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Republic of Croatia—Recent Economic Developments

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INTERNATIONAL MONETARY FUND

REPUBLIC OF CROATIA

Recent Economic Developments

Prepared by a Staff Team 1/

Approved by the European I Department

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1/ T. Dorsey, C. Jarvis, E. Meyermans, and A. Dayal-Gulati.

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Croatia: Basic Indicators

Political system		Culture	
Bi-cameral parliamentary system with executive president and constitutional court		Newspaper circulation ('000s) 1/	
		Dailies	744
		Weeklies	1,568
		Monthlies	878
Language		Books printed ('000s) 1/	12,220
Croatian (Slavic family; Latin alphabet)		Radios (per 1,000 persons) 3/	228
		TVs (per 1,000 persons) 3/	218
Geography		Health care 3/	
Surface area (sq. km.)	56,539	Population per physician	517
of which agricultural	56%	Population per dentist	2,411
Length of mainland coast (km.)	1,778	Population per pharmacist	2,821
		Population per hospital bed	161
Population 2/		Education 3/	
Size	4,784,265	Student to teacher ratio	
Density (per sq. km.)	85	Elementary schools	18.7
Urban dwellers	54%	Secondary schools	14.8
Live births (per 1,000)	10.8	Literacy rate (1989)	94.0
Deaths (per 1,000)	11.4		
Natural increase (per 1,000)	-0.6%		
Transportation and communication 3/			
Cars (per 1,000 persons)	140		
Telephone lines installed	1,107,000		

	1991	1992	1993	1994
Real economic developments				
	(Percentage growth)			
Real GDP	-20.9	-9.7	-3.7	0.8
Unemployment rate (percent)	13.2	13.2	12.7	13.0
Real wage growth	-25.3	-47.4	-18.0	38.9
Consumer prices	249.5	939.2	1,149.2	-3.0
Fiscal developments				
	(In percent of GDP)			
Consolidated central government				
Revenues	32.6	32.0	31.9	43.9
Expenditures 4/	37.5	35.8	32.7	42.4
Accrual balance	...	...	...	1.5
Cash balance	-4.8	-3.8	-0.8	1.7
External developments				
	(In millions of U.S. dollars)			
Exports, f.o.b.	3,292	4,597	3,904	4,260
Imports, c.i.f.	-3,828	-4,461	-4,666	-5,229
Trade balance	-536	137	-763	-969
Services balance	-54	686	867	1,073
Of which:				
Travel	105	385	533	875
Remittances	-44	326	126	224
Current account balance	-590	823	104	104
External debt	2,978	2,736	2,638	3,488
Official reserves	-	167	613	1,406
Monetary developments				
	(Annual percentage change)			
Broad money (e.o.p.)	...	522	1,093	75
Credit to enterprises (e.o.p.)	...	...	...	(1.4)
Deposit money bank interest rates 1/				
Average deposit rate (e.o.p.)	...	435	27	5
Average credit rate (e.o.p.)	...	2,333	59	15

Source: Croatian authorities.

1/ Data pertain to 1990.

2/ Data pertain to 1991.

3/ Data pertain to 1992.

4/ 1994 expenditures include accrued interest on frozen foreign exchange deposits.

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I. Introduction

Croatia began the transition to a market economy with high and rising rates of inflation, economic disruption due to the breakup of the former Socialist Federal Republic of Yugoslavia (SFRY) and the damage caused by war and the unsettled regional security situation. In spite of these difficulties, Croatia has made enormous progress in macroeconomic stabilization. There has been some progress on structural aspects of transformation as well, although much more remains to be done.

The stabilization of the economy was done in several stages but the most significant step was the program launched in October 1993 that almost instantaneously reduced inflation from approximately 2,000 percent at an annual rate to a rate at or below that of the major industrial countries with apparently only a minor adverse impact on output. This reduction in inflation has been maintained for twenty months so far and shows evidence of being sustainable. However, in spite of the success with macroeconomic stabilization, Croatia is still faced with the tasks of restructuring and rebuilding its economic and financial system. Moreover, privatization is incomplete, with the most troubled enterprises still remaining under state ownership.

II. The Real Sector

1. Overview

Following the break-up of the former SFRY and the transition to a market economy, real gross domestic product fell by a cumulative 30 percent over the period 1991-93 (Table 1-3). However, the economy began to recover in 1994 and real GDP grew by 0.8 percent. In the first quarter of 1995, real GDP was nearly one percent higher than the corresponding quarter in 1994 (Chart 1). Anecdotal evidence suggests that the emerging private sector is growing rapidly and is estimated to be nearly half the size of the current and formerly state-owned enterprises. However, the coverage of this sector in the GDP estimates is very weak, leading to a growing bias in the national accounts statistics. Hence, the GDP estimates have to be treated with caution as they may in fact understate growth in the economy.

2. Developments in output and expenditure

a. Sectoral trends

The primary impetus to growth in 1994 was from tourism, trade, transport and communication. Tourism grew by 15 percent in 1994 (Table 3) and the number of overnight stays by foreign tourists increased by 60 percent (Table 10). The recovery in tourism was confined mainly to Istria and islands off the coast as tourists continued to avoid Dalmatia due to the security situation in the region. Consequently, value-added in tourism is still well below the 1990 levels in real terms. There was a

large increase in the number of new enterprises in 1994, particularly in restaurants and tourism which increased by 38 percent, and trade which increased by 45 percent. The number of enterprises in the tourism and trade sectors continued to grow in the first quarter of 1995 by 6 percent and 9 percent, respectively (Table 30).

Although aggregate industry and mining output fell by 2.5 percent for 1994 as a whole (Table 3), the seasonally adjusted industrial production index shows a marginal recovery that began in the second half of the year (Table 7). Much of the recovery was due to growth in oil refining and extraction, capital goods and machine building sectors. The recovery appears to be continuing as industrial production in the first quarter of 1995 was about 5 percent higher than the first quarter of 1994. Productivity in industry and mining overall increased by almost 3 percent in 1994 (Table 8).

Agriculture output was stagnant in 1994 (Table 9). Production is organized around companies and cooperatives and small family holdings, and output from agricultural cooperatives declined sharply in 1994. Although production from private farms in both livestock and field crops increased marginally, it was insufficient to offset the decline in output.

b. Income and expenditure

An analysis of GDP by its expenditure components shows that real aggregate domestic demand grew strongly in the second half of 1994. However, the analysis has to be treated with caution owing to the lack of reliable data. The staff estimates presented in Table 6 show that both government consumption and investment expenditure increased sharply in 1994 due to outlays for defense and expenditures on refugees and displaced persons. Although, government consumption increased in 1994, much of the growth in domestic demand in the latter part of the year was due to a surge in private demand, which appears to have been the major force behind the economic recovery. Growth in private demand was driven by a rising real wage bill in the enterprise sector which increased by nearly 40 percent in 1994. Consequently, real aggregate domestic demand grew by over 13 percent in the second half of 1994. The growth in domestic private demand contributed to substantial domestic capacity coming into production and a spillover into imports.

3. Employment, wages, and the labor market

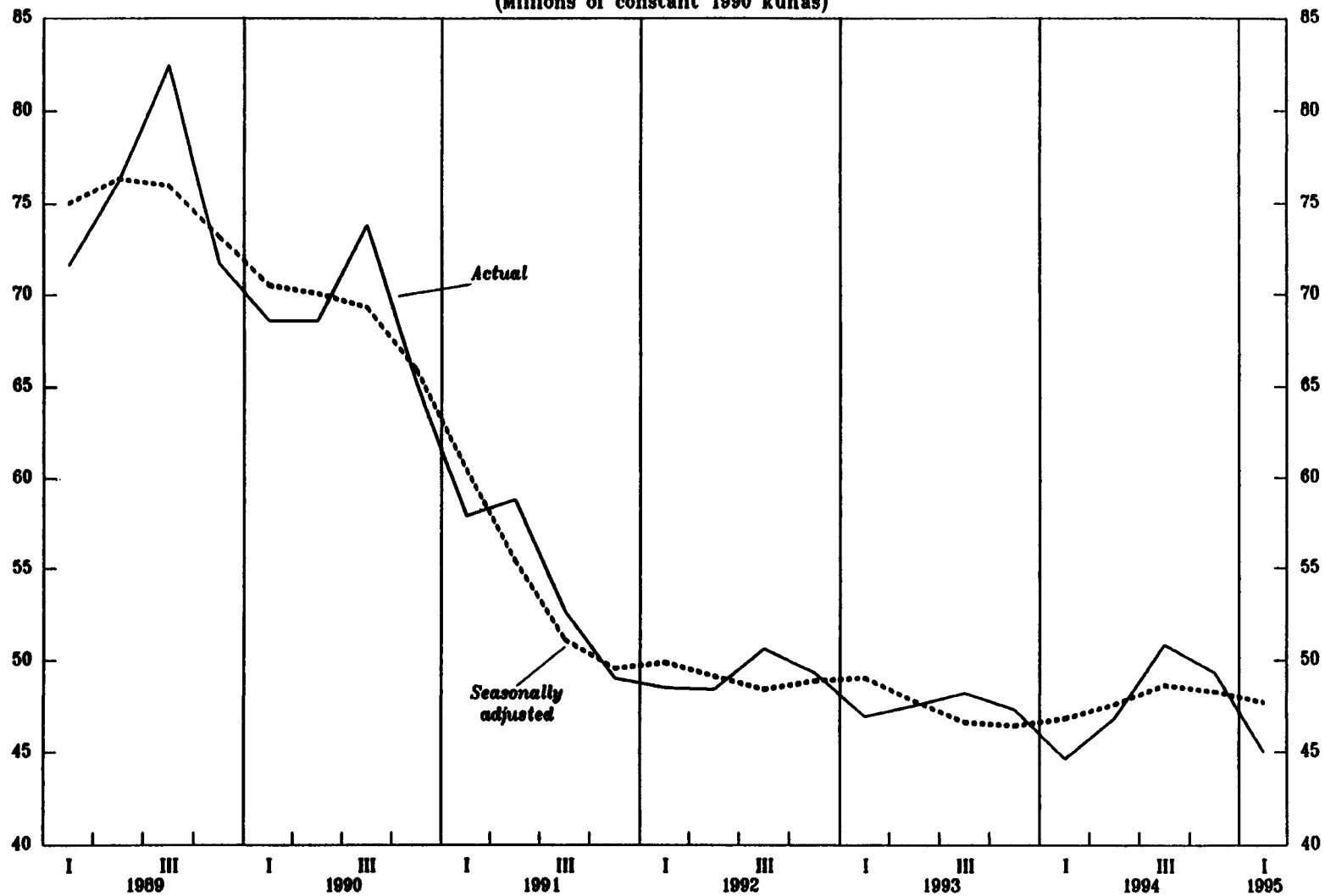
a. Employment

Employment data in Croatia, based on employment surveys conducted by the Central Bureau of Statistics which cover mainly the formerly socially-owned enterprises, are no longer representative of total employment in the economy. In 1990, almost 95 percent of employment was in the socialized sector. Although, private sector employment has increased in recent years, the series does not cover the emerging private sector and,

CHART 1

Croatia: Real GDP, 1989-95

(Millions of constant 1990 kunas)



Source: National Bank of Croatia and staff calculations.

- 2a -

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therefore, understates total employment in the economy. Employment data based on workers paying pension contributions are a more accurate representation of total employment even though its coverage of the new private sector is not comprehensive. Table 13 presents the revised series from 1991 onwards. The private sector includes farmers, entrepreneurs, independent professional workers as well as private enterprises. Although private sector employment has been increasing steadily from 1991, the data show a sharp increase in 1994 due to a reclassification to include enterprises established in the process of privatization. Employment in the majority state-owned enterprises and the public sector (which includes the defense forces) shows a steady decline, in part, as workers move to the private sector. Table 14 provides a breakdown of employment across different sectors of the economy. Recorded employment fell by 5 percent in mining and industry, 6 percent in transport and communication, and nearly 10 percent in trade.

Registered unemployment figures, which nearly doubled to about 300,000 in 1990-91, have declined to about 240,000 in the first quarter of 1995 due to several factors (Table 13). The decline is attributed to out-migration to Western Europe, some recovery of economic activity as well as active policy measures initiated by the Employment Agency in 1993. Despite high levels of unemployment, there is a shortage of skilled labor to meet the demands of the employers, caused in part by extremely low wages leading to emigration, as well as by the lack of special skills. The Employment Agency has allocated approximately 30 percent of its budget for measures to promote employment. Nearly 28,000 people are currently covered by the measures, which focus on incentives for employers to hire certain categories of the unemployed, labor retraining and assistance for self-employment. The measures include financial support for employers who hire trainees or workers with recent university and high school degrees. The Agency also provides training programs for the unemployed in building activities, textiles, administrative and secretarial skills as well as cofinancing training programs for workers in existing jobs. To encourage self-employment, it provides initial financing assistance for trade and other activities. In addition, to encourage labor mobility to regions with labor shortages, the Agency provides financial assistance to cover the costs of moving and housing.

An Employment Act is expected to be submitted to Parliament in September with additional measures to encourage job mobility and labor retraining. These will include cofinancing programs for acquiring special skills, retraining programs for younger people, as well as professional rehabilitation programs. The Act will also focus on measures to encourage individuals to work at home, to financially support employers to employ older people and to adapt the work place for the physically handicapped. In addition, under the proposed Employment Act, unemployment benefits would be greatest at the start and decline over time in order to create incentives for the unemployed to find new jobs. Under the present system, unemployment benefits range from 3-18 months. The unemployment benefit is 50 percent of the salary in the last three months. To be eligible, an individual should

have worked for 9 consecutive months or for a period of 12 months with interruptions during the preceding 18 months.

b. Wages

The aggregate annual real wage bill (which includes both wage and nonwage compensation) rose by nearly 40 percent in 1994 (Table 15) due primarily to wage growth in the private sector. 1/ The growth in private sector wages appears to be driven by productivity increases and by the demand for skilled labor. Despite the increase, the real wage bill is still substantially lower than its 1990 level. In early 1995, there was a shift from nonwage compensation to wage compensation which distorts the series on wages. Total seasonally adjusted income grew by 8.5 percent from December 1994 to April 1995.

Under the stabilization program, the majority state-owned enterprises and the public sector are subject to wage controls and overall wage increases in these sectors have been in keeping with the guidelines. 2/ In addition, no wage increases can occur in loss-making enterprises. Although the wage control mechanisms for these sectors appear to be operating satisfactorily (see table below), it has been difficult to assess whether wage growth has been in line with the stipulated increases. The problem is due, in part, to the way in which the data are collected. From January 1995, all allowances (such as meal, transportation and vacation allowances) are included in the information which enterprises are required to report to the payments authority, ZAP. Therefore, in order to make the appropriate comparisons between 1994 and 1995, wage payments in October 1994 need to be adjusted for these allowances. Under the existing self-reporting system, enterprises report the maximum salary payable and the actual payments made to the payments authority. At present, verification is not automatic, although the data are subject to review by the Government.

1/ Wage statistics cover only part of the economy and changes in the annual wage statistics are believed to overstate the real decline which occurred in 1990-1993 and to overstate the rise in 1994 in particular because of measurement problems caused by high inflation. Hence, caution must be exercised in giving too much weight to the exact size of these increases.

2/ The incomes policy permits a 2 percent increase in standard monthly gross nominal wage bills (including compensations) from October 1994 until April 1995; a cumulative 4 percent until October 1995 and 6 percent through December 1995.

**Salaries in Majority State-Owned Enterprises,
Banks, and Other Financial Institutions**

	1994		1995			
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Number of firms	1,545	1,529	1,486	1,469	1,442	1,382
Share of total	4.9	5.4	5.4	4.7	4.5	4.3
Number of employees	370,117	360,144	348,490	337,557	332,431	332,845
Share in total	40.6	39.1	39.3	33.8	37.1	36.4
Maximum salary allowed (1)	757,112	746,948	887,485	832,470	778,155	837,313
Actual salary paid (2)	736,168	741,345	828,794	808,731	798,593	847,238
(1)/(2)	97.2	99.2	93.4	97.1	102.6	101.2
Average salary paid						
Gross	1,989	2,058	2,378	2,395	2,402	2,624
Net	1,156	1,184	1,541	1,554	1,573	1,682

Source: Payments authority (ZAP).

c. Labor market

The major development in the area of labor market policies was a Labor Law passed by Parliament in May 1995. The new law which goes into effect from January 1, 1996 is a significant improvement over the old law as it introduces a legal framework under which employers can lay off workers. In addition, the law introduces contractual employment allowing employers to establish the terms and conditions of work while it also establishes freedom of association for labor and gives precedence to collective bargaining agreements. Workers can be represented by freely elected labor councils or trade unions. The law allows for minimum wage determination at the level of either the firm or the industry through the collective bargaining process. These aspects of the Law are elaborated in greater detail below.

Under the new Labor Law, an employment contract may be terminated if a company is having problems, if the employee's skills or qualifications do not match the job requirements, or if the employee cannot fulfill his or her contractual obligations. It also distinguishes between small firms (employing up to 5 workers) and larger firms (with more than 25 workers). Smaller firms face fewer constraints in firing workers, while larger firms that intend to lay off more than 60 percent of their labor force have to find jobs for these workers in other companies and provide a rationale for their action.

The Law also regulates the amount of severance pay to which a worker is entitled. If he/she has been employed continuously for a period of two years, the minimum severance pay is equivalent to half the average monthly wage of that employee. In addition, an employee is entitled to a minimum notice period of 2 weeks, which can increase to 6 months for workers that have been employed for over 20 years. Before giving notice, the law requires the employer to consult with the Labor Council and find the worker an alternative job.

Although trade unions have been granted the right to strike, the law sets certain minimum standards relating to its announcement, the motivation for the strike as well as the arbitration process. Employers have the right to initiate a lock-out, (up to 50 percent of their employees) but only after the strike has begun and the arbitration process has failed to resolve the dispute in the stipulated time.

4. Price developments

The stabilization program initiated by the Croatian authorities in October 1993 has been extremely successful in containing inflation. It focused on measures to break ingrained inflationary expectations, and improve financial discipline among the enterprises. Inflation is now at or below industry country levels. Prior to the stabilization program, most prices were implicitly indexed to the exchange rate against the deutsche mark. With the appreciation of the exchange rate following the stabilization, prices began to decline after a lag and the decline persisted over several months. From December 1993 to December 1994, the consumer price index fell by 3 percent in 1994, while producer prices fell by 5.3 percent. In the first half of 1995, retail prices increased by 1.4 percent, while producer prices fell by a further 0.6 percent (Table 23).

5. Enterprise sector

a. Privatization and institutional reform

After independence, the Croatian authorities embarked on a program of economic reform, based on privatization of the socially-owned enterprises. The legal framework for privatization was established by the Law on Transformation of Socially-owned enterprises in 1991, which covered all manufacturing and agricultural enterprises and also created the Croatian Privatization Fund (CPF). ^{1/} Under the law, formerly socially-owned enterprises had to submit a privatization plan (including a restructuring plan) to the CPF by June 1992. Once the privatization plan was approved, shares would be offered to employees at a discount. One third of the unsold shares would be distributed to the Pension Funds and the remaining two thirds to the CPF. The CPF, in turn, would sell the shares in its portfolio

^{1/} For more detail of the law and the privatization process, see Appendix II of this paper and SM/94/251, September 29, 1994.

through auctions on the Zagreb Stock Exchange, public bids in the newspapers, sales via agents, direct settlements with individual investors and debt-equity swaps. By December 31, 1994 approximately 47 percent of the enterprises approved for privatization had been fully privatized; the Croatian Privatization Fund (CPF) had a minority stake in 37 percent of the enterprises and a majority stake in the remaining 16 percent. In addition to the formerly socially-owned enterprises, there are 10 public enterprises under direct state ownership which include INA (the oil and gas company), the electricity company, the railways, and post and telecommunication. These 10 enterprises accounted for about 10 percent of GDP and 6 percent of the work force in 1994 (Table 29).

