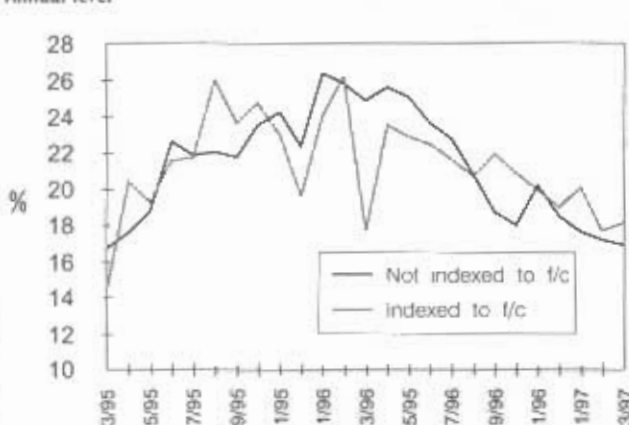
INTEREST RATES ON NBC BILLS ON VOLUNTARY BASIS IN 1996 AND 1997

Annual level, on auction days



DMBs' INTEREST RATES ON CREDITS IN KUNA

Annual level



the important thing is maintaining a downward trend in active interest rates. The average interest rate of the banking system on kuna loans without the currency clause amounted to 16.9% (i.e. 17.0% on short-term loans and 14.2% on long-term loans).

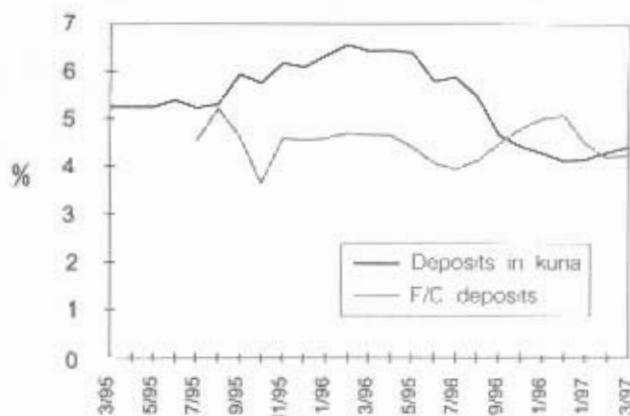
Credit interest rates in different banks ranged between 10.4% and 46.7%, with the largest Croatian banks still significantly below the banking system's average.

The average interest rate on kuna loans with the currency clause increased by half a percent, currently amounting to 18.1% (i.e. 21.2% on short-term loans and 12.9% on long-term loans). The spread of interest rates in various banks is still significant, with interest rates ranging between 8.4% and 38.1%. A further decrease in deposit money banks' active interest rates is expected to occur in April.

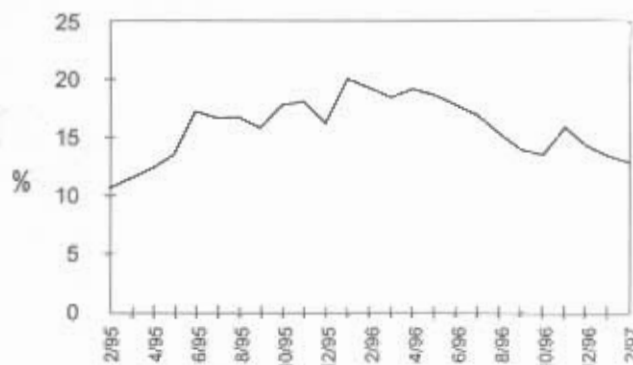
Interest rates on kuna deposits have been on a slightly upward trend, which is especially visible in time kuna deposits. Banks have also been following this slight growth of kuna savings, thus contributing to the restoration of confidence in the domestic currency. Interest rates on foreign currency deposits are currently quite stable, following a significant decrease at the beginning of the year. We should hope for growth of domestic currency savings, which are also more profitable for depositors, due to higher deposit rates on kuna deposits compared to foreign currency deposits.

In 1996, interest rates were at an undesirably high level, due to (among other reasons also) the problem of unsettled claims, inadequate legal protection and the lack of a credible instrument of collection of outstanding debts. We entered into 1997 burdened with the same problems, because it seems that (despite all proclamations) economic subjects intend to keep financing their activities through an unethical but seemingly less expensive approach - non-payment of obligations. This is confirmed by the data on unpaid claims registered with the Payments Institute, which amounted to around 9.2 billion kuna in March. In the first three months of the year, unsettled payment orders registered with the Payments Institute increased by 760 million kuna.

DMBs' INTEREST RATES ON DEPOSITS



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



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

INTERENTERPRISE ARREARS REPORTED TO PAYMENTS INSTITUTE