Although privatization of smaller enterprises proceeded rapidly, privatization of larger enterprises has encountered a number of problems such as valuation of assets and liabilities and over-staffing problems. The Government now intends to streamline the privatization process for the formerly Socially-Owned Enterprises (FSOEs) held by the CPF and extend it to cover public enterprises. To this end, it established the Ministry of Privatization in November 1994 and put forward a Privatization Law which is expected to be passed by Parliament in October 1995. Public enterprises intended for privatization are required to carry out reorganization plans along business lines and profit/loss centers. These reorganizations are expected to be completed by the end of the first quarter of 1996. The main features of the proposed Privatization Law and an overview of recent developments in the public enterprises with regard to the privatization process are given in Appendix II.

b. Enterprise financial discipline and restructuring

An important component of the Croatian stabilization program has been an attempt by the Government to harden budget constraints for majority state-owned and public enterprises. In 1993, the Office for Restructuring of Public Enterprises (ORESE) was established which monitors the performance of these enterprises based on information on receivables, payables, and cash flows. Increased monitoring by ORESE as well as the introduction of external audits has improved the assessment of their financial performance. In an effort to impose financial discipline on these enterprises, two measures were taken. First, the authorities tried to loosen the nexus between banks and enterprises that have shares in these banks through credit ceilings on lending to related parties. Under the ceilings, banks can extend credit to enterprises holding 10 percent of their equity, but lending cannot exceed 5 percent of their capital. In addition, individual credit limits were established for a group of 19 mostly large, financially troubled enterprises. The ceilings on these selected enterprises have been effective in reducing credit to selected enterprises. Second, no wage increases are permitted in loss making enterprises. ORESE and the payments authority (ZAP) indicate that the firms have complied with this directive.

The tightening of credit to troubled enterprises has led to liquidity problems which have flowed into inter-enterprise arrears. Data on unsettled

payments orders from the payments authority provide an indicator of inter-enterprise arrears in the economy. To the extent that all liabilities are not recorded by ZAP, the data understates the extent of arrears. On December 31, 1994, the total amount of unsettled payments orders was HrK 2.9 billion, which rose to HrK 4.8 billion at the end of April, 1995, and is approximately 5 percent of GDP. In March, a decree was introduced requiring majority and fully state-owned enterprises to meet payment obligations by the end of June and to give priority to claims outstanding since December 31, 1994. The decree expired at the end of June and the Government intends to replace it by a law on bankruptcy and liquidation. The oil and gas company (INA), together with Croatian Railways account for a significant share of total arrears. Overdue amounts payable by INA were HrK 1.1 billion, accounting for about 25 percent of total settlement arrears at the end of April 1995. Lending to INA is below the credit ceiling imposed under the program owing to the reluctance of banks to lend. In May 1995, a restructuring program for INA was approved, which if successful, could reduce the deficit sharply. However, the restructuring itself will require substantial injections of capital and a reduction in its labor force.

c. Bank rehabilitation

In addition to imposing financial discipline on the enterprises, the government is also restructuring the banking system. Croatia inherited a decentralized two-tier banking system from the former SFRY in which most commercial banks were owned by their major borrowers. For many of these banks, a large share of their assets consisted of poorly performing loans to related-party enterprises. Furthermore, a large part of the liabilities of banks consisted of household foreign exchange deposits for which the counterpart foreign exchange assets were held at the central bank of the former SFRY. These foreign exchange assets became unavailable at the time of the breakup of the SFRY.

To increase the solvency of the banks, the Government recapitalized the banks in 1991 by issuing bonds in exchange for nonperforming bank claims on enterprises. It also assumed the claims of commercial banks on the central bank of the former SFRY corresponding to household foreign exchange deposits. Since these claims were nontradable, these operations effectively transformed the solvency problem into a liquidity problem. However, over the past three years, the quality of commercial bank portfolios has been improving although liquidity problems remain.

The government has also relied on privatization and new entry to improve the solvency and efficiency of the banking system. In 1995, one of the two largest banks announced that it had transformed itself into majority private ownership. In addition, several new private banks have begun operations and become significant competitors in the banking system. In 1994, the Bank Rehabilitation Agency (BRA) was established to restructure/liquidate large problem banks and enterprises. In early 1995, the BRA took over a major regional bank, Slavenska Banka, leading to a

capital injection. The initial steps in the takeover of the largest of the problem banks, Privredna Banka, will begin in late 1995.

6. Competitiveness, real wages, and productivity

The real effective exchange rate (REER) based on producer prices appreciated by 28 percent from December 1992 to December 1994. Much of the appreciation that occurred in 1993 was in the last quarter of the year, immediately following the initiation of the stabilization program. From December 1993 to December 1994, the REER was relatively stable (Chart 2). Given the size of the appreciation which has occurred, there have been concerns about whether it has adversely affected the competitiveness of the Croatian economy. Although the extent of appreciation would suggest that this may be the case, several factors make it difficult to establish a clear answer to this question. For example, it is difficult to assess the equilibrium level of the real effective exchange rate, as the Croatian economy has faced significant shocks resulting from the war and the transition. Chart 2 shows the current account balance for Croatia, excluding private and official transfers. The data have to be treated with caution due to breaks in the series resulting from the dissolution of the SFRY in 1991 and re-classification of export processing activities in 1990. 1/ Given these caveats, the data show that historically, Croatia has had a surplus on its current account, due mainly to tourism which accounted for about 70 percent of the net income on the services account. The surplus on the services account plummeted in 1991, following the outbreak of the war. There has been some recovery since, but tourism is still adversely affected by the security situation. Hence, developments in the services account may not be predominantly related to changes in the real exchange rate. Likewise, changes in the trade balance during 1990-92 are probably related to the conflict surrounding the dissolution of the SFRY. Nonetheless, the merchandise trade deficit did widen in 1993 and 1994 as the real exchange rate was appreciating.

This brief graphical examination of current account trends would appear to suggest that the real exchange rate appreciation may have contributed to the recent deterioration in the trade account. However, it also seems to indicate that the initial REER--inherited from the SFRY--was undervalued from the point of view of Croatia given the large current account surpluses. In addition, a study by Anušić et al (1995), indicates that changes in the real exchange rate do not have a significant impact on exports or imports. 2/ Anušić et al find the income of OECD countries to be the major

1/ Trade figures for 1991, and before, do not include trade with other republics of the SFRY. In addition, prior to 1990, value-added from export processing activities was included under exports of services. After 1990, both imports of components for domestic processing and exports of final products are included in merchandise trade (Table 44).

2/ Z. Anušić et al. A Road to Low Inflation, Government of the Republic of Croatia (1995).

explanatory variable in the export equation and domestic income in the import equation. It would appear that while the appreciation of the exchange rate has contributed to a widening of the trade deficit, there is little evidence that the export sector has become uncompetitive, especially in view of the sharp increases in exports which took place in 1994 and early 1995. 1/

It would also be useful to look at changes in the REER based on unit labor costs. However, historical monthly sectoral data on wages and productivity for Croatia are not available. Data on average real wages in the economy show a sharp decline since 1992 and by a far greater proportion than productivity. 2/ In 1994, real wages increased by about 30 percent and outstripped productivity gains which were about 3 percent. Despite the increase, however, real wages are still well below productivity and substantially below their 1990 levels. It could be argued that real wage movements are mostly catching up to those of productivity.

International comparisons of the average wage expressed in U.S. dollars can also provide an indicator of changes in competitiveness. Although such comparisons need to be interpreted with caution, the data show that the dollar wage in Croatia declined from \$415 in 1991 to \$140 in 1993 and then rose to \$234 in 1994. This is higher than the level in the Former Yugoslav Republic of Macedonia at the end of 1994 (\$175), close to the average wage for the Czech Republic (\$240) in 1994, but considerably lower than Slovenia which was \$467. The wage in Croatia is now close to the average for the period 1987-1989 of \$249.

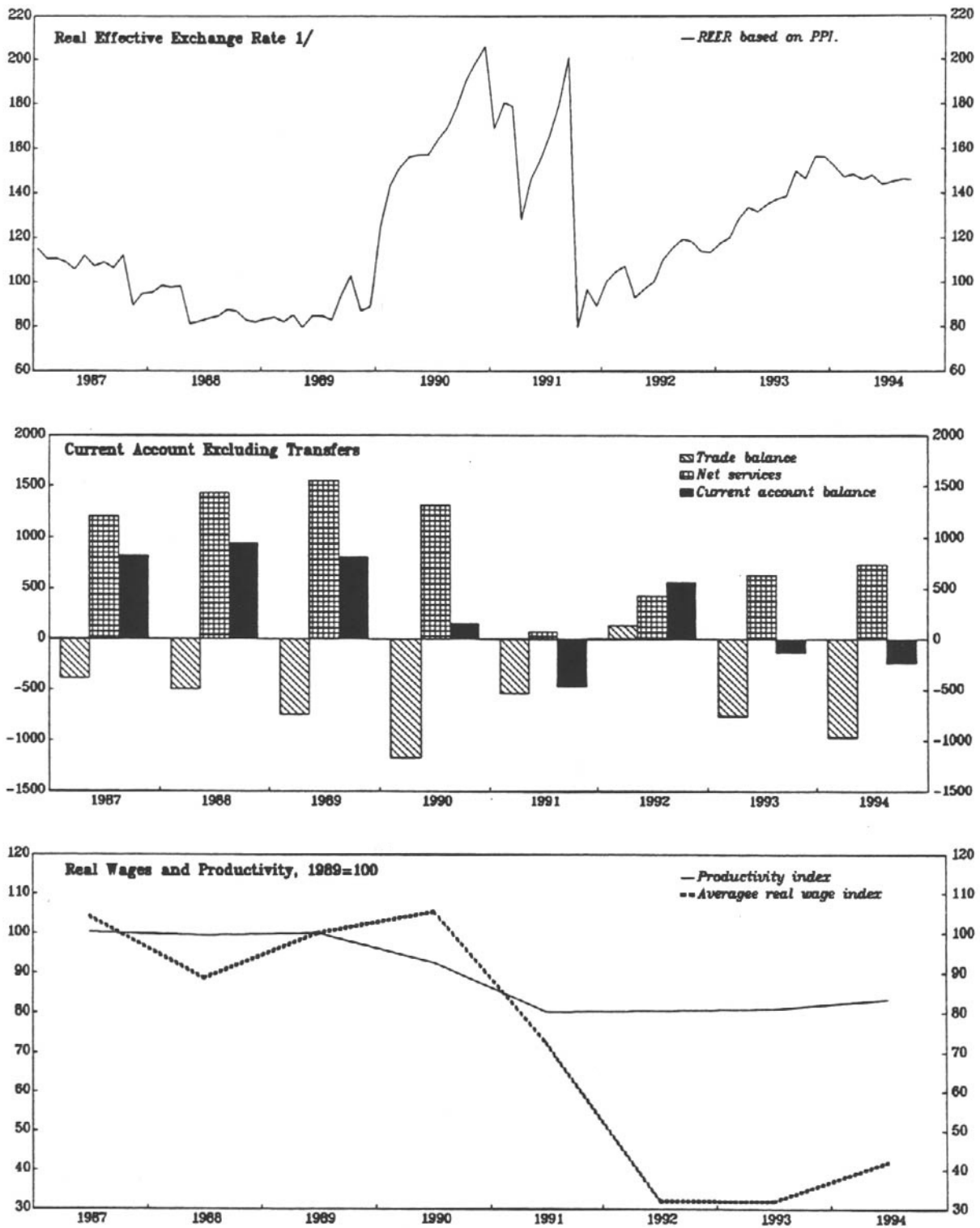
In sum, the evidence appears to be mixed. While the REER appreciated in 1993 relative to its earlier level, it appears to have stabilized in 1994. Although the appreciation has been accompanied by a widening of the trade deficit, exports grew by 9 percent in 1994 and are expected to grow by 15 percent in 1995. Meanwhile, real wages have fallen by much more than productivity, and are still substantially lower than their level in the late eighties. Overall, these factors suggest that the appreciation may have had a limited adverse effect on the competitiveness of the Croatian economy.

1/ Developments related to the external sector are outlined in greater detail in Section V.

2/ Average real wages are calculated as average nominal wages in the economy deflated by the producer price index. This series on average real wages should not be confused with earlier references to data on aggregate real wages in the economy (i.e., the economy wage bill) in Section 3b. Productivity is measured as output per employee in the industry and mining sector.

CHART 2

Croatia: Competitiveness, Real Wages, and Productivity 1987-94



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III. The Public Sector

1. Structure of the public sector

Since independence, the structure of the public sector has been gradually rationalized and streamlined, and as of mid-1995, the general government consisted of the budgetary central government; five extrabudgetary funds; and the local authorities, comprising 20 counties, 78 cities, and 426 municipalities. The budgetary central government is the largest spending unit, with expenditures mainly concentrated in goods and services, while its revenues arise primarily from taxes on the sale of goods and services, imports, income and profits. Revenues of the extrabudgetary funds consist of payroll contributions and transfers from the budgetary central government, while most of their expenditures cover social security transfers to households with smaller amounts of expenditures on goods and services. Local authorities receive their revenues from taxes levied on income, property, and gambling, and from transfers from the central budget, while their expenditures complement budgetary central government's expenditures.

At independence, the Croatian government had a highly decentralized institutional framework to collect revenue, control expenditures, and manage financial flows. Since then, tax collection has been consolidated and coordinated under the general oversight of the Ministry of Finance, and further efforts to consolidate tax revenues are underway as the government plans to introduce a value-added tax in 1997 and to rationalize import taxes in the course of 1996. An organic budget law passed in December 1994 provides for the coordination of the government's fiscal policy by defining the processes for budget preparation and execution, the establishment of a comprehensive treasury system, and external audits. This framework will be implemented over the next few years.

Before independence, education, health service, and social security were provided primarily by highly decentralized, independent entities, referred to as "self-governing communities of interest." However, shortly before independence, control of these public services was centralized in funds and disciplined by laws regulating their revenues and expenditures. As of January 1, 1995, there were four social funds (the Pension Fund, the Health Fund, the Employment Fund, and the Child Benefit Fund) plus the Water Management Fund. 1/ Revenues of the extrabudgetary funds derive mainly from payroll taxes and government transfers, 2/ while the entitlements of their clients are set by law. The extrabudgetary funds operate under the

1/ An additional extrabudgetary entity funded by tax revenues, Croatian Roads was consolidated into the central government budget on January 1, 1995.

2/ The Pension Fund has additional income from its portfolio of shares in enterprises. See Section III.3 for a more detailed description.

general oversight of the Ministry of Finance, although the extrabudgetary funds continue to have a high degree of independence in their operations.

There are 20 counties and 78 cities and 426 municipalities within the counties. 1/ Local governments receive most of their receipts as revenue sharing from national taxes. Counties receive 5 percent and 10 percent of revenues from national income and profit taxes, respectively; cities and municipalities receive 25 percent, 50 percent, and 60 percent of revenues from income, gambling and property taxes. Cities with more than 40,000 inhabitants can levy a surcharge of up to 30 percent (up to 60 percent for Zagreb) on income taxes. Counties may also levy taxes on vehicles, boats, the organization of public events, and inheritance. Cities and municipalities may levy limited taxes on the sale of beverages consumed in restaurants, weekend houses, and advertising. The central government budget also transfers money to counties with per capita income below 75 percent of the average, and counties transfer resources to their poorer municipalities. Local authorities' expenditures are mainly concentrated in housing and community development, local water supply and water transportation, environmental protection, cultural and sports activities, services for agriculture, forestry, fishing, tourism, local roads, and pre-primary and primary education.

Employment in the budgetary central government, extrabudgetary funds and local authorities was 52,298 persons by the end of 1994, equivalent to about 2.8 percent of the estimated labor force. Total government employment, including employment in health care, social services, and education was 234,954 persons, a level that is equivalent to 12.4 percent of the total labor force (Table 32).

2. Recent developments in the budgetary central government

a. Overview

The overall cash balance of the central government budget for 1994 is estimated at a surplus of 0.6 percent of GDP compared to a surplus of 0.2 percent of GDP in 1993. However, part of interest payments due on the counterpart of the frozen foreign exchange deposits in mid-1994 were rescheduled to the first quarter of 1995, reducing the overall 1994 surplus on an accrual basis to 0.4 percent of GDP. The budgetary central government had a cash surplus running at an annual rate of about 0.6 percent of GDP in the first quarter of 1995. The surplus on an accruals basis was also running at an annual rate of 0.7 percent of GDP. Although interest on the counterpart to the frozen foreign exchange deposits that was accrued prior to 1995 but rescheduled into 1995 was paid during the first quarter, an approximately equal amount of interest coming due in 1995 was in arrears at end-March 1995. In April 1995, these arrears were regularized by the issuance of promissory notes and cash payments, and by May 1995 the

1/ The city of Zagreb is both a city and a county.

budgetary central government had a deficit of less than 0.1 percent of GDP on a cash basis and a surplus of 0.2 percent of GDP on an accrual basis. ^{1/}

b. Revenue ^{2/}

In 1994, total revenues of the budgetary central government, including the Road Fund, were equal to 28.9 percent of GDP (Table 33). In the first five months of 1995, revenues were running at an annual rate of 30.8 percent of GDP. Revenues from taxes on goods and services ^{3/} amounted to 18.9 percent and 19.7 percent of GDP in 1994, and the first five months of 1995, respectively. In 1994, tax revenues from goods and services increased significantly relative to 1993 in large part because of improved tax collection due to an increase in the number of tax inspectors and an increased effort to collect taxes from the emerging private sector. In the first five months of 1995, tax revenues increased because of strong growth in the underlying tax base. In 1994 and the first five months of 1995, revenues from import taxes amounted to 4.1 percent and 4.5 percent of GDP, respectively, compared to only 2.7 percent of GDP in 1993, an increase which reflects higher imports and improved tax administration.

Revenue from income and profit taxes increased from 2.2 percent of GDP in 1993 to 4.5 percent of GDP in 1994 and 5.2 percent of GDP at an annual rate in the first five months of 1995. These favorable developments were primarily the result of further simplification of income and profit taxes, improved tax compliance, and strong real wage growth. A new income tax law, which went into effect on January 1, 1994, simplified the income tax system by introducing a system with an exemption up to HrK 700 per month, a 25 percent rate on taxable income up to three times the minimum wage, and a 35 percent rate on income above three times the minimum wage. ^{4/} A new profit tax act, which also went into effect on January 1, 1994, instituted a 25 percent tax on profits of residents and nonresidents operating a business

^{1/} The partial year ratios of fiscal flows to GDP cited in this Chapter and the accompanying Tables are stated as ratios to the estimated GDP for the same fraction of the year.

^{2/} See Appendix III, Summary of the Croatian Tax System for additional detail.

^{3/} Taxes on goods and services consist of a sales tax of 20 percent, plus a 10 percent surcharge on the sales prices of goods, a 10 percent rate on the sales price of services, and excise taxes on tobacco, alcoholic beverages, and cars. The latter taxes were increased significantly in mid-1994.

^{4/} Taxable wages were increased by an average of HrK 300 per month (about 43 percent of the minimum wage) on January 1, 1995 when previous untaxed in-kind benefits and allowances for meals and transportation were converted into taxable income. An increase in the tax exemption from HrK 300 per month to HrK 700 per month more than offset the average tax effect of this change in the composition of total wages.

in Croatia. The tax base is reduced by an amount equal to a return on equity of 3 percent adjusted for the rise in the producer price index.

Capital revenues, including privatization receipts, were only 0.4 percent of GDP in 1994 and 0.3 percent of GDP in the first five months of 1995, compared to 0.4 percent and 0.2 percent in 1992 and 1993, respectively. This low outturn was due mainly to the absence of an adequate institutional framework to mobilize domestic and foreign savings for privatization, and the greater than anticipated restructuring needs of the remaining state-owned enterprises.

c. Expenditures

In 1994 total expenditures of the budgetary central government ^{1/} amounted to 28.2 percent of GDP on a cash basis (Table 34). About 9.4 percent of GDP was spent on wages and salaries, including employer contributions, compared to 5.8 percent of GDP in 1993. This increase reflects mainly the reclassification of about 30,000 employees from the payroll of local authorities and the Road Fund to the budgetary central government, and modifications to the wage structure of civil servants that resulted in a significant increase in wages effective from October 1994. ^{2/} In the first five months of 1995 expenditures on wages and salaries were running at an annual rate equivalent to 12.4 percent of GDP, reflecting, in addition to the November increase, a wage increase of 22 percent for professional soldiers on January 1, 1995, which was retroactive to October 1994.

Interest payments on a cash basis were equivalent to about 1.2 percent of GDP in 1994, compared to 0.5 percent of GDP in 1993. However, by mid-1994 interest payments due on the counterpart of the frozen foreign exchange deposits were rescheduled into the first quarter of 1995. ^{3/} On an accrual basis, interest expenditures in 1994 were higher by 0.2 percent of GDP. Although the amounts rescheduled from 1994 were repaid in the first quarter of 1995, only 30 percent of interest payments coming due at the beginning of 1995 were paid by end-March 1995. Additional cash payments were made in April 1995 and the remaining 57 percent was rescheduled by the issue of promissory notes. ^{4/}

Subsidies and other current transfers were equivalent to 3.3 percent of GDP in 1994, compared to 3.4 percent of GDP in 1993. In 1994 the

^{1/} This figure includes the Road Fund.

^{2/} Six percentage points of this increase were rolled back in January 1995.

^{3/} The Croatian budget is reported on a cash basis. Neither the accrual of interest arrears nor the issuance of promissory notes to refinance arrears are reflected in the budget except as memorandum items.

^{4/} The Ministry of Finance issued promissory notes falling due on May 1, June 1, July 1, August 1, 1995 and January 1, 1996, respectively.

agriculture sector and railways received about 56 percent of total subsidies. Subsidies to agriculture fell from 0.8 percent of GDP in 1993 to 0.5 percent of GDP in 1994, while subsidies to railways increased from 1.0 percent of GDP in 1993 to about 1.3 percent of GDP in 1994, reflecting the slow progress in the restructuring of this sector and the need to reconstruct infrastructure affected by the war. During the first five months of 1995, subsidies and other current transfers were equivalent to 3.5 percent of GDP at an annual rate. Subsidies to rehabilitate the railways are expected to increase in order to reopen railroad service through areas of Croatia recently brought back under Government control.

Capital expenditures and net lending were equivalent to 3.0 percent of GDP in 1994 and 2.1 percent of GDP at an annual rate in early 1995. Capital expenditures slowed in early 1995 because of new procedures for spending agencies requiring detailed expenditure plans and the integration of the Road Fund into the budget. The legal changes associated with the integration of the Road Fund into the budget slowed disbursements by international financial institutions related to highway projects. The operations of the Road Fund have since been regularized, and it is expected that parliament will pass the necessary permanent legislation by September 1995.

Data on expenditures by function (Table 35) show that in 1994, 9.1 percent of GDP was spent on defense (34.3 percent of total budgetary expenditures) compared to 7.8 percent of GDP in 1993. About 56 percent of total defense spending was concentrated in wages and salaries. Expenditures on education were equal to 3.4 percent of GDP in 1994, up from 2.0 percent in 1993, partly reflecting higher wages for teachers.

In 1994, budgetary expenditures on social welfare ^{1/} were equal to 3.0 percent of GDP, compared to 2.0 percent of GDP in 1993. A substantial part of this expenditure is concentrated in the Social Program which was established in 1993 to assist those affected by the war and the transition to a market economy through the transfer of in-kind benefits and subsidies for food, clothes, utilities, and rent. ^{2/} The cost of this program was 0.8 percent and 1.0 percent of GDP in 1993 and 1994, respectively, as is shown in the Tables below.

^{1/} Excluding expenditures by the social extrabudgetary funds, discussed in the next section.

^{2/} Decisions on the eligibility for welfare assistance are delegated to Social Councils instituted in each city and municipality.

Social Program Expenditures

	1993	1994	1993	1994
	<u>(In thousands of kuna)</u>		<u>(In percent of GDP)</u>	
1. Assistance and subsidies for social welfare	155,195	312,556	0.4	0.4
2. Expenditures on wages and services	145,193	466,450	0.4	0.6
3. Investments	22,334	43,031	0.1	0.1
4. Other	349	148	--	--
Total	323,070	822,184	0.8	1.0

Source: Ministry of Labor and Social Welfare, and staff calculations.

Social Program Monthly Benefits

	Jan. 1993		Jan. 1994		Jan. 1995	
	Percent of	Amount	Percent of	Amount	Percent of	Amount
	Minimum	in kuna	Minimum	in kuna	Minimum	in kuna
	Salary		Salary		Salary	
- For 1-member household (individual beneficiary)	65	17.8	90	212.2	90	232.9
- For 2-member household (two beneficiary)	110	30.1	160	378.8	160	418.5
- For 3-member household (three beneficiary)	145	39.3	220	519.0	220	575.0
- For 4-member household (four beneficiary)	200	54.3	270	640.3	270	702.4
- For each additional member	15	4.3	30	72.0	30	76.4

Source: Ministry of Labor and Social Welfare, and staff calculations.

Spending on refugees and displaced persons amounted to 1.7 percent of GDP in 1994 and 1.5 percent of GDP (at an annual rate) in the first three months of 1995, compared to 2.1 percent of GDP in 1993. These expenditures assisted 516,283 and 370,625 persons in 1993 and 1994 (approximately 11 percent and 8 percent of Croatia's population), respectively. About 0.8 percent of GDP was used for the reconstruction of infrastructure damaged by the war in 1994, compared to 0.9 percent in 1993 (see Table below).

Expenditures on Reconstruction

	1992	1993	1994	1995 I-IV	1992	1993	1994	1995 I-IV
	(In millions of kunas)				(In percent of GDP)			
Infrastructure	1.3	37.6	55.0	73.4	--	0.1	0.1	0.3
Economy	--	82.3	271.0	53.4	--	0.2	0.3	0.2
Housing	23.1	222.4	283.2	28.3	0.8	0.5	0.3	0.1
Public building	6.0	34.6	103.0	2.9	0.2	0.1	0.1	--
Other	0.2	--	--	--	--	--	--	--
Total	30.6	377.0	712.2	158.0	1.1	0.9	0.8	0.6

Source: State Institute for Macroeconomic Analysis and Forecasting, and staff calculations.

d. Financing

In 1994 and early 1995, budgetary financing was dominated by a buildup of banking system deposits. Although difficulties in monitoring complicate the measurement of deposits under the control of the spending agencies, it is clear that the bulk of the 1994 cash surplus of HrK 544 million was deposited in the domestic banking system. The government repaid HrK 203 million of its debt to the National Bank of Croatia (NBC) in 1994 and a further HrK 55 million in the first five months of 1995. External financing was modest as repayments of external loans in 1994 and the first five months of 1995 were almost as large as new disbursements. In 1994, the budgetary central government, including the Road Fund, obtained HrK 47 million in external financing and it repaid HrK 95 million on external loans. Disbursement and amortization of external loans were HrK 88 million and HrK 15 million respectively in the first five months of 1995. In its domestic non-bank financing during 1994, the Government issued HrK 160 million (0.2 percent of GDP) in new Reconstruction Bonds ^{1/} and repaid HrK 70 million on a "depreciation loan" raised from enterprises earlier in the 1990s. There was no issuance or amortization of domestic non-bank debt in the first five months of 1995.

^{1/} These are bonds sold primarily to private Croatians and Croatian expatriates. Interest is paid semiannually and the bonds can be swapped against shares in enterprises under privatization.

3. Extrabudgetary funds: developments and prospects

Total expenditures of the extrabudgetary funds were equivalent to 19.7 percent of GDP in 1994. A significant part of these outlays consist of transfers to households financed on a pay-as-you-go basis. Total revenues of the extrabudgetary funds were equal to 20.7 percent of GDP in 1994. The Pension and Health Funds accounted for 48 percent and 34 percent, respectively, of both total revenues and expenditures of the extrabudgetary funds. Revenues accrue mainly from earmarked payroll taxes and transfers from the central budget. The Pension Fund also obtains revenue from its portfolio of shares in enterprises. The social funds are required to balance their budgets, and in 1994 the extrabudgetary funds had a combined surplus equivalent to about 1 percent of GDP.

The Pension Fund consists of three funds; the Workers Fund, the Fund of the Self-Employed and the Farmers Insurance Fund. In 1994, these funds provided retirement pensions, disability pensions and survivor pensions to about 813,382 persons (Table 22). The Pension Fund had a small surplus equal to 0.4 percent of GDP in 1994, as its total revenues amounted to 9.9 percent of GDP, while its expenditures were equal to 9.5 percent of GDP. About 96.5 percent of the revenues of the Pension Fund were derived from payroll contributions by employers, employees, self-employed and farmers while about 3.5 percent of total revenues accrued from its portfolio of shares in enterprises. About 95.2 percent of its total expenditures were transfers to households and non-profit institutions.

Pensions are determined on the basis of the ten highest consecutive years of earnings, corrected for inflation. There is also a guaranteed minimum pension provided that neither the retirees nor members of their households have other sources of income sufficient to support them. In 1994, 91,251 retirees (11 percent of the total), whose pensions were below the minimum were entitled to a compensatory supplement. In 1993, the average retirement age for old age retirees was 57 and 53 years for men and women, respectively, while the average age for disability pensioners was 50 and 46 years for men and women, respectively. These disability pensioners represented about 23 percent of the total number of pensioners in 1994. The total number of pensioners rose from 548,586 persons in 1988 to 784,364 persons in 1994, a 43 percent increase (Table 22), reflecting mainly the early retirement of redundant labor as other forms of labor shedding were severely hampered by the existing labor laws.

Pension Fund

	1993		1994		I-IV 1995	
	Number of Beneficiaries	Average Pension in Kuna	Number of Beneficiaries	Average Pension in Kuna	Number of Beneficiaries	Average pension in kuna
The Workers' Fund	731,982	325	755,644	655	768,243	758
The Farmers' Fund	36,473	34	40,887	117	44,914	142
The Self-Employed Fund	15,909	234	16,851	469	17,269	557

Source: Pension Fund.

In order to make the pension system more secure and promote economic growth through higher savings, the Croatian authorities are planning to switch in the medium term to a multi-pillar system under which mandatory savings would be complemented by obligatory funded individual accounts. 1/ An interim revision of the existing pension law is under preparation and is expected to be enacted by late 1996. The main elements of the new proposed draft law are an increase in the retirement age for men and women from 60 to 65 years, and from 55 to 60 years, respectively; a tightening of the link between the entitlement and life-time contributions; 2/ indexation of pensions to the consumer price index, rather than wages; and the abolition of special retirement regimes. Apart from the start-up cost of new institutions, there are significant financial costs which arise from the initial capitalization of the second pillar. The economically active population has to provide for the pensions of the already retired, while at the same time they also have to start to save in their own individual retirement accounts. Indirect benefits of the multi-pillar system with mandatory individual retirement accounts include the promotion of financial markets which should help to accelerate the pace of privatization.

At independence, Croatia inherited a very decentralized medical care system with few built-in incentives for cost control; few preventive care programs existed and primary care was primarily restricted to referral services and elementary prescription. In addition, with the outbreak of

1/ The multiple pillars are the payments by current workers to cover the costs of retirees under the current pay-as-you-go system, a compulsory savings scheme in which current workers invest for their own retirement, and possibly an additional voluntary scheme under which current workers could invest additional amounts for their retirement.

2/ The entitlement will be linked to contributions made over the last 25 years, instead of the current law which looks only 10 years back. 25 years is the limit since no personnel records exist prior to 1970.

hostilities in the region there was an increased demand for health services as a result of war injuries and the inflow of displaced persons. In order to control costs and improve health services, Parliament passed the Health Care Law and the Health Insurance Law in August 1993, defining the management structure for all health institutes, regulating private practice, improving the collection of contributions, and allowing for voluntary insurance schemes (Table 20). In 1994, the Health Fund had a surplus of 0.4 percent of GDP as revenues were equal to 7.1 percent of GDP and expenditures equal to 6.7 percent of GDP. About 93.5 percent of the revenues of the Health Fund came from payroll contributions by employers and employees, while 83.8 percent of its expenditures covered outlays on goods and services and 11.6 percent consisted of direct transfers to households.

The Employment Fund provides unemployment benefits and manages job placement programs. The activities of the Employment Fund are primarily financed by a 1.9 percent contribution rate on payrolls. About 40 percent of its resources are allocated to job placement programs, including wage subsidy schemes, while the rest is spent on unemployment benefits, and the medical insurance and pensions of the unemployed. The duration of benefits depends on the willingness to work and seniority, while the level of the benefits is based on past earnings. In 1994, the Employment Fund had a small surplus of 0.1 percent of GDP, as total expenditures of the Employment Fund amounted to 0.6 percent of GDP, while its revenues were equal to 0.7 percent of GDP. In the first four months of 1995 there was a surplus equivalent to 1.4 percent of GDP at an annual rate. Future developments in the financial position of the Employment Fund are closely related to the unemployment effects of privatization and enterprise restructuring, the evolution of real wages and contribution rates, and the extent to which the Employment Fund redefines its role from a provider of unemployment benefits and job placement programs, to an agency which solely provides unemployment benefits.

Child welfare is regulated by the Law on Family Allowances for Children of 1977. Child allowances are granted to children up to the age of 15, and after that age during the period of regular schooling, as well as to children that are physically or mentally impaired. Child benefit entitlements are conditional upon the period of insurance of the claimant, and the income of the household. In 1994, 204,975 claimants, with 378,434 dependent children, received an average child benefit of HrK 170 (US\$28) per month (Table 21). In 1994, the Child Benefit Fund had a surplus of less than 0.1 percent of GDP, as total expenditures of the Child Benefit Fund amounted to 0.8 percent of GDP, covering primarily transfers to households, while its revenues were equal to 0.8 percent of GDP, stemming primarily from a 2.5 percent payroll contribution by employees.

The Water Management Fund plans, constructs, and maintains the national infrastructure for water supply and water transportation. In 1994, it had a deficit as its revenues and expenditures were equal to 0.5 percent and 0.6 percent of GDP, respectively. Its primary source of revenues arises from payments for water use and a 0.76 percent tax on gross salaries paid by

employers. In 1994, the Water Fund received foreign financing of HrK 34 million from an Austrian-German bank consortium, for the construction of water pipelines, with a similar amount disbursed in April 1995.

The Road Fund is responsible for planning, construction, maintenance and rehabilitation of all public interurban roads. In 1994, its revenues amounted to 1.7 percent of GDP, while its expenditures amounted to 1.5 percent of GDP. As of January 1, 1995 the operations of the Road Fund are consolidated in the operations of the budgetary central government. In 1994, there was a net repayment of loans disbursed in the early eighties by international financial institutions for about HrK 95 million.

IV. The Financial Sector

1. Introduction

The dominant monetary development of the last two years has been the implementation of the October 1993 stabilization program. However, in spite of the success of this program, there are significant structural problems in the Croatian financial system remaining. Banking system illiquidity reflects both bank rehabilitation needs and a lack of financial markets and tradable assets that is a problem for even those banks with healthy portfolios. Also related to these structural problems are persistent, wide interest rate spreads, and large amounts of nonperforming and highly illiquid long-term assets (including claims on the government) in bank portfolios.

2. Monetary and interest rate developments

a. The October 1993 stabilization program

Prior to October 1993, Croatia experienced near hyper-inflation. To some extent, this inflation was inherited from the former SFRY; inflation was running at annual rates of approximately 500 percent at the time of monetary independence in December 1991. However, an accommodating monetary policy subsequent to monetary independence contributed to an acceleration of this inflation. By the third quarter of 1993 inflation was running at an annual rate of approximately 2,000 percent.

Inflation persisted even in the absence of significant fiscal or quasi-fiscal deficits because of indexation and backward-looking monetary policies that sustained inflationary shocks. Widespread indexation and currency substitution prevailed throughout the economy. Limits on NBC credit available through refinancing facilities, the interest rate on those facilities, and the rate of depreciation of the exchange rate were all set through a system of backward looking-indexation. Almost all public debt was indexed to either the producer prices or denominated in foreign exchange. At end-September 1993, just under half of broad money and 52 percent of deposit money were denominated in foreign exchange.

The authorities had come to the view that inflation in Croatia had become largely inertial by late 1993 and could be brought down to low levels relatively quickly if indexation could be broken and inflationary expectations changed. By the time that the October 1993 stabilization was announced, the consolidated central government was running a small deficit of approximately 0.8 percent of GDP (Table 36) and the enterprise sector, which had made extensive use of new banking system credit to finance operating deficits and interest payments in 1991 and 1992, had shifted into aggregate operating and financial surpluses. With these trends expected to continue, they felt that there would be little need for significant further increases in the nominal money supply to finance either government or enterprise deficits and that an aggressive monetary stabilization program could be put into place.

The stabilization program announced on October 3, 1993 had several policy components, but it put most of its emphasis on restrictive base money targets (the sum of currency outside banks, vault cash and reserve and giro deposits in Table 38). These base money targets were to be achieved through restrictions on the amount of foreign exchange that the NBC would purchase in auctions from commercial banks each month. These foreign exchange purchases were to be the only source of new base money. In addition to the base money limits, there was a limit on the depreciation of the exchange rate for the remainder of 1993. 1/ These limits were intended to be a floor on the depreciation of the exchange rate rather than a crawling peg. The announced exchange rate policy was a shift to a freely floating exchange rate and the authorities expected to interbank market to clear at rates somewhat more appreciated than these limits. 2/

The inflation targets of the program were 25 percent for October, 15 percent for November, and 9 percent for December. The announced base money growth limits were 17.3 percent for October, 3.5 percent for November, and 3.5 percent for December. 3/ No remonetization was assumed in the

1/ On October 4, 1993 the dinar was devalued by 16.3 percent, subsequently, limits were announced on the possible further depreciation of the dinar for each month in the last quarter of 1993. These were 4,444 dinars, 4,600 dinars and 4,775 dinars per deutsche mark for October, November, and December 1993, respectively.

2/ In addition to these policies, there was also an incomes policy to de-index wages and limit wage growth to rates consistent with the base money and inflation and targets.

3/ The relatively loose targets for October base money and inflation reflect in part the fact that prices in Croatia are measured on or about the 20th of each month. By the time that the stabilization program was announced on October 3, 1993, almost half a month had elapsed under the previous policy regime in which the prevailing rate of inflation and money growth was approximately one percent per day.

program's projections; the difference between the inflation targets and the base money growth limits implied a cumulative decline in real base money of 20 percent by end-December 1993 (see Table below).

Shortly after the program was launched, unexpected developments in money demand and inflation brought about a change in the character of the program. During October, the base money targets were nearly met. However, higher than expected October inflation resulted in a much greater compression of real base money than that implied by the announced targets. At the same time, holdings of currency outside banks rose by 57 percent as a combination of real transactions demand for currency and positive announcement effects of the program increased currency demand. As a result, the stock of nominal base money available for meeting bank reserve requirements fell sharply and threatened a banking system crisis.

**October 1993 Stabilization: Projections
Versus Outcomes Monthly Percentage Changes**

	1993			
	October	November	December	Cumulative Fourth Quarter
Projected inflation	25.0	15.0	9.0	56.7
Actual inflation	38.7	1.4	-0.5	39.9
Projected base money	17.3	3.5	3.5	25.7
Actual base money	19.0	34.8	11.6	79.0
Projected real base money	-6.2	-10.0	-5.0	-19.8
Actual real base money	-14.2	32.9	12.2	27.8

Source: Croatian authorities.

The result of this increase in currency and decrease in bank reserves was a sharp increase in liquidity problems in commercial banks and strong pressure on the exchange rate to appreciate. Apart from foreign exchange and domestic base money, banks had few liquid assets which they could trade among themselves and no asset other than foreign exchange that they could sell to the NBC or each other to increase their domestic reserve deposits. By the end of October, the exchange rate against the deutsche mark appreciated to a rate 7.9 percent higher than the intervention limit for October. Because of the greater than expected inflation in October, this

resulted in a real exchange rate approximately 20 percent more appreciated than the rate implied by the inflation projections and the intervention limit.

This large scale withdrawal of currency from banks threatened to cause a collapse of the banking system and the NBC rapidly shifted to a policy of creating enough new base money to prevent either a banking system collapse or undue appreciation of the exchange rate. Starting in November 1993, the NBC intervened in a manner that maintained the exchange rate in a very narrow band against the deutsche mark (although no policy announcement to that effect was made). For a few months starting in mid-November 1993, the NBC even went so far as to conduct its foreign exchange purchases at an exchange rate more depreciated than the market clearing rate (i.e., at a rate disadvantageous to the NBC) in an attempt to narrow the band still further through moral suasion. Thus, the policy announcement and actions during the last quarter of 1993 succeeded in breaking inflationary expectations without causing a financial collapse, although the authorities had to modify their original stabilization program by switching from what had been announced to be a money-based stabilization to an exchange rate-based stabilization in order to bring this about. The change in policy slowed but did not reverse the appreciation of the exchange rate which moved to 3,719 per deutsche mark by end-November 1993 and 3,802 per deutsche mark by the end of December.

Trends in broader money aggregates over this period were similar to those of base money although less pronounced. Broad money, which includes foreign currency deposits as well as domestic currency time and savings deposits, (M3 in Table 37) increased by 46 percent in the fourth quarter of 1993. Surprisingly, in spite of factors that would suggest greater confidence in the domestic currency, foreign currency deposits rose by a greater percentage (53 percent) than domestic currency deposits in the fourth quarter of 1993.

b. Implementation of the stabilization program in 1994 and early 1995

Policies and developments in 1994 and the first half of 1995 have largely continued the policies of November and December 1993. Broad money grew approximately 73 percent in 1993 (Table 37). Base money targets and announced exchange rate intervention limits were discontinued and the exchange rate has been kept at approximately its level of late 1993. Starting in the third quarter of 1994 the authorities began to describe the program as explicitly based on an exchange rate anchor, but this entailed little change the policies actually practiced.

Money demand in Croatia has been difficult to forecast as the remonetization of the Croatian economy continues. Between end-December 1993 and end-April 1995, broad money increased by 85 percent. Within broad money, the foreign currency denominated deposits grew by 66 percent while the domestic currency denominated component grew by 105 percent during this period. As a result of the more rapid growth in domestic currency money,

there was some reversal of the currency substitution with the domestic currency share of broad money rising from 49 percent at end-December 1993 to 55 percent at end-April 1995 (Table 37). The rate of change in money holdings has slowed in recent months; broad money increased by only 5 percent in the last quarter of 1994 and 7.2 percent in the first four months of 1995 compared to an average quarterly growth rate of 18 percent in the first three quarters of 1994 (Table 37). ^{1/}

The remonetization experienced in 1994 and early 1995 allowed for substantial growth in both foreign and domestic assets of the banking system. The increases were dominated by increases in domestic credit to non-government extended by the commercial banks and in the net foreign assets of the NBC (Table 37). Claims on government fell by 15 percent during this same period. The decline in claims on government is largely attributable to the use of frozen foreign exchange deposit claims on government to purchase apartments or enterprise shares in the privatization process. ^{2/} The decline in the counterpart to the frozen foreign exchange deposits was partially offset by an increase in the value of "big bonds" in the second quarter of 1994. This increase in the value of the big bonds was due to a revaluation that reflected producer price increases prior to the October 1993 stabilization rather than new borrowing. ^{3/} Net foreign assets of the NBC more than doubled between end-December 1993 and end-April 1995, reflecting the rapid buildup in international reserves (Tables 38 and 50).

3. Use of monetary policy instruments

The major monetary policy instruments in Croatia are foreign exchange purchases by the NBC, reserve requirement changes, and sales of NBC bills. Credit to commercial banks from the NBC is limited to small facilities used primarily for intra-month liquidity management. These credit facilities are limited in the number of days per month that they may be used and fully collateralized by foreign exchange or bank holdings of NBC bills. There is also an emergency lender-of-last-resort facility available at the discretion of the NBC.

Foreign exchange purchases by the NBC have accounted for all of the new base money in Croatia since the October 1993 stabilization. Foreign

^{1/} Part of this may reflect seasonal factors; the third quarter is generally the strongest of the year and the first quarter the weakest.

^{2/} The bank claims on government that are the counterpart of the frozen foreign exchange deposits may be used by depositors to purchase privatized assets, in which case both the deposit and the counterpart claim disappear from the bank balance sheet, or by banks for their own account to the extent that they have the foreign exchange resources to "unfreeze" and account on their own. See Appendix II for more detail on the privatization process.

^{3/} See section 4 below on bank liquidity for a discussion of the liquidity and portfolio quality implications of these credit changes.

exchange is widely held by banks, enterprises, and households and is the primary tradable financial asset in Croatia. To date, almost all of the interventions in the foreign exchange market have been foreign exchange purchases rather than sales. Between end-December 1993 and end-April 1995, the growth of net foreign assets of the NBC substantially exceeded the growth of all monetary liabilities of the NBC (Table 38).

The NBC also issues bills in various maturities which are sold to banks in auctions several times each month. 1/ The primary purpose of these bills is sterilization, but their importance is limited by the lack of commercial bank demand. 2/ The total stock of NBC bills outstanding has never been much higher than one tenth of base money in spite of interest rates at or above the average credit rates for the banking system. Sales of NBC bills were introduced in late 1993 and are potentially tradable, but commercial banks have shown no interest in interbank trading of NBC bills. The NBC has been forced to serve as its own secondary market in NBC bills through the lombard and repurchase facilities discussed below.

Because of the absence of marketable government debt and the difficulties experienced in altering the volume of NBC bills, the NBC has made frequent use of changes in the reserve requirements in order to sterilize foreign exchange purchases or otherwise contract liquidity. However, reserve requirements are already quite high (on July 12, 1995 the average reserve requirement was 33.9 percent) and, in order to limit the adverse impact of increases in reserve requirements on banks profits, the NBC reintroduced "obligatory NBC bills" in early 1995. Unlike the NBC bills discussed above, these are effectively a supplementary reserve requirement remunerated at a higher rate.

Five less important instruments are repurchase agreements in foreign exchange, lombard credit, repurchase agreements in NBC bills, liquidity credits, and advances to bank's foreign exchange offices. All of these facilities are shown within credit to banks in the monetary authorities accounts (Table 38). 3/ Both types of repurchase agreements and the lombard facility are used primarily to manage intra-month liquidity fluctuations. The lombard facility is secured by NBC bills and may be used at the discretion of the commercial bank up to twelve days per month. The repurchase agreements in NBC bills are used at the discretion of the NBC in

1/ Prior to the October 1993 stabilization, the NBC made use of "obligatory NBC bills" which were supplementary reserve requirements remunerated at a higher rate than ordinary reserve deposits at the NBC. The voluntary NBC bills discussed here may not be used to meet reserve requirements.

2/ See the discussion of bank liquidity in Section 4 of this chapter for more detail.

3/ Repurchase agreements in foreign exchange do not appear in the table because there were no outstanding balances at the end of any of the months shown.

cases where the use of the lombard facility has been exhausted. The advances to banks foreign exchange offices were a seasonal facility used to encourage banks to operate foreign exchange bureaus in areas frequented by tourists.

The relative importance of the various instruments can be seen in the monetary authorities' accounts (Table 38). NBC credits to banks under refinancing facilities were equal to more than half of reserve money and greatly exceeded commercial bank reserve deposits held at the NBC at end-December 1991 and end-December 1992. By end-December 1993, total NBC credit to commercial banks had fallen to an amount equal to 8 percent of reserve money. By end-December, 1994 credit to banks had fallen to 5 percent of reserve money and consisted exclusively of short-term repurchase arrangements secured by foreign exchange or NBC bills.

General and selective refinance facilities had been major sources of base money injections prior to the October 1993 stabilization. Prior to the stabilization, these facilities were limited, but adjustments to the limits were made to accommodate past inflation. There has been no net extension of credit to commercial banks under either facility since September 1993 and all credit under these facilities was repaid by May 1994. The elimination of these facilities in order to improve base money control was one of the key elements of the stabilization plan.

Direct credit controls have not been used in Croatia except for a two month period beginning in May 1995. The NBC imposed direct credit controls in an attempt to reverse a large, unexpected surge in bank credit. These controls have since been allowed to lapse.

4. Bank liquidity

The liquidity problems in the commercial banks that came to the fore in the early stages of the October 1993 stabilization program continue to plague the Croatian banking system. The portfolios of most banks are dominated by long terms claims on government, which are not tradable between banks and which yield little or no interest, and questionable claims on enterprises. One estimate put the share of non-performing or poorly performing assets in the portfolios of banks at 85 percent. ^{1/} To some extent, this may also represent a solvency problem that will have to be addressed in the course of bank rehabilitation. ^{2/} However, the immediate liquidity problems have undermined the efficiency of the banking system and the NBC's ability to conduct monetary policy.

^{1/} This estimate includes claims on government as non-performing because of the low yield, arrears, and interest capitalization. Estimates which do not take this approach would yield much smaller shares.

^{2/} See the discussion of bank rehabilitation above (Chapter II, Section 4.c.) for additional detail.

The troublesome features of the illiquid assets themselves have not changed much during recent years. Claims on government continue to consist of nontradable, long-term, low interest securities and claims on large problem enterprises continue to perform poorly. However, the share of these assets in the total assets of the deposit money banks has fallen (Table 39). At end-September 1993, claims on government accounted for 65 percent of total assets of the deposit money banks. By end-April 1995 this share had fallen to 44 percent. Credit to a group of large financially troubled enterprises subject to credit ceilings as a part of the stabilization program of enterprises fell from an amount equal to 24 percent of total assets as defined in Table 39 at end-June 1994, to an amount equal to 17 percent of deposit money bank assets by end-April 1995. ^{1/} These declines in asset shares are attributable more to growth of other credit to other, hopefully healthier, sectors of the economy rather than repayment of the outstanding claims. Nevertheless, the dilution of these assets is helpful in restoring liquidity to the banking system until a more complete solution can be found through avenues such as bank rehabilitation and securitization of claims on Government.

The lack of financial instruments and markets is also a major constraint to the operation of monetary policy, particularly for sterilization operations. There is no marketable government debt and the NBC's efforts to place its own NBC bills have been met with only modest success as banks are reluctant to compound their existing illiquidity by purchasing larger stocks of NBC bills. Even those NBC bills that are issued are liquid only to the extent that they have short maturities; the NBC has been forced to serve as its own secondary market for the bills. This leaves the NBC with little beyond reserve requirement changes as a large scale sterilization instrument.

The efficient operation of the commercial banks are also undermined by the illiquidity of the banking system. NBC reserve deposits, vault cash, and foreign exchange deposits are the primary liquid assets available to banks, but all of these assets have yields at or below the banks' costs of funds and well below the yield on alternative assets. Thus banks are forced to choose between maintaining liquidity at a very high opportunity cost (in excess of ten percent at an annual rate) or operating in an illiquid state and risk having no loanable resources for new lending or even possibly falling short of reserve requirements in the event of unexpected liquidity shocks. Particularly in the early months of the stabilization, the illiquidity of banks resulted in extensive use of automatic lender of last resort facilities that forced tighter policies elsewhere and effectively diverted resources from newer, generally healthier banks to illiquid banks with more dubious portfolios.

^{1/} Systematic information about this group of enterprises, which was defined for the purposes of performance criteria, is not available until June 1994 when base data for the calculation of performance criteria was collected.

5. Interest rate developments

Prior to the October 1993 stabilization, the NBC pursued a policy aimed at keeping real interest rates on bank credits slightly positive in real terms. They largely achieved this goal in the first ten months of 1993 for credit rates. However, average deposit rates were much lower, and were sharply negative in real terms (Table 42), contributing to the rise in velocity.

After the October 1993 stabilization interest rates fell sharply although both credit and deposit rates were consistently positive in real terms. By December 1993, average credit interest rates had fallen to 59 percent and average deposit rates had fallen to 27 percent, but this was in a context of falling prices which continued from December 1993 to June 1994. Nominal interest rates continued to decline through August 1994 with credit rates averaging 15 percent and deposit rates averaging 4 percent in August. Since that time, there has been an increase in both credit and deposit rates in spite of continuing low inflation.

The NBC pursued a policy of attempting to reduce interest rates and interest rate spreads through the use of low NBC discount rates and moral suasion (Table 41). The expectations of the NBC in this regard were limited; they view the high interest rate spreads primarily as the result of a relatively large share of non-performing or under-performing loan assets in the portfolios of most major commercial banks and lack of competition. In any case, the discount rate is largely symbolic; it is used primarily for transactions between the NBC and the Government.

In late 1994 and 1995, these interest rate goals were de-emphasized in favor of measures to restrict base money creation and increase sales of NBC bills for sterilization purposes. Recently, interest rates have started to rise again as the NBC attempted to control the growth of banking system credit through increased reserve requirements and sales of NBC bills to commercial banks. The effect of these steps has been to increase interest rates both on NBC bills and throughout the banking system more generally (Table 41).

Commercial bank credit and deposit rates follow similar patterns. Average commercial bank credit rates on domestic currency credits reached a low of 14.9 percent in August 1994. This was followed by a modest increase in the average rate to 15.4 percent by December 1994 and a much sharper increase to 18.7 percent by May 1995. Average deposit rates on domestic currency deposits fell to 3.9 percent in August 1995, rose to 5.0 percent in December 1994 and 5.3 percent in May 1995. The average spread between these credit and deposit rates rose from 11.0 percent in August 1994 to 13.4 percent in May 1995 (Table 42).

Information on interest rates on foreign currency deposits and credits is less detailed but shows a similar trend. Most deposits in foreign currency are household deposits and all reported credits in foreign exchange

are credits to enterprises. Foreign currency interest rates declined modestly between the third quarter of 1993 and the third quarter of 1994, but then began to rise. The unweighted average of three maturities of (mostly deutsche mark) foreign currency household deposits rose from 6.50 percent in the third quarter of 1994 to 6.91 in the second quarter of 1995. No information is available on foreign currency denominated credit rates prior to the second quarter of 1995. Since then, foreign currency interest rates on enterprise credits rose from an unweighted average of 12 percent in the second quarter of 1994, to 13.75 percent in the fourth quarter of 1995 to 15.0 percent in the second quarter of 1995 (Table 43).

V. External Sector

Croatia's balance of payments produced modest surpluses on both the current account and capital account in 1994 which allowed a large increase in official reserves. Within the current account, a substantial deficit on trade in goods was more than offset by a surplus on the services account, largely attributable to tourism inflows and to a lesser extent private transfers.

1. Exchange rate developments

The authorities have maintained the exchange rate of the kuna in a narrow range against the deutsche mark since late 1993 (Table 50). As a result, the kuna appreciated in nominal terms against other major currencies, particularly the U.S. dollar, during 1994. From end-December 1993 to end-December 1994 it appreciated by 5 percent against the deutsche mark and 17 percent against the U.S. dollar. The real effective exchange rate remained relatively constant during 1994 (depreciating by 3 percent) as the net impact of Croatian deflation and industrial country inflation more than offset the nominal appreciation of the kuna. The relative stability against the deutsche mark continued in the first half of 1995 with an appreciation in the exchange rate of the kuna of less than one percent between end-December 1994 and end-June 1995.

The relative stability of the kuna was accomplished in part through large purchases of foreign exchange by the NBC which increased its gross reserves by US\$793 million in 1994 (of which US\$117 million is accounted for by purchases from the Fund in October). Most of the purchases of foreign exchange from the domestic market took place in the middle part of the year when inflows of foreign exchange from summer tourism would have otherwise put upward pressure on the exchange rate. Gross reserves of the NBC increased by a further US\$421 million in the first half of 1995 largely in April as the result of Fund purchases and May and June as a result of purchases of foreign exchange by the NBC in the domestic market.

2. Current account developments

The current account was unchanged in 1994 against 1993 with a surplus of US\$104 million in both years. This resulted from a widening of the trade deficit from US\$763 million to US\$969 million that was precisely offset by an increase in the surplus on services from US\$868 million in 1993 to US\$1,074 million in 1994 (Table 44).

a. Exports

Croatia's 1994 exports rose by 9 percent from 1993 levels to reach US\$4,260 million (Table 45) in spite of the real appreciation. ^{1/} Exports to former Yugoslav Republics remained almost unchanged at US\$968 million, but exports to other countries rose from US\$3,894 million to US\$4,657 million. Just over half of this increase can be attributed to increases in exports of machines and other transport equipment, lead by shipbuilding, which increased from US\$552 million in 1993 to US\$732 million in 1994. The other increases and decreases in exports are spread widely across Croatia's widely diversified exports (Table 46). The increase in exports was also spread widely over destinations with most regional groupings showing some increase (Table 48).

Exports in the first four months of 1995 were running 63 percent above the rate in the same four months of 1994, suggesting that the real appreciation still wasn't depressing exports (Table 45). However, the trade balance deteriorated relative to the same four months of 1994. The authorities attribute at least some of the trend increase in reported trade to better data collection although they believe that exports would still be increasing rapidly even with comparable measurement in both periods.

b. Imports

Imports in 1994 increased by 12 percent to US\$5,229 million in 1994 (Table 45) reflecting in part the pickup in domestic economic growth in Croatia. This increase was supplied exclusively by imports from countries other than former SFRY; imports from other republics of the former SFRY fell by 26 percent to US\$572 million in 1994. The product composition of imports with no one sector or group of sectors standing out as a predominant source of the increase (Table 47). The growth in imports was also diversified by country of origin with all country groups showing an increase except for the previously noted former SFRY republics where the decrease was almost entirely explained by a decline in imports from Slovenia (Table 49).

^{1/} Studies of the determinant of Croatia's export and imports suggest that the level of aggregate demand in OECD countries rather than the real exchange rate is the major factor determining export growth.

The increase in imports continued in the first four months of 1995, but at an accelerated pace (Table 45). Imports in the first four months of 1995 were running at a rate 107 percent above the same four months of 1994. Although the authorities regard this as a cause for concern, they attribute it to both rapidly rising production likely to be reflected in future exports (noting in this regard that the increase is heavily concentrated in intermediate goods and capital equipment) and improved data collection.

c. Services

The surplus on services income, and transfers increased from US\$868 million in 1993 to US\$1,074 million in 1994 (Table 44). The major factors behind the increase in the surplus were increases of US\$342 million in the surplus on tourism and increases of US\$98 million in the surplus on private transfers. These were partially offset by a substantial increase in the deficits on other services (a change of US\$177 million) and a smaller change in the surplus on transportation services. Other components showed little net change between 1993 and 1994.

3. Capital account

The capital account shifted from near balance in 1993 (a surplus of US\$18 million) to a surplus of US\$218 million in 1994 (Table 44). This shift can be largely attributed to an increased inflow in other sectors' net claims. This category of inflows includes a wide range of small transactions reflected in banks purchases of foreign exchange. Government drawings less repayments were almost unchanged between the two years. Foreign direct investment and bank net claims showed modest shifts which also contributed to the increased surplus.

4. External debt and debt service

External debt (Table 51) shows an increase of US\$740 million during 1994. However, most of this increase reflects a redefinition of the debt stock or increases in interest arrears rather than new borrowing or repayment. Particularly noteworthy in this regard are the increases in debt to Paris Club creditors which increased by US\$470 million during this period. Paris Club debt data for end-1994 reflect the share of nonallocated debt of the former SFRY owed to Paris Club creditors while the earlier figures do not. Similarly, the increase of US\$230 million in interest arrears is also affected by this change in definition. Although some payments to Paris Club creditors were made in 1994, the rescheduling agreement with the Paris Club was only concluded on March 21, 1995.

Croatia's external debt is relatively low and declining relative to GDP. The debt to GDP ratio has fallen from 24.2 percent in 1993 to 21.6 percent in 1994. This decline is primarily the result of the real appreciation of the exchange rate rather than repayment of the debt. ^{1/} Debt service is also low relative to exports. Debt service fell from 15.9 percent of merchandise exports in 1993 to 13.0 percent in 1994.

^{1/} This measure understates the true decline in the debt stock relative to GDP because the 1994 figure reflects additional debt owed to Paris Club creditors not included in the 1993 debt data.

Exchange and Trade System

Exchange arrangement

The currency of Croatia is the kuna, the external value of which is determined in the interbank market. The exchange rates in the interbank market are determined by authorized banks that transact with each other at freely negotiated rates. The National Bank of Croatia may set intervention exchange rates at which it will transact with banks outside the interbank market for purposes of smoothing undue fluctuations in the exchange rate. On December 31, 1994 the average interbank market rate for the U.S. dollar was HrK 5.6287 per US\$1.

There are no taxes or subsidies on purchases or sales of foreign exchange.

Administration of control

Foreign exchange transactions are governed by the Law on the Foreign Exchange System, Foreign Exchange Operations, and Gold Transactions, which was enacted on October 7, 1993. The National Bank formulates and administers exchange rate policy and may issue foreign exchange regulations under this law. A foreign trade law (coordinated with domestic trade legislation) is under preparation. Companies wishing to engage in foreign trade must register with the commercial courts. The representative offices of foreign companies must be registered with the Ministry of Economy.

Foreign exchange transactions must be conducted through authorized banks; currently 39 commercial banks in Croatia are licensed to conduct foreign exchange transactions. Restricted licenses are given to banks that may open accounts for resident natural persons and may buy and sell bank notes and checks (currently 13 banks).

Arrears are maintained with respect to external payments to commercial creditors.

Prescription of currency

Croatia does not maintain any bilateral payments agreements.

Resident and nonresident accounts

Resident natural and juridical persons may, in principle, open and operate foreign exchange accounts only in Croatia. However, the National Bank has the authority to allow resident juridical persons to keep foreign exchange in accounts with foreign banks in order to cover the costs of business operations and meet the requirement of regular foreign trade activities abroad. The law also makes specific provisions for resident juridical persons engaged in capital project construction abroad to maintain accounts with foreign banks, subject to a license by the National Bank.

Nonresidents may open foreign exchange accounts with fully licensed banks in Croatia. These accounts may be credited freely with foreign exchange and debited for payments abroad or for conversion into domestic currency; reconversion of domestic currency into a foreign exchange currency is permitted. Juridical persons may credit these accounts with foreign bank notes up to the limit of US\$20,000 without special permission from the National Bank; amounts exceeding this limit are subject to the special permission from the National Bank.

Nonresident natural and juridical persons may open accounts in domestic currency with the proceeds from sales of goods and services or with foreign exchange transferred from abroad. They may purchase foreign exchange with funds held in these accounts without restriction.

Imports and import payments

In compliance with UN Security Council Resolution, imports from the Federal Republic of Yugoslavia (Serbia and Montenegro) are prohibited. Pending the introduction of a new import regime, the product classification of the import regime of the former Socialist Federal Republic of Yugoslavia is maintained, with a free list (LB), a list of items subject to quotas and a list of items subject to *ad hoc* licensing (D).

Items on the free list (just under 6,000 out of a total of about 6,600) comprise about 90 percent of the value of imports. Of the restricted items, only 1.86 percent of imports are subject to licensing, and 2.2 percent to quotas. The Ministry of Economy, in consultation with the Chamber of Commerce, administers the quotas and licensing. List D includes items whose importation is controlled by international agreement for noneconomic reasons (e.g., arms, gold, illegal drugs and narcotics, and artistic and historic work). The importation of these items is allowed on a case-by-case basis and for specific purposes.

Imports are subject to a customs tariff of up to 18 percent (compared with up to 25 percent in the former Socialist Federal Republic of Yugoslavia) plus a tax of up to 10 percent, and a customs administration fee of 1 percent. The exemption for duty-free imports by travellers is US\$100. Goods imported by travellers and postal shipments up to the value of US\$500 are subject to a simplified customs procedure with a unified tariff rate of 8 percent. For imports exceeding that value, the regular import tariffs and taxes are applied. Returning citizens may bring into the country household effects duty-free up to the equivalent of US\$45,000 for household effects and US\$100,000 for private business purposes. Under certain conditions, goods imported by nonresidents for investment purposes are exempt from import duties. Also, raw materials and intermediate products used in the production of exports are exempt from all import duties and taxes, except the 1 percent customs fee, provided that the value added of the export product is at least 30 percent of the value of the imported items and that export proceeds are received in convertible currency.

Payments for authorized imports by juridical persons are not restricted. Advance payments for imports are not permitted, except where down payments are required by suppliers in accordance with customary international practices.

Payments for invisibles

Payments for invisibles related to authorized imports by juridical persons may be made freely. Payments of leasing fees are permitted provided that temporary imports have been registered with the Customs Office. Natural persons may also purchase foreign exchange in the interbank market for the payment of goods and services abroad and for deposit in a foreign exchange account for the purpose of future payments. Resident juridical persons (including tradesmen, natural persons engaging in independent activity and individual dealers) may purchase foreign exchange only for due authorized payments abroad and not, with the exception of purchases related to scientific, humanitarian, cultural and sport activities, for deposit in a foreign exchange account. Payment of royalties, insurance, and legal obligations and contracting of life and casualty insurance policies with foreign companies are also permitted.

Resident natural persons may take out of the country foreign currency equivalent of DM 1,000. An additional amount equivalent up to DM 2,000 may be taken out, provided that it is withdrawn from foreign currency accounts or purchased from banks for travel expenses. In both cases the National Bank may allow higher amounts to be taken out on a case-by-case basis. The exportation of Croatian currency by both residents and nonresidents is limited to HrK 2,000 a person.

Exports and export proceeds

In compliance with UN Security Council Resolution, exports to the Federal Republic of Yugoslavia (Serbia and Montenegro) are prohibited. In principle, exports are free of restrictions except for certain products for which permits must be obtained (list D products: e.g., weapons, drugs and art objects); several basic foodstuffs to ensure adequate domestic supplies; and high quality wood.

Export proceeds must be collected and repatriated in full to Croatia within 90 days of the date of exportation; this period may be extended with the permission of the National Bank. If payment terms in excess of 90 days have been agreed with foreign importers, the credit arrangement must be registered with National Bank.

Proceeds from invisibles

Proceeds from services are, in principle, subject to the same regulations as those applying to merchandise exports. The importation of Croatian currency by both residents and nonresidents is limited to HrK 2,000 a person.

Capital

Resident juridical persons, including commercial banks, may borrow abroad. They are required to register the loans contracted, including commercial credits, with the National Bank. Financial credits may be extended to nonresidents by resident juridical persons, including tradesmen, natural persons engaging in independent activity and individual dealers only if they are financed from profits or credit obtained from abroad. Natural persons are permitted only to obtain loans from nonresidents in domestic or foreign currency. The foreign exchange positions of commercial banks are subject to a limit.

Foreign direct investment by nonresidents may take the form of joint ventures or full ownership and shall be registered with the commercial courts. Repatriation of capital and transfers abroad of profits are not restricted. In principle, domestic and foreign investment is treated equally, but in practice nonresident investors enjoy certain benefits. If the foreign capital participation exceeds 20 percent, inputs used in the project are exempt from import duties. Earnings in the first year of operation are exempt from the profit tax, and 50 percent and 25 percent of earnings in the second and third years, respectively, are exempt from the profit tax. Foreign direct investment abroad by residents must be registered with the Ministry of Economy. Such investment must generally be undertaken through loans abroad or through reinvestment of profits. Inward portfolio investment is not restricted, but outward portfolio investment is.

Nonresident natural persons may acquire real estate in Croatia through inheritance as long as their country of residence extends reciprocal treatment to residents of Croatia. Nonresident natural persons not engaged in economic activities in Croatia may purchase real estate only under the same conditions. Nonresident natural or juridical persons engaged in economic activities in Croatia may also purchase real estate under these conditions and may sell it to resident or nonresident juridical persons. In principle, residents may acquire real estate abroad on the basis of reciprocity of treatment, but in practice, they are not permitted to purchase foreign exchange in the exchange market for this purpose; the use of balances in foreign exchange accounts for this purpose is also prohibited.

Gold

The exportation or importation of gold, except unprocessed gold by producers of gold and gold coins by authorized commercial banks, is subject to the approval of the National Bank.

Changes during January-May 1995

On March 21, 1995, Croatia concluded an agreement with Paris Club creditors.

As of May 29, 1995, Croatia has accepted the obligations of Article VIII, Sections 2, 3 and 4. The only exchange restriction subject to approval under Article VIII still outstanding is that evidenced by arrears to official bilateral creditors and the elimination of these arrears will take place in the near future when the bilateral agreements with Paris Club creditors are signed.

Changes during 1994

Exchange Arrangement

May 30. The kuna replaced the Croatian dinar as the national currency at the ratio of 1 kuna equals 1,000 Croatian dinars.

October 7. Foreign exchange repurchase agreements were introduced by the National Bank of Croatia. Although these are offered to the commercial banks at the initiative of the National Bank for monetary management purposes, they could be used by commercial banks to manage forward exchange risks.

Prescription of Currency

June 30. Croatia canceled unilaterally the bilateral payments agreement with Slovenia.

The Privatization Process in Croatia

1. Recent developments

The first phase of the privatization program in Croatia has been relatively successful, particularly with regard to small enterprises. By December 31, 1994 approximately 47 percent of the enterprises approved for privatization had been fully privatized; the Croatian Privatization Fund (CPF) had a minority stake in 37 percent of the enterprises and a majority stake in the remaining 16 percent (Table 1). In the second phase, the Government intends to streamline the privatization process for the formerly Socially-Owned Enterprises (FSOEs) held by the CPF and extend it to cover public enterprises. In early 1994, the authorities allowed the holders of frozen foreign exchange deposits to use them towards the purchase of enterprise shares generating sales of nearly DM 800 million (Table 2). In addition, in November 1994, the Ministry of Privatization was established to formulate policies and facilitate privatization of the public enterprises. A Privatization Law which builds upon the 1991 Law on the Transformation of Socially-Owned Enterprises, was submitted in June this year and is expected to be passed by Parliament by end-October 1995. ^{1/} The Government is also discussing an Enterprise and Financial Sector Adjustment Loan with the World Bank to support the process of privatization and restructuring. This note outlines the main features of the proposed Privatization Law and provides an overview of recent developments in the public enterprises with regard to the privatization process.

2. Proposed Privatization Law

The proposed legislation calls for the divestiture of all FSOEs with the exception of about 30 large troubled enterprises that would be dealt with by the Bank Rehabilitation Agency (BRA) and privatized following their restructuring. The law is expected to improve upon the existing privatization methods, particularly in the use of market-clearing prices in auctions or tenders and in the use of frozen foreign exchange deposits.

This proposed legislation differs from existing legislation in several respects. Deferred payments for small investors will be extended to 20 years, with substantial discounts for early payment. A minimum sale price based on the estimated value of share capital and recent book value will be established by a Price-Setting Commission. ^{2/} The shares may be acquired by either local or foreign investors. Larger enterprises will also

^{1/} For details on the Law on Transformation of Socially-owned enterprises, see SM/94/251.

^{2/} Although the minimum price would take the book value into account it could be well below the book value.

be broken up into smaller units that can be more easily privatized. Fifty percent of the proceeds from the sale of the enterprises shall be transferred to the budget (after covering the costs of the CPF) and the remaining 50 percent to the Croatian Credit Bank for Reconstruction.

In addition to the above methods, enterprises will be privatized through large-scale mass privatization based on free distribution of DM 2-3 billion in vouchers to disabled war veterans, displaced persons and refugees. The recipients can exchange these vouchers for shares of companies of their choice in the CPF portfolio, or contribute them to newly created Privatization Investment Funds (PIF) in exchange for PIF shares. The privately managed PIF's will in turn use the collected vouchers to build up their portfolios by using them to purchase enterprise shares from CPF. The Government will foster the creation of PIFs by regulating them, setting minimum eligibility criteria and professional management standards, and in some cases, by capitalizing them with the minimum required cash equity.

3. The Zagreb Stock Exchange

The development of the PIF's is closely linked to the development of the Zagreb Stock Exchange. At this stage, secondary trading is hampered by the lack of share registry and a clearance system. Current shareholders are sometimes required to offer outstanding shares to either all existing shareholders or to the management of the company before offering them to outside buyers. In addition to the law on Investment Funds, a new Securities Law has been proposed which will correct the deficiencies of the existing system.

4. Privatization of public enterprises

The authorities plan to privatize public enterprises (i.e., the large utilities), in particular their non-core assets, beginning in 1996. The sale of core assets of the public enterprises will require a break up of the large public enterprises along activity lines as well as the development of an adequate regulatory framework, particularly in the electricity and telecommunication areas. The Privatization Law would authorize the Government to proceed with privatization of these enterprises through the transfer of 25 percent of their equity to pension funds, preferential subscription of 25 percent of the shares by the public as well as sale to strategic investors. The law would extend privatization, currently limited to minority holdings in INA (the state oil company) and the electricity company to larger stakes in all public enterprises.

Public enterprises intended for privatization are required to carry out reorganization plans along business lines and profit/loss centers which are expected to be completed by the end of the first quarter of 1996. In order to facilitate the restructuring of these enterprises, the Government may take over their external debt. Recent developments in the major public enterprises are summarized below:

In January 1995, a law for the restructuring of the Croatian Electricity Company went into effect separating power generation and distribution. The new law permits the company to sell 41 percent of its shares. A regulatory framework for entry by the private sector into electricity production and distribution is also being examined.

A restructuring program for INA was passed at the end of May, which included a change in its management structure. Some subsidiaries of INA are to be merged in order to streamline operations later in 1995. The Croatian authorities are also negotiating an Enterprise and Financial Sector Adjustment Loan with the World Bank that would provide assistance for restructuring INA. The restructuring program also allows for the sale of equity of up to 30 percent as part of the privatization process with the consent of Parliament.

Regarding the Croatian Post and Telecommunication (HVPT) Company, a new law is under discussion in Parliament which is expected to be passed by the end of 1995. It would split the company into postal and telecommunication entities. The postal authority would be held by the Government and the telecommunication unit would become a joint stock company that would be privatized by the end of 1996.

The coastal shipping company, Jadrolinija, receives subsidies to cover some of their operating costs in serving remote or sparsely populated islands. There are preliminary discussions on whether to privatize the more profitable routes and keep the unprofitable lines under state operation. A reorganization of the Croatian Railways Company is proposed which would include partial or complete privatization of its subsidiaries and an increase in share capital through conversion of previous foreign debt into government equity.

Table II. 1. Croatia: Number of Enterprises Privatized by Category 1/

(In thousands of deutsche mark)

	100 Percent Privatized	Majority Privatized	Majority CPF and Pension Fund	Total
Number of firms	1,190	938	391	2,519
Number of shareholders	104,410	367,212	104,891	576,513
Average number of shareholders per firm	88	391	268	229
Composition of capital				
Total equity 2/	2,271,633	12,643,276	9,198,090	24,112,999
Social Capital	2,120,297	10,983,304	8,795,262	21,898,863
Additional Investment	47,677	124,505	53,549	225,732
Debt equity swaps	91,767	1,170,719	99,162	1,361,649
Government bail-outs	8,902	259,610	204,828	473,340
Participation into socially-owned firms	2,989	105,137	45,289	153,415
Restitution and other	178,237	629,576	277,719	1,085,532
Shares subscribed and sold	1,926,004	6,106,178	1,564,715	9,596,897
Shares transferred to CPF	--	2,803,747	4,635,219	7,438,966
Shares transferred to pension funds	--	1,401,874	2,317,609	3,719,483
Discount on additional investments	16,057	41,929	--	57,986
Average capital per firm	1,909	13,479	23,525	9,572
(In percent)				
Additional investments	2.81	1.32	0.58	1.18
Debt equity swaps	4.04	9.26	1.08	5.65
Government bail-outs	0.39	2.05	2.23	1.96
Participation into socially-owned firms	0.13	0.83	0.49	0.64
Restitution and other	7.85	4.98	3.02	4.50
Capital Subscribed and sold	84.79	48.30	17.01	39.80
Shares transferred to CPF	--	22.18	50.39	30.85
Shares transferred to pension funds	--	11.09	25.20	15.43

Source: Croatian privatization Fund (CPF).

1/ End May 1995.

2/ Total equity is based on the book value of equity in the enterprises at the time privatization plans were developed, and has been revised upward for new injections of capital.

Table II. 2. Croatia: Receipts from Privatization

(In deutsche mark)

Date	Cash	Swaps with Bonds for Reconstruction ^{1/}	Swaps with Frozen Foreign Currency Deposits	Total
1990-91	4,198,666			4,198,666
1992	70,622,824	41,051,688	128,382,889	240,057,401
1993	53,222,401	53,605,191	291,283,391	398,110,983
1994	85,406,928	68,236,858	719,669,004	873,312,790
1993				
Jan.	5,848,875	8,307,844	31,832,259	45,988,978
Feb.	5,657,281	7,149,847	44,756,310	57,563,438
Mar.	3,056,495	2,196,588	35,037,915	40,290,998
Apr.	5,517,544	223,481	12,156,613	17,897,638
May	2,583,716	2,440,386	12,979,733	18,003,835
Jun.	3,119,721	4,137,904	10,110,171	17,367,796
Jul.	4,326,495	3,277,710	13,116,734	20,720,939
Aug.	3,495,335	2,303,863	18,832,880	24,632,078
Sep.	4,285,268	3,707,619	11,522,285	19,515,172
Oct.	3,086,206	7,299,579	21,093,922	31,479,707
Nov.	3,143,316	8,617,575	30,385,300	42,146,191
Dec.	9,102,149	3,942,795	49,459,269	62,504,213
1994				
Jan.	4,196,310	10,454,088	30,688,394	45,338,792
Feb.	6,614,575	1,137,421	24,878,830	32,630,826
Mar.	5,104,648	23,023,279	124,635,700	152,763,627
Apr.	6,870,878	4,021,267	48,285,263	59,177,408
May	10,190,138	10,467,602	167,647,313	188,305,053
Jun.	6,241,151	3,158,239	65,571,818	74,971,208
Jul.	10,606,234	1,503,975	75,360,486	87,470,695
Aug.	5,802,922	1,062,831	40,923,450	47,789,203
Sep.	6,565,304	6,971,928	27,393,953	40,931,185
Oct.	5,284,624	4,725,711	27,437,586	37,447,921
Nov.	10,957,552	1,590,364	42,905,570	55,453,486
Dec.	6,972,592	120,153	43,940,641	51,033,386
1995				
Jan.	9,137,871	1,947,191	23,357,208	34,442,270
Feb.	5,775,528	2,723,838	37,426,637	45,926,003
Mar.	4,275,587	1,952,675	24,444,077	30,672,339
Apr.	8,183,113	172,796	20,246,536	28,602,445
May	4,516,977	1,393,686	10,207,744	16,118,407
June	1,497,993	1,026,978	2,137,881	4,662,852
Total	385,467,217	293,952,950	2,268,107,762	2,947,527,929

Source: Croatian Privatization Fund.

^{1/} High-yield bonds in hard currency issued by the Ministry of Finance which can be swapped for shares at 30 percent discount.

SUMMARY OF THE CROATIAN TAX SYSTEM AS OF JUNE, 1995

Tax	Nature of Tax	Deductions and Exemptions	Rates	Remarks
1. Taxes on income, profits, and capital gains				
1. <u>Individual Income</u>	The unified tax is levied on all personal income and includes income from employment, small-business activity and self-employment, farming and forestry, and property and property rights. The tax base for residents is both income earned domestically and abroad; foreigners are taxed for income earned in Croatia.	There is a tax threshold of HRK 700 per month. This amount increases if the taxpayer has a dependent spouse or other close or disabled family members and/or children. As of January 1, 1995 allowances for food, and travel are included in the tax base. Capital gains are tax exempted. Tax exemptions granted under the former Direct Taxes Act continue to be valid until they expire.	25 percent on taxable income up to three annual minimum salaries; 35 percent on taxable income exceeding three annual minimum salaries	Income Tax Act became effective January 1, 1994. Taxes which are paid abroad for activities in Croatia can be deducted from the tax liability up to the overall liability in Croatia.
1.2 <u>Profit Tax</u>	The tax is levied on legal entities as well as natural persons who engage in regular and for-profit business activity, and who are required to keep business books and have to submit financial statements. Natural persons who engage in small business activities that are covered by the income tax can choose to pay profit taxes and keep accounting books instead. The taxable base is the difference between the value of assets and liabilities at the beginning and the end of the tax period. The tax is imposed on both residents and non-residents operating a business in Croatia.	Exemptions and tax relief can be granted to enterprises which invest in war affected regions. Taxes which are paid abroad for activities in Croatia can be deducted from the tax liability. Exemptions that were granted under the Direct Taxes Act continue to be valid until they expire.	25 percent on the assessed taxable base.	The Profit Tax Act became effective January 1, 1994. The tax base is reduced by a "normal" rate of return on equity which is defined as 3 percent increased by the change in the producer price index published by the National Institute for Statistics.
1.3 <u>Surcharge on Income Tax</u>	Towns and cities of more than 40,000 inhabitants can impose a surcharge to be collected by the cities on the income tax of the central government.		Up to 30 percent. City of Zagreb up to 60 percent.	
1.4 <u>Gaming Tax</u>	The tax is levied on individuals who realize profits from gambling.		15 percent.	

Tax	Nature of Tax	Deductions and Exemptions	Rates	Remarks
2. Social security contributions				
2.1 <u>Employees</u>	The tax is levied on individuals who receive wages and salaries for work performed in the country or abroad if they have been assigned to a job by a Croatian employer. The tax takes the form of a Central Government payroll tax. The funds are in principle obliged to balance their budgets, and benefits are financed on a pay-as-you-go basis.	No exemptions are provided.	Standard rates:	
2.1.1 Pension fund			Pension:	13.5 percent
2.1.2 Health insurance			Health:	7.5 percent
2.1.3 Employment fund			Employment:	2.0 percent
2.1.4 Child benefits			Children:	2.5 percent
2.2 <u>Employers</u>	Same tax base as for employees' contributions.	No exemptions are provided	Pension:	
2.2.1 Pension fund			13.5 percent	
2.2.2 Health insurance			Health:	7.5 percent
3. Tax on property				
3.1 <u>Tax on real property transactions</u>	The tax is paid by individuals selling property and by persons taking part in exchange transactions.	Certain exemptions are envisaged by statute.	5 percent.	
3.2 <u>Inheritance and gift tax</u>	The tax is paid by those who inherit property or receive it as a gift. The rate is set and collected by the counties.		Up to 5 percent.	
3.3 <u>Tax on motor vehicles</u>	The tax is levied on owners of motor vehicles and collected by the counties. It is based on both engine power and age of the vehicle.		Automobiles DM 30 to DM 200 per year. Motorcycles DM 20 to DM 100 per year.	
3.4 <u>Tax on watercraft</u>	The tax is paid by owners of watercraft and collected by the counties. It is based on the age of the boat, equipment and length.		DM 30 to DM 550 per year.	
3.5 <u>Tax on firms</u>	The tax is paid by legal and natural persons who own a business but do not pay income and profit tax. The fee is set and collected by the municipality.		Up to DM 500 per year.	
3.6 <u>Tax on weekend houses</u>	The tax is paid by legal and natural persons who own weekend houses. The fee is set and collected by the municipality.		Up to DM 3 per square meter.	

Tax	Nature of Tax	Deductions and Exemptions	Rates	Remarks
4. Domestic taxes on goods and services				
4.1 <u>Sales tax on goods</u>	The tax is paid on goods intended for final consumption. The tax is paid by legal entities and natural persons that engage in the activity of selling goods and raw materials. The tax base is the sales price of the good.		Standard rate: 20 percent	
4.2 <u>Sales tax on services</u>	The tax is paid on the sale of services by legal entities and natural persons who provide these services for a nominal fee, in kind or in form of reciprocal services.		Standard rate: 10 percent	
4.3 <u>Excise taxes</u>	Specific unit taxes paid by producers and importers.			The excise taxes became effective July 1, 1994.
4.3.1 Tax on oil derivatives			HrK 0.30 to 1.90 per liter.	
4.3.2 Tax on tobacco			HrK 2.50 to 8.50 per package of cigarettes.	
4.3.3 Tax on beer			HrK 80.00 to 120.00 per hectoliter.	
4.3.4 Tax on high percentage alcohol			HrK 30.00 to 60.00 per liter per absolute alcohol content.	
4.3.5 Tax on soft drinks			HrK 40.00 to 80.00 per hectoliter.	
4.3.6 Tax on car imports			75-90 kw engine power - HrK 7,000; 90-110 kw engine power - HrK 15,000; more than 110 kw engine power - HrK 30,000.	
4.3.7 Tax on imported coffee			DM 1.00 to DM 4.00 per kilogram.	

Tax	Nature of Tax	Deductions and Exemptions	Rates	Remarks
4.4 <u>Ticket tax</u>	The tax is paid by the organizers of sports events and levied on the ticket price. It is collected by the counties.		Up to 5 percent.	
4.5 <u>Sales surcharge</u>	A general surcharge on goods based on the after sales tax retail price.	Certain items such as cigarettes and oil derivatives are exempted.	10 percent.	
4.6 <u>Special consumption tax</u>	The tax is paid by restaurant owners and levied on the sales price of beverages sold. Municipalities collect the revenues and set the rates.		Up to 3 percent.	
4.7 <u>Tax on advertising</u>	The tax is paid by legal and natural persons who advertize in public places. The tax is set and collected by the municipalities.		Up to DM 300 per year.	
5. Taxes on international trade and transactions				
5.1 <u>Import duties</u> 5.1.1 Customs duties	Paid by the importer of a wide range of goods and services	A large number of items are not considered customs goods (e.g., movable property owned by Croatian citizens, enterprises, and other legal persons; certain foreign personal investments in domestic enterprises and retail shops; imports which will be used mainly for production of goods for exports).	Standard rates: 5-6 rates in the 0-10 percent range with about 93 percent of all goods in the 0-10 percent range. Average rate is approximately 4 percent. There is an additional 1 percent service charge. Surcharges: 10 percent on most goods.	

Table 1. Croatia: Quarterly GDP at Constant 1990 Prices

	GDP in million kunas	Index 1990 = 100
1989		
Q1	71.6	103.7
Q2	76.2	110.3
Q3	82.4	119.4
Q4	71.7	103.9
Total	301.9	109.3
1990		
Q1	68.6	99.3
Q2	68.6	99.4
Q3	73.8	106.9
Q4	65.1	94.3
Total	276.1	100.0
1991		
Q1	57.9	83.9
Q2	58.8	85.2
Q3	52.6	76.3
Q4	49.0	71.0
Total	218.4	79.1
1992		
Q1	48.5	70.2
Q2	48.4	70.1
Q3	50.6	73.3
Q4	49.8	72.1
Total	197.2	71.4
1993		
Q1	46.9	67.9
Q2	47.5	68.9
Q3	48.2	69.8
Q4	47.3	68.5
Total	189.9	68.8
1994		
Q1	44.6	64.6
Q2	46.8	67.7
Q3	50.8	73.6
Q4	49.3	71.5
Total	191.5	69.3
1995		
Q1	45.0	65.1

Source: Central Bureau of Statistics.

Table 2. Croatia: Gross Domestic Product at Current Prices

(In millions of kunas)

	1990	1991	1992	1993	1994
Total activity	281.2	417.0	2,722.3	41,714.0	83,834.6
Industry and mining	71.7	106.1	743.4	11,705.4	21,655.0
Agriculture and fisheries	23.8	35.7	271.4	3,895.0	8,269.1
Forestry	2.8	5.7	35.2	515.7	979.7
Water management	0.9	1.6	6.1	80.5	157.0
Construction	14.9	19.1	73.3	896.0	1,792.0
Transport and communication	20.1	31.7	130.5	1,754.4	3,750.9
Trade	37.0	54.1	348.5	4,930.1	10,057.3
Hotels, restaurants, and tourism	13.3	11.7	94.4	1,407.8	3,327.8
Crafts and trades	8.8	13.1	72.3	915.0	1,883.1
Housing, utilities, and public services	23.4	50.9	391.5	6,353.3	12,770.0
Financial and other services	10.3	23.8	185.3	3,150.0	6,741.0
Education, health care, central government, funds and associations	54.1	63.3	370.4	6,074.8	12,541.6
Subsidies, custom duties, and sales taxes	5.2	8.5	3.7	100.0	211.0
GDP	286.4	425.5	2,726.0	41,814.0	84,045.6

Source: State Institute for Macroeconomic Analysis and Forecasting.

Table 3. Croatia: Gross Domestic Product at Constant 1992 Prices

(In millions of kunas)

	1990	1991	1992	1993	1994
Total activity	3,674.1	3,102.6	2,722.3	2,635.6	2,655.3
Industry and mining	1,123.9	842.9	743.4	715.9	698.0
Agriculture and fisheries	342.2	314.5	271.4	283.4	273.5
Forestry	59.8	46.7	35.2	32.8	36.4
Water management	11.6	8.1	6.1	5.5	5.5
Construction	113.3	80.8	73.3	67.1	64.0
Transport and communication	131.0	128.4	130.5	121.0	130.7
Trade	547.8	500.7	348.5	301.4	316.5
Hotels, restaurants, and tourism	225.9	105.0	94.4	93.9	107.9
Crafts and trades	159.5	103.2	72.3	63.4	60.2
Housing, utilities, and public services	393.1	396.6	391.5	391.5	392.6
Financial and other services	201.3	227.6	185.3	187.1	190.9
Education, health care, central government, funds and associations	364.9	348.1	370.4	372.6	379.0
Subsidies, custom duties, and sales taxes	6.7	7.3	3.7	3.7	3.8
GDP	3,680.8	3,109.9	2,726.0	2,639.3	2,659.1

Source: State Institute for Macroeconomic Analysis and Forecasting.

**Table 4. Croatia: Gross Domestic Product Deflators
(1992=100)**

	1990	1991	1992	1993	1994
Total activity	7.7	13.4	100	1,582.7	3,157.3
Industry and mining	6.4	12.6	100	1,635.0	3,102.4
Agriculture and fisheries	7.0	11.4	100	1,374.5	3,023.4
Forestry	4.7	12.2	100	1,570.8	2,691.5
Water management	8.2	19.7	100	1,470.1	2,854.6
Construction	13.1	23.7	100	1,335.5	2,800.0
Transport and communication	15.3	24.7	100	1,449.8	2,869.9
Trade	6.8	10.8	100	1,635.6	3,177.7
Hotels, restaurants, and tourism	5.9	11.1	100	1,500.1	3,000.7
Crafts and trades	5.6	12.7	100	1,444.2	3,128.1
Housing, utilities, and public services	6.0	12.9	100	1,622.9	3,252.7
Financial and other services	5.1	10.5	100	1,683.2	3,531.2
Education, health care, central government, funds and associations	14.8	18.2	100	1,630.2	3,309.1
Subsidies, custom duties, and sales taxes	77.4	116.1	100	2,725.5	5,552.6
GDP	7.8	13.7	100	1,584.3	3,160.7

Source: State Institute for Macroeconomic Analysis and Forecasting.

Table 5. Croatia: Gross Domestic Product at Current Prices

(In millions of kunas)

	1991	1992	1993	1994	Q1-94	Q2-94	Q3-94	Q4-94	Q1-95	1995 Est.
Government	101	645	9,578	25,792	5,362	6,778	6,544	7,108	6,890	28,962
Consumption	96	587	8,590	23,016	4,898	6,146	5,909	6,063	6,590	25,398
Central government 1/	62	396	6,111	17,144	3,612	4,579	4,400	4,554	4,620	18,620
Extrabudgetary funds 2/	34	192	2,479	5,871	1,286	1,568	1,509	1,509	1,970	6,778
Investment	5	58	988	2,777	465	632	635	1,045	299	3,564
Central government	3	45	661	2,214	342	481	490	901	294	3,128
Extrabudgetary funds	2	13	327	563	123	150	145	145	5	436
Private Demand	327	1,929	32,721	59,527	14,662	13,295	14,110	17,460	15,583	64,039
Domestic Demand	428	2,574	42,299	85,319	20,024	20,073	20,654	24,568	22,473	93,000
External Demand	-3	152	-485	-1,274	-117	236	1,550	-2,942	-2,559	-2,858
GDP	426	2,726	41,814	84,046	19,907	20,309	22,203	21,626	19,914	90,142

Source: A breakdown of GDP by expenditure is not provided by the authorities; this table reflects staff estimates.

1/ Includes Road Fund in current & capital expenditure from 1994.

2/ Extrabudgetary Funds include the social and water funds. The Road Fund is included prior to 1994.

3/ Series break in import and export data from 1992.

Table 6. Croatia: Gross Domestic Product at Constant 1991 Prices

(In millions of kunas)

	1991	1992	1993	1994	Q1-94	Q2-94	Q3-94	Q4-94	Q1-95	1995 Est.
Government	101.1	90.9	84.8	114.5	21.6	28.0	26.9	29.1	28.0	125.9
Consumption	96.0	82.8	76.0	102.1	19.7	25.4	24.3	24.8	26.8	110.4
Central government 1/	62.2	55.8	54.1	76.1	14.5	18.9	18.1	18.7	18.8	80.9
Extrabudgetary funds 2/	33.8	27.0	21.9	26.1	5.2	6.5	6.2	6.2	8.0	29.5
Investment	5.1	8.1	8.7	12.3	1.9	2.6	2.6	4.3	1.2	15.5
Central government	3.3	6.3	5.9	9.8	1.4	2.0	2.0	3.7	1.2	13.6
Extrabudgetary funds	1.8	1.9	2.9	2.5	0.5	0.6	0.6	0.6	0.0	1.9
Private Demand	327.1	271.8	289.5	264.2	59.0	55.0	58.0	71.5	63.3	278.3
Domestic Demand	428.1	362.7	374.3	378.6	80.6	83.0	85.0	100.7	91.3	404.2
External Demand	-2.6	21.5	-4.3	-5.7	-0.5	1.0	6.4	-12.1	-10.4	-12.4
GDP	425.5	384.2	370.0	373.0	80.2	84.0	91.3	88.6	80.9	391.8

Source: A breakdown of GDP by expenditure is not provided by the authorities; this table reflects staff estimates.

1/ Includes Road Fund in current & capital expenditure from 1994.

2/ Extrabudgetary Funds include the social and water funds. The Road Fund is included prior to 1994.

Table 7. Croatia: Trends in Industrial Production 1/

	Total industry	Total industry (seas. adj.)	Capital goods	Inter- mediate goods	Consumer goods	Electricity generation	Oil and gas extraction	Oil refining	Metal working	Machine building	Ship building
1988	113.4	113.4	121.3	114.5	107.8	108.8	107.5	102.2	129.2	122.2	118.1
1989	112.6	112.7	118.9	113.7	108.5	98.4	107.0	98.4	129.5	113.4	106.9
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	71.5	71.5	64.9	72.2	74.0	101.0	82.4	68.8	66.3	55.1	68.4
1992	61.1	61.1	51.0	62.3	64.1	101.3	81.8	57.6	49.1	31.7	59.5
1993	57.5	57.5	44.9	59.3	61.0	107.9	86.0	65.0	46.1	27.1	46.6
1994	55.9	55.9	38.5	58.9	60.6	99.7	78.3	64.9	41.9	22.2	38.1
1990 Q4	99.3	95.7	95.7	97.8	103.1	122.6	110.3	99.9	86.0	107.9	96.0
1991 Q1	81.3	83.2	71.9	84.4	81.9	127.9	104.2	84.2	76.1	66.4	63.0
Q2	82.4	81.9	73.5	85.9	82.4	116.2	82.6	78.0	79.0	62.6	79.2
Q3	65.8	66.9	59.7	67.1	67.1	75.3	72.6	76.0	60.1	51.2	66.8
Q4	56.6	55.2	54.4	51.1	64.0	84.3	70.0	36.9	49.8	40.0	64.4
1992 Q1	58.6	59.2	52.4	60.2	61.2	92.9	87.4	50.6	49.1	32.0	56.8
Q2	59.2	58.8	55.4	58.9	60.6	105.5	72.5	55.5	47.8	29.3	71.0
Q3	60.5	61.6	47.1	60.2	66.1	84.8	75.1	60.5	48.2	31.2	50.1
Q4	66.2	63.6	54.0	69.1	67.8	122.0	92.0	63.6	51.1	34.4	59.9
1993 Q1	58.2	59.2	43.9	60.8	60.6	119.7	92.7	67.4	45.6	23.4	46.1
Q2	58.1	58.3	52.2	58.9	59.5	102.6	76.5	67.2	47.8	32.5	57.7
Q3	56.6	57.1	45.5	57.4	60.2	105.6	73.1	57.9	47.5	28.5	46.9
Q4	55.1	56.9	40.5	56.0	60.4	107.8	78.6	61.5	44.2	25.5	40.3
1994 Q1	53.3	54.6	35.7	57.0	56.8	118.2	88.2	61.7	40.6	17.5	38.4
Q2	55.3	55.5	40.2	58.6	57.6	89.7	66.7	53.2	41.7	23.1	42.4
Q3	55.4	56.4	34.4	58.1	62.0	91.6	66.9	75.9	42.7	19.0	34.4
Q4	59.9	57.5	43.4	61.4	65.5	99.2	91.3	68.9	42.6	29.3	37.0
1995 Q1	56.1	57.3	37.2	60.8	58.8	118.4	91.8	91.9	37.9	19.0	35.0
1994 Jan.	50.7	54.7	31.9	54.4	55.0	134.8	96.1	66.5	35.0	15.0	35.9
Feb.	51.2	53.7	36.4	54.3	54.0	118.3	84.2	45.4	38.9	19.4	39.3
Mar.	58.0	55.3	38.7	62.4	61.4	101.5	84.2	73.2	47.9	18.0	40.0
Apr.	54.4	55.9	39.5	59.9	53.9	97.8	79.1	67.3	40.5	19.6	45.2
May	55.8	55.5	41.2	58.8	58.1	90.7	64.8	39.8	41.4	22.3	42.2
June	55.6	55.0	39.9	57.1	60.9	80.7	56.1	52.4	43.3	27.3	39.9
July	54.0	56.3	36.5	56.8	58.7	77.2	60.3	77.1	41.1	18.6	38.5
Aug.	52.3	55.7	27.7	55.2	61.1	87.1	63.6	82.0	41.1	16.7	31.0
Sep.	59.8	57.1	38.9	62.4	66.1	110.6	76.9	68.5	45.9	21.8	33.6
Oct.	61.1	57.0	42.6	61.9	69.0	92.4	87.4	56.7	44.0	27.6	37.8
Nov.	61.4	57.8	41.8	64.0	67.3	93.6	88.7	71.0	45.9	26.1	37.1
Dec.	57.1	57.7	45.8	58.3	60.2	111.7	97.7	79.1	37.8	34.2	36.0
1995 Jan.	53.8	57.6	33.8	58.2	57.4	129.3	100.4	95.0	34.5	19.1	31.4
Feb.	54.1	57.0	37.4	57.7	57.2	107.4	83.6	80.2	39.8	19.1	33.9
Mar.	60.4	57.4	40.4	66.5	61.8	118.6	91.3	100.6	39.5	18.9	39.6
Apr.	55.4	57.4	38.7	61.5	55.7	103.0	86.6	80.6	40.1	22.0	39.7

Source: Croatian Economic Trends

1/ Seasonally unadjusted indices unless otherwise indicated; average 1990=100.

Table 8. Croatia: Mining and Industry – Indices of Production, Stocks, Consumption, Employees and Productivity

	Production				Stocks					Consumption		Number of Employees	Productivity2/
	Total	Equipment and Machinery	Production Materials	Consumer Goods	Final Products				Raw Materials	Raw Materials	Electricity and Fuels 1/		
					Total	Equipment and Machinery	Production Materials	Consumer Goods					
1989	201.8	308.5	193.3	179.1	145.6	134.9	138.4	163.1	137.6	172.4	170.3	168.4	119.7
1990	178.9	259.5	169.8	165.1	148.8	137.6	133.5	180.1	123.9	158.7	161.9	161.3	111.3
1991	127.9	168.4	122.6	122.2	131.4	129.9	121.8	150.2	106.4	112.3	122.9	132.8	96.5
1992	109.2	132.3	105.8	105.8	111.3	117.2	111.0	111.3	111.8	101.8	104.6	113.0	96.8
1993	102.8	116.7	100.6	100.7	112.9	114.6	114.8	110.2	113.4	98.6	104.8	105.9	97.1
1994	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1993													
Jan.	94.7	99.9	99.1	87.7	116.3	116.8	124.3	103.3	111.7	99.8	116.8	108.1	102.1
Feb.	105.4	116.4	104.3	103.3	116.3	116.4	122.2	106.9	114.8	103.6	116.0	107.8	105.6
Mar.	110.4	125.8	106.4	109.8	115.0	116.4	117.1	111.8	113.5	102.1	117.7	107.4	106.8
Apr.	103.6	143.2	101.1	94.8	113.4	116.7	114.4	111.7	116.6	102.4	107.5	107.1	106.4
May	104.6	138.0	99.7	99.9	114.7	115.0	113.7	116.9	113.2	99.0	92.4	106.6	106.6
Jun.	103.1	125.8	99.7	100.0	111.0	114.0	110.0	112.3	114.8	95.6	90.8	106.3	105.6
Jul.	95.7	90.9	93.7	98.7	108.6	114.3	109.1	106.6	118.9	87.2	88.7	105.8	103.8
Aug.	96.9	98.9	92.7	100.8	109.9	114.3	112.6	105.1	119.0	94.2	88.0	105.5	103.6
Sep.	105.3	117.6	100.1	106.9	111.4	114.0	113.7	107.7	112.1	105.2	99.0	105.1	102.9
Oct.	108.8	117.4	106.7	107.9	113.2	114.1	112.9	114.2	112.4	99.5	107.0	104.6	101.8
Nov.	105.4	113.0	106.5	101.1	116.2	112.4	117.2	115.7	107.2	101.1	113.6	104.0	101.0
Dec.	99.3	113.3	97.0	97.4	109.9	110.0	110.6	109.4	108.2	92.9	119.2	102.9	100.3
1994													
Jan.	90.6	83.1	92.4	91.1	106.7	110.1	106.8	105.9	107.5	95.9	109.7	101.9	101.4
Feb.	91.6	94.8	92.3	89.2	103.0	108.7	103.3	100.9	96.8	89.9	101.6	101.7	96.4
Mar.	103.6	100.6	106.1	101.5	102.5	107.0	103.6	99.6	97.7	104.3	105.1	101.5	97.5
Apr.	97.2	102.9	101.8	89.0	103.4	105.4	106.0	98.6	100.7	102.6	100.4	101.1	97.9
May	99.7	107.2	100.1	96.0	102.0	103.8	100.5	103.5	104.3	91.8	92.0	100.5	98.5
Jun.	99.3	103.8	97.2	100.6	97.9	100.8	95.9	99.8	101.5	90.4	81.8	100.2	99.1
Jul.	96.5	95.0	96.7	97.0	99.5	100.2	100.0	98.1	100.5	96.1	83.5	100.0	100.2
Aug.	93.5	72.2	93.9	101.0	96.9	97.6	98.8	93.0	99.2	91.8	94.7	99.6	100.4
Sep.	106.9	101.3	106.2	109.3	97.0	96.3	97.5	95.4	94.9	110.7	96.8	99.4	101.2
Oct.	109.4	110.0	105.3	114.2	96.2	92.9	93.5	100.7	96.3	114.3	114.3	98.8	101.6
Nov.	109.7	108.7	108.7	111.3	96.3	89.0	93.6	104.1	100.2	107.4	107.9	98.0	102.5
Dec.	102.0	119.2	99.2	99.6	98.4	88.3	100.2	100.1	100.3	104.5	112.8	97.3	103.0
1995													
Jan.	96.1	88.0	98.8	95.0	96.6	90.4	98.4	96.9	94.1	101.9	113.0	96.7	111.7
Feb.	96.8	97.2	98.1	94.5	94.6	95.5	94.4	95.7	94.5	99.7	98.7	96.3	111.5
Mar.	107.8	104.9	113.1	102.2	97.2	98.4	96.6	98.8	94.2	110.7	115.8	95.8	111.0
Apr.	99.1	100.6	104.5	92.1	101.2	102.1	103.7	97.7	...	...	...	95.1	110.4

Source: Central Bureau of Statistics.

^{1/} Consumption of electricity and fuels includes only fuels used for production and technology purposes. Fuels used as raw materials for further production are not included.^{2/} Productivity indices show the change in the period from January to the month for which the data is given in comparison with the same period in the previous year.

Table 9. Croatia: Agricultural Production

(1990=100)

	1991	1992	1993	1994
(All Production units)				
Total production	<u>93</u>	<u>81</u>	<u>84</u>	<u>82</u>
Field crops	<u>102</u>	<u>70</u>	<u>81</u>	<u>81</u>
Cereals	<u>107</u>	<u>65</u>	<u>82</u>	<u>77</u>
Industrial crops	<u>95</u>	<u>77</u>	<u>77</u>	<u>69</u>
Meadow crops	<u>104</u>	<u>70</u>	<u>73</u>	<u>78</u>
Fruit	<u>139</u>	<u>144</u>	<u>118</u>	<u>96</u>
Viticulture	<u>107</u>	<u>103</u>	<u>107</u>	<u>99</u>
Stock-raising	<u>76</u>	<u>77</u>	<u>70</u>	<u>69</u>
Cattle	<u>74</u>	<u>87</u>	<u>77</u>	<u>73</u>
Pigs	<u>73</u>	<u>73</u>	<u>71</u>	<u>71</u>
(Companies and cooperatives)				
Total production	<u>87</u>	<u>69</u>	<u>74</u>	<u>62</u>
Field crops	<u>101</u>	<u>65</u>	<u>78</u>	<u>66</u>
Cereals	<u>101</u>	<u>60</u>	<u>73</u>	<u>60</u>
Industrial crops	<u>101</u>	<u>73</u>	<u>84</u>	<u>70</u>
Meadow crops	<u>119</u>	<u>71</u>	<u>56</u>	<u>93</u>
Fruit	<u>98</u>	<u>87</u>	<u>102</u>	<u>71</u>
Viticulture	<u>97</u>	<u>68</u>	<u>67</u>	<u>58</u>
Stock-raising	<u>72</u>	<u>72</u>	<u>69</u>	<u>60</u>
Cattle	<u>64</u>	<u>69</u>	<u>63</u>	<u>45</u>
Pigs	<u>57</u>	<u>57</u>	<u>63</u>	<u>63</u>
(Private farms)				
Total production	<u>95</u>	<u>85</u>	<u>86</u>	<u>88</u>
Field crops	<u>102</u>	<u>72</u>	<u>82</u>	<u>88</u>
Cereals	<u>110</u>	<u>67</u>	<u>86</u>	<u>86</u>
Industrial crops	<u>83</u>	<u>88</u>	<u>72</u>	<u>75</u>
Meadow crops	<u>104</u>	<u>70</u>	<u>74</u>	<u>78</u>
Fruit	<u>154</u>	<u>162</u>	<u>123</u>	<u>106</u>
Viticulture	<u>110</u>	<u>111</u>	<u>117</u>	<u>107</u>
Stock-raising	<u>78</u>	<u>79</u>	<u>71</u>	<u>73</u>
Cattle	<u>77</u>	<u>96</u>	<u>85</u>	<u>85</u>
Pigs	<u>82</u>	<u>82</u>	<u>75</u>	<u>76</u>

Source: Central Bureau of Statistics.

Table 10. Croatia: Tourism Industry – Overnight Stays and Available Beds

	Overnight Stays			Available Beds
	Total	Domestic	Foreign	
(In thousands)				
1983	54,632	8,541	46,091	774,517
1984	59,465	8,527	50,938	800,121
1985	67,665	8,790	58,875	820,251
1986	68,216	8,836	59,380	849,334
1987	68,160	8,397	59,763	885,770
1988	67,298	7,946	59,352	926,349
1989	61,849	7,383	54,466	922,845
1990	52,523	6,747	45,777	862,680
1991	10,157	3,393	7,031	596,970
1992	10,726	3,170	7,556	534,548
1993	12,908	3,152	9,756	570,269
1994	19,977	4,421	15,556	620,342
Jan 1993	229	117	112	...
Feb	234	123	111	...
Mar	250	123	127	...
Apr	414	165	249	...
May	589	177	412	...
Jun	1,303	263	1,040	...
Jul	3,397	679	2,718	...
Aug	4,375	868	3,507	...
Sep	1,330	232	1,098	...
Oct	312	149	163	...
Nov	222	126	96	...
Dec	254	130	124	...
Jan 1994	231	141	90	...
Feb	239	138	101	...
Mar	337	188	149	...
Apr	455	167	288	...
May	949	260	689	...
Jun	1,971	335	1,636	...
Jul	5,653	990	4,663	...
Aug	7,068	1,358	5,710	...
Sep	2,075	358	1,717	...
Oct	401	171	230	...
Nov	286	169	117	...
Dec	312	146	166	...
Jan 1995	248	160	88	...
Feb	259	157	102	...
Mar	286	162	124	...
Apr	595	226	369	...

Source: Croatian Economic Trends.

Table 11. Croatia: Number of Nights Spent According to Accommodation
(In thousands)

	1988	1989	1990	1991	1992	1993	1994
(Total nights spent)							
Hotels	21,768	21,552	20,716	5,904	4,983	5,729	8,433
Pensions	143	116	122	21	15	22	21
Motels	381	356	337	159	100	82	103
Overnight lodging houses	149	153	127	62	32	21	27
Tourist facilities	5,677	5,568	5,198	844	1,648	2,178	3,357
Inns and other food and lodging establishments	21	19	16	15	2	2	2
Spas and sanatoriums	610	602	617	283	300	199	283
Company vacation facilities	6,400	5,638	4,412	740	140	139	249
Vacation facilities for children and adolescents	1,972	1,746	1,245	98	61	107	219
Campgrounds	16,665	14,706	12,010	1,436	2,651	3,562	5,079
Housekeeping facilities – private rooms, apartments, villas and weekend cottages	13,099	11,042	7,375	456	709	748	2,054
Other	413	351	348	140	84	119	150
Total	67,298	61,849	52,523	10,158	10,725	12,908	19,977
(Nights spent by tourists from Croatia)							
Hotels	2,835	2,797	2,648	2,249	2,067	2,053	2,609
Pensions	50	42	45	13	10	8	6
Motels	120	105	106	59	64	53	64
Overnight lodging houses	69	70	52	25	12	10	14
Tourist facilities	272	291	353	258	391	369	410
Inns and other food and lodging establishments	5	6	4	2	1	1	1
Spas and sanatoriums	303	309	355	244	252	119	130
Company vacation facilities	1,515	1,443	1,317	209	78	88	174
Vacation facilities for children and adolescents	408	429	323	45	16	41	108
Campgrounds	862	743	677	114	161	257	368
Housekeeping facilities – private rooms, apartments, villas and weekend cottages	1,369	1,019	728	129	95	97	449
Other	139	129	139	47	23	54	88
Total	7,947	7,383	6,747	3,394	3,170	3,150	4,421
(Nights spent by foreign tourists)							
Hotels	18,933	18,755	18,068	3,655	2,916	3,676	5,824
Pensions	93	74	77	8	5	14	15
Motels	261	251	231	100	36	29	39
Overnight lodging houses	80	83	75	37	20	11	13
Tourist facilities	5,405	5,277	4,845	586	1,257	1,809	2,947
Inns and other food and lodging establishments	16	13	12	13	1	1	1
Spas and sanatoriums	307	293	262	39	48	80	153
Company vacation facilities	4,885	4,195	3,095	531	62	51	75
Vacation facilities for children and adolescents	1,564	1,317	922	53	45	66	111
Campgrounds	15,803	13,963	11,333	1,322	2,490	3,305	4,711
Housekeeping facilities – private rooms, apartments, villas and weekend cottages	11,730	10,023	6,647	327	614	651	1,605
Other	274	222	209	93	61	65	62
Total	59,351	54,466	45,776	6,764	7,555	9,758	15,556

Source: Central Bureau of Statistics.

Table 12. Croatia: Distribution of Nights Spent by Citizenship

	1988	1989	1990	1991	1992	1993	1994
<u>(Number of nights in thousands)</u>							
European Union	31,798	30,208	26,731	2,547	2,599	3,474	5,574
Eastern Europe	10,469	9,526	8,120	2,178	3,257	4,133	6,946
Other European	16,330	14,074	3,840	1,893	1,079	1,995	2,850
Non-European	755	658	640	155	109	156	186
Total	59,352	54,466	39,331	6,773	7,044	9,758	15,556
<u>(In percent)</u>							
European Union	53.6	55.5	68.0	37.6	36.9	35.6	35.8
Eastern Europe	17.6	17.5	20.6	32.2	46.2	42.4	44.7
Other European	27.5	25.8	9.8	27.9	15.3	20.4	18.3
Non-European	1.3	1.2	1.6	2.3	1.5	1.6	1.2

Source: Central Bureau of Statistics and staff calculations.

Table 13. Croatia: Composition of Employment 1/

	1991	1992	1993	1994	1995 April
(In thousands)					
Total	<u>1,303.6</u>	<u>1,137.9</u>	<u>1,108.4</u>	<u>1,053.9</u>	<u>973.4</u>
Goods and services	<u>1,053.0</u>	<u>903.8</u>	<u>872.3</u>	<u>820.6</u>	<u>736.4</u>
Mining and industry	<u>461.9</u>	<u>397.6</u>	<u>384.7</u>	<u>366.3</u>	<u>335.3</u>
Of which:					
Manufacture of metal products	36.8	28.9	28.2	26.2	23.0
Machine industry	25.3	21.7	19.7	18.1	16.7
Shipbuilding	21.7	16.4	16.3	15.3	12.0
Manufacture of electrical equipment	28.3	24.9	23.9	21.2	18.0
Finished wood products	27.5	22.9	22.3	20.8	17.8
Textile fibre and fabrics	20.5	16.2	15.5	14.4	14.0
Finished textile products	52.9	46.2	48.9	48.0	41.1
Leather footwear and accessories	24.3	21.4	22.2	22.6	20.2
Food products industry	51.1	46.5	44.1	43.4	43.7
Agriculture and fisheries	48.3	43.2	42.3	39.7	36.2
Of which: fisheries	1.6	1.6	1.5	1.4	1.1
Forestry	13.4	11.5	10.8	10.9	10.8
Water management	5.6	5.0	4.3	4.0	4.2
Construction	98.8	76.2	66.3	58.5	50.2
Transport and communications	<u>110.2</u>	<u>95.6</u>	<u>90.0</u>	<u>85.0</u>	<u>84.2</u>
Of which:					
Railways	33.1	28.6	26.4	24.2	24.5
Ocean shipping	10.0	7.2	5.3	4.7	4.7
Road transport	24.4	21.1	20.0	18.3	16.8
Communications	20.3	19.9	20.2	20.5	20.8
Trade	<u>142.3</u>	<u>123.9</u>	<u>125.2</u>	<u>113.5</u>	<u>89.4</u>
Retail trade	103.5	90.1	87.9	79.5	66.3
Wholesale trade	31.0	28.2	31.8	29.6	20.0
Foreign trade	7.8	5.6	5.5	4.4	3.1
Hotels, restaurants, tourism	61.0	52.5	50.5	48.3	41.9
Crafts and trade	28.3	24.2	23.8	21.7	18.2
Housing, utilities, and public services	28.3	23.8	23.3	23.3	22.5
Financial and other services	55.4	50.7	51.5	50.0	43.5
Of which: banking	21.7	19.0	18.6	19.0	17.5
Education, health, and government	<u>250.6</u>	<u>234.1</u>	<u>236.1</u>	<u>233.3</u>	<u>237.0</u>
Education, culture, and the arts	93.8	87.7	88.9	89.0	87.8
Health care and social services	101.9	97.4	98.6	96.8	94.7
Government bodies	54.4	48.6	48.2	47.5	54.5

Source: Central Bureau of Statistics, Monthly Statistical Report.

1/ The data cover the former socially-owned enterprises, privatized and partially privatized enterprises, as well as the general government sector. Annual data are the average of March and September.

Table 14. Croatia: Trends in Employment and Unemployment 1/

	Majority state– owned ent. & pub. sector 2/ (1)	Private sector 3/ (2)	Total employment 4/ (3)=(1)+(2)	Unemployed (registered) (4)	Labor force (5)=(3)+(4)	Unempl. rate (4)/(5)	Vacancies
1988	1,578,602	48,842	1,627,444	134,555	1,761,999	7.6%	14,838
1989	1,567,527	51,500	1,619,027	139,878	1,758,905	8.0%	12,500
1990	1,506,670	58,100	1,564,770	160,617	1,725,387	9.3%	10,701
1991	1,460,602	399,465	1,860,067	283,308	2,143,375	13.2%	6,922
1992	1,298,628	411,808	1,710,436	261,050	1,971,486	13.2%	8,863
1993	1,250,236	420,964	1,671,200	243,096	1,914,296	12.7%	8,426
1994	1,090,931	561,598	1,652,529	247,555	1,900,084	13.0%	9,069
1995 Q1	1,066,636	583,525	1,650,161	241,484	1,891,645	12.8%	11,983

Source: State Institute for Macroeconomic Analysis and Forecasting

1/ Number of persons; Series break with end of period data from 1991 onwards and period average before.

Also, from 1991 private sector and total employment estimates are based on employees paying pension contributions.

2/ Comprises formerly socially–owned enterprise sector as well as government sector.

From 1991 onwards, it includes employees at the Ministry of Defences and Internal Affairs.

3/ Private sector employment includes individual farmers, entrepreneurs and their employees, independent professional workers and employees at private enterprises. From 1994 onwards, private enterprises established in the process of privatization are included.

4/ Total employment includes 10–15,000 unemployed workers receiving pension coverage as part of their unemployment benefits.

Table 15. Croatia: Trends in Wage Bills and Non-wage Compensation

(In thousands of kunas, prices of December 1990)

	Total Compensation	Wage Bill	Social Benefits	Compensation from Employment and Work
1989	140,485	98,473	31,446	10,566
1990	155,907	98,505	41,930	15,471
1991	116,409	71,051	29,853	15,505
1992	61,211	33,599	13,681	13,931
1993	50,194	27,198	10,562	12,434
1994	69,701	35,123	14,557	20,021
1992				
Nov.	3,914	1,947	871	1,096
Dec.	6,223	2,508	1,359	2,356
1993				
Jan.	3,062	1,761	441	860
Feb.	3,549	1,864	759	926
Mar.	3,860	1,900	856	1,104
Apr.	3,842	2,267	479	1,096
May.	4,396	2,295	1,063	1,038
Jun.	4,448	2,378	848	1,222
Jul.	4,616	2,543	907	1,166
Aug.	4,453	2,501	1,027	925
Sep.	4,462	2,451	1,013	998
Oct.	4,096	2,274	966	856
Nov.	4,191	2,322	971	898
Dec.	5,218	2,640	1,232	1,346
1994				
Jan.	4,011	2,413	723	875
Feb.	4,614	2,566	1,054	994
Mar.	5,576	2,696	1,398	1,482
Apr.	5,572	2,812	1,082	1,678
May.	5,660	2,698	1,206	1,756
Jun.	6,462	2,918	1,479	2,065
Jul.	5,973	2,938	1,180	1,855
Aug.	5,884	3,091	1,186	1,607
Sep.	6,163	3,149	1,259	1,755
Oct.	6,185	3,142	1,232	1,811
Nov.	6,507	3,198	1,400	1,909
Dec.	7,099	3,505	1,360	2,234
1995				
Jan.	5,916	3,769	985	1,162
Feb.	6,266	3,939	1,145	1,182
Mar.	6,782	4,189	1,273	1,320
Apr.	6,720	4,095	1,281	1,344

Source: Croatian Economic Trends.

Table 16. Croatia: Trends in Average Monthly Net Wages and Salaries 1/

	Total	Total	Total	Economy	Non-economy
	(In HrK)	(In US\$)	(In HrK, prices of Dec. 1990)		
1989	0.83		5.34	5.25	5.82
1990	4.81		5.60	5.54	7.46
1991	8.15	415	4.41	4.39	5.63
1992	33.35	112	2.17	2.25	2.31
1993	535.43	140	1.96	1.93	2.07
1994	1,248.63	234	2.85	2.78	3.06
1992					
Jan.	12.51	141	2.82	2.80	2.89
Feb.	13.62	151	2.69	2.62	2.97
Mar.	15.17	137	2.62	2.59	2.74
Apr.	17.59	113	2.44	2.46	2.35
May.	20.81	115	2.51	2.50	2.53
Jun.	24.25	110	2.37	2.37	2.37
Jul.	26.89	111	2.17	2.21	2.01
Aug.	37.43	136	2.34	2.29	2.56
Sep.	45.34	137	2.12	2.14	2.04
Oct.	50.32	109	1.78	1.77	1.85
Nov.	61.89	100	1.71	1.69	1.78
Dec.	74.42	93	1.56	1.55	1.63
1993					
Jan.	93.82	98	1.58	1.57	1.62
Feb.	115.07	94	1.51	1.50	1.54
Mar.	166.00	107	1.77	1.78	1.74
Apr.	212.13	110	1.79	1.81	1.73
May.	292.26	120	1.92	1.84	2.18
Jun.	388.12	121	2.01	1.94	2.23
Jul.	520.04	131	2.10	2.04	2.29
Aug.	669.55	140	2.07	2.01	2.27
Sep.	896.91	151	2.00	1.97	2.10
Oct.	977.70	143	2.15	2.11	2.27
Nov.	1,020.38	160	2.25	2.21	2.39
Dec.	1,073.20	164	2.37	2.33	2.51
1994					
Jan.	1,105.73	169	2.48	2.42	2.66
Feb.	1,111.64	180	2.52	2.46	2.70
Mar.	1,128.78	184	2.59	2.53	2.79
Apr.	1,118.40	182	2.57	2.51	2.75
May.	1,167.00	191	2.69	2.64	2.86
Jun.	1,224.00	209	2.80	2.76	2.95
Jul.	1,247.00	212	2.86	2.82	2.99
Aug.	1,267.00	217	2.89	2.86	2.98
Sep.	1,259.00	220	2.87	2.83	2.98
Oct.	1,326.00	241	3.02	2.91	3.39
Nov.	1,383.00	243	3.15	3.01	3.58
Dec.	1,646.00	292	3.72	3.59	4.10
1995					
Jan. 2/	1,745.00	318	3.94	3.79	4.37
Feb.	1,725.00	326	3.89	3.76	4.28
Mar.	1,800.00	360	4.03	3.90	4.41
Apr.	1,791.00	362	4.01	3.88	4.37

Source: Croatian Economic Trends; and staff estimates

1/ Comprises the formerly socially-owned industrial sector ("economy") and the general government sector ("non-economy").

2/ Series break starting in January 1995 when amounts previously included in non-wage compensation are shifted to wages.

Table 17. Croatia: Average Gross Monthly Pay per Employee

(In Croatian kuna)

	1994	1995 I-III
Total	2,155	2,770
Goods and services	2,092	2,656
Mining and industry	2,083	2,619
Of which:		
Manufacture of metal products	1,823	2,246
Machine industry	1,788	2,217
Shipbuilding	1,660	1,909
Manufacture of electrical equipment	2,409	2,968
Finished wood products	1,622	2,062
Textile fibre and fabrics	1,352	1,685
Finished textile products	1,855	2,251
Leather footwear and accessories	1,535	1,908
Food products industry	2,530	3,208
Agriculture and fisheries	2,020	2,465
Of which:		
Fisheries	1,969	2,315
Forestry	2,187	2,798
Water management	1,927	2,459
Construction	1,970	2,462
Transport and communications	2,189	2,734
Of which:		
Railways	1,791	2,445
Ocean shipping	3,156	3,407
Road transport	1,833	2,331
Communications	2,259	2,782
Trade	1,855	2,449
Retail trade	1,682	2,255
Wholesale trade	2,240	2,893
Foreign trade	2,754	3,468
Hotels, restaurants, tourism	1,967	2,488
Crafts and trade	2,003	2,578
Housing, utilities, and public services	1,946	2,612
Financial and other services	2,895	3,687
Of which:		
Banking	2,886	3,769
Education, health and government	2,360	3,109
Education, culture and the arts	2,310	2,919
Health care and social services	2,234	3,114
Government bodies	2,686	3,427

Source: Central Bureau of Statistics.

Table 18. Croatia: Indices of Nominal Net Wages and Salaries per Employee

(1993=100)

	1991	1992	1993	1994	1995 I-III
Total	1.5	6.3	100	237.1	334.0
Goods and services	1.5	6.4	100	236.6	330.2
Mining and industry	1.4	6.5	100	230.5	319.8
Of which:					
Manufacture of metal products	1.1	6.2	100	209.5	285.5
Machine industry	1.4	6.7	100	227.4	312.7
Shipbuilding	1.7	8.4	100	209.2	273.0
Manufacture of electrical equipment	1.3	6.3	100	225.6	313.0
Finished wood products	1.2	6.6	100	217.5	303.3
Textile fibre and fabrics	1.4	7.0	100	231.8	315.3
Finished textile products	1.1	6.4	100	210.2	284.5
Leather footwear and accessories	1.3	6.5	100	199.4	273.9
Food products industry	1.7	6.1	100	244.7	338.6
Agriculture and fisheries	1.5	6.9	100	231.4	306.4
Of which:					
Fisheries	1.5	6.9	100	200.2	268.5
Forestry	1.5	6.8	100	225.6	320.5
Water management	1.5	5.9	100	234.6	328.9
Construction	1.4	5.4	100	260.1	358.5
Transport and communications	1.6	6.6	100	227.8	316.0
Of which:					
Railways	1.8	7.9	100	228.1	342.8
Ocean shipping	1.5	6.3	100	224.3	270.3
Road transport	1.6	7.2	100	240.4	334.4
Communications	1.8	6.1	100	218.7	303.8
Trade	1.8	7.3	100	254.3	364.5
Retail trade	1.9	7.6	100	259.2	374.5
Wholesale trade	1.7	6.9	100	245.0	346.2
Foreign trade	1.5	6.2	100	233.9	331.3
Hotels, restaurants, tourism	1.2	5.7	100	241.6	328.3
Crafts and trade	1.4	6.3	100	239.5	339.8
Housing, utilities, and public services	1.6	6.0	100	234.3	341.3
Financial and other services	1.5	5.9	100	234.8	327.4
Of which:					
Banking	1.4	5.5	100	218.6	310.1
Education, health, and government	1.7	6.1	100	236.2	339.9
Education, culture and the arts	1.8	6.1	100	229.3	318.6
Health care and social services	1.7	6.2	100	247.3	372.7
Government bodies	1.6	5.7	100	230.2	322.8

Source: Central Bureau of Statistics.

Table 19. Croatia: Indices of Real Net Wages and Salaries per Employee

(1993=100)

	1991	1992	1993	1994	1995 I-III
Total	174.4	100.0	100	114.4	156.5
Goods and services	174.4	101.5	100	114.2	154.7
Mining and industry	162.7	103.1	100	111.2	149.9
Of which:					
Manufacture of metal products	127.9	98.4	100	101.1	133.8
Machine industry	162.7	106.3	100	109.8	146.5
Shipbuilding	197.6	133.3	100	100.9	127.9
Manufacture of electrical equipment	151.1	100.0	100	108.9	146.7
Finished wood products	139.5	104.7	100	105.0	142.1
Textile fibre and fabrics	162.7	111.1	100	111.9	147.8
Finished textile products	127.9	101.5	100	101.4	133.3
Leather footwear and accessories	116.2	103.1	100	96.2	128.4
Food products industry	197.6	96.8	100	118.1	158.7
Agriculture and fisheries	174.4	109.5	100	111.7	143.6
Of which:					
Fisheries	174.4	109.5	100	96.6	125.8
Forestry	174.4	107.9	100	108.9	150.2
Water management	174.4	93.6	100	113.2	154.1
Construction	162.7	85.7	100	125.5	168.0
Transport and communications	186.0	104.7	100	110.0	148.1
Of which:					
Railways	209.3	125.3	100	110.1	160.6
Ocean shipping	174.4	100.0	100	108.2	126.7
Road transport	186.0	114.2	100	116.0	156.7
Communications	209.3	96.8	100	105.6	142.4
Trade	209.3	115.8	100	122.7	170.8
Retail trade	220.9	120.6	100	125.1	175.5
Wholesale trade	197.6	109.5	100	118.3	162.2
Foreign trade	174.4	98.4	100	112.9	155.2
Hotels, restaurants, tourism	139.5	90.4	100	116.6	153.8
Crafts and trade	162.7	100.0	100	115.6	159.2
Housing, utilities, and public services	186.0	95.2	100	113.1	159.9
Financial and other services	174.4	93.6	100	113.3	153.4
of which					
Banking	162.7	87.3	100	105.5	145.3
Education, health, and government	197.6	96.8	100	114.0	159.3
Education, culture, and the arts	209.3	96.8	100	110.7	149.3
Health care and social services	197.6	98.4	100	119.4	174.5
Government bodies	186.0	90.4	100	111.1	151.3

Source : Central Bureau of Statistics

Table 20. Croatia: Health Insurance of Workers

(Number of persons insured)

	1988	1989	1990	1991 <u>1/</u>	1992	1993	1994
Total	4,360,877	4,386,560	4,394,398	4,899,083	4,608,466	4,571,955	4,591,341
Currently employed	1,762,096	1,753,194	1,723,059	1,839,657	1,606,984	1,573,520	1,564,494
Receiving retirement pensions	611,175	633,852	657,961	712,865	712,032	742,828	778,400
Unemployed persons	59,871	64,092	81,260	163,615	178,618	166,534	161,660
Other	65,203	68,461	72,736	78,481	72,266	79,356	82,710
Family members	1,862,532	1,866,961	1,859,382	2,104,465	1,847,566	1,818,717	1,813,077
Refugees	--	--	--	--	191,000	191,000	191,000

Source: Central Bureau of Statistics, and Croatian Health Insurance Institute.

1/ As of 1991 health insurance for agricultural workers is also included.

Table 21. Croatia: Child Care Supplements

	1988	1989	1990	1991	1992	1993	1994	1995 I-IV
Number receiving benefits	138,137	167,805	175,103	194,022	208,414	193,423	204,975	176,278
Number of children	264,316	318,641	334,804	365,469	394,034	359,529	378,434	330,441
Expenditures, (thousand kunas)	16	105	2,369	4,268	17,505	113,820	662,780	...
Child care supplement, (thousand kunas)	15	94	2,280	4,096	16,740	...	...	...

Source: Central Bureau for Statistics, and National Workers' Retirement and Disability Fund.

Table 22. Croatia: Disability and Retirement Insurance 1/

	1988	1989	1990	1991	1992	1993	1994	1995 I–IV
(Number of persons)								
Retirement benefits	548,856	569,414	594,839	646,140	762,072	784,364	813,382	830,493
Disability pensions	161,311	162,815	163,309	164,858	183,530	181,614	184,989	189,320
Old-age pensions	230,791	243,935	264,096	310,068	387,405	409,122	433,180	443,733
Survivor pensions	156,754	162,664	167,434	171,214	191,137	193,628	195,213	197,440
Disability compensation (for bodily injury)	76,932	81,998	89,186	94,186	95,153	100,964	104,172	...
Disabled workers – retraining or additional training	752	797	1,766	2,472	2,472	2,159	2,179	...
Disabled workers – unemployment benefits	1,689	2,138	3,960	6,650	7,418	11,654	13,061	...
Compensation for less than full-time employment	26,134	23,333	23,619	20,441	16,947	16,192	16,145	...
Compensation for reduced pay on new job	22,824	25,982	26,771	31,056	32,043	31,637	32,956	...
(Expenditures, in thousands of kunas)								
Total	291	4,962	31,603	47,780	208,836	3,318,269	8,479,061	3,316,583
Disability pensions	71	1,209	6,860	9,558	39,383	593,397	1,245,613	511,010
Old-age pensions	129	2,204	13,545	22,317	108,681	1,756,203	3,698,375	1,449,706
Survivor pensions	59	1,009	5,793	7,984	36,132	571,993	1,208,417	481,375
Compensation for bodily injury	1	38	206	309	1,382	20,709	42,780	17,088
Costs and compensations associated with retraining and additional training of disabled workers	10	131	1,069	1,675	4,471	96,256	240,043	99,019
Contributions to housing construction	10	123	521	553	2,754	36,128	3,243	...
Administrative costs	6	128	818	1,059	4,933	91,481	166,327	51,298
Other	6	119	2,790	4,325	11,100	152,102	1,874,265	704,087

Source: Central Bureau of Statistics, and National Workers' Retirement and Disability Fund.

1/ From 1991 onwards, coverage is slightly broader than previously.

Table 23. Croatia: Price Developments

	Consumer Prices			Producer Prices		
	Index Dec.89=100	Rate of Growth		Index Dec.89=100	Rate of Growth	
		Previous Period	Same Month Previous Year		Previous Period	Same Month Previous Year
1990		609.9			449.0	
1991		122.6			146.3	
1992		663.6			826.0	
1993		1,516.6			1,512.9	
1994		97.5			77.7	
1992						
Jan.	956.9	15.8	285.8	884.3	25.5	393.2
Feb.	1,100.4	15.0	309.4	964.8	9.1	388.0
Mar.	1,257.8	14.3	349.4	1,157.8	20.0	464.0
Apr.	1,437.6	14.3	387.8	1,270.1	9.7	483.1
May.	1,788.4	24.4	441.4	1,757.8	38.4	567.6
Jun.	2,058.5	15.1	474.8	2,213.0	25.9	687.8
Jul.	2,542.2	23.5	567.8	2,841.5	28.4	847.8
Aug.	3,076.1	21.0	646.1	3,418.4	20.3	884.8
Sep.	3,962.0	28.8	776.2	4,149.9	21.4	965.4
Oct.	5,301.1	33.8	845.3	5,083.6	22.5	958.6
Nov.	7,002.8	32.1	896.6	6,435.9	26.6	989.7
Dec.	8,571.4	22.4	937.3	8,308.7	29.1	1,079.2
1993						
Jan.	11,254.2	31.3	1,076.1	10,759.8	29.5	1,116.8
Feb.	14,056.6	24.9	1,177.4	13,514.3	25.6	1,300.7
Mar.	18,007.0	28.1	1,331.6	18,082.0	33.8	1,461.8
Apr.	22,130.0	22.9	1,439.4	23,072.8	27.6	1,716.6
May.	27,972.3	26.4	1,464.1	29,279.4	26.9	1,565.7
Jun.	36,084.3	29.0	1,652.9	38,092.5	30.1	1,621.3
Jul.	45,754.9	26.8	1,699.8	47,501.3	24.7	1,571.7
Aug.	58,612.0	28.1	1,805.4	58,521.6	23.2	1,612.0
Sep.	76,547.3	30.6	1,832.0	80,642.8	37.8	1,843.2
Oct.	106,171.1	38.7	1,902.8	104,109.9	29.1	1,948.0
Nov.	107,657.5	1.4	1,437.3	99,320.8	-4.6	1,443.2
Dec.	107,119.2	-0.5	1,149.7	97,831.0	-1.5	1,077.5
1994						
Jan.	106,905.0	-0.2	849.9	96,559.2	-1.3	797.4
Feb.	105,515.2	-1.3	650.6	92,407.1	-4.3	583.8
Mar.	104,460.1	-1.0	480.1	90,928.6	-1.6	402.9
Apr.	102,997.6	-1.4	365.4	90,837.7	-0.1	293.7
May.	102,894.6	-0.1	267.8	90,928.5	0.1	210.6
Jun.	102,585.9	-0.3	184.3	90,292.0	-0.7	137.0
Jul.	103,304.0	0.7	125.8	90,924.1	0.7	91.4
Aug.	103,200.7	-0.1	76.1	91,560.5	0.7	56.5
Sep.	103,716.7	0.5	35.5	92,018.4	0.5	14.1
Oct.	103,820.5	0.1	-2.2	91,834.3	-0.2	-11.8
Nov.	103,716.6	-0.1	-3.7	92,385.3	0.6	-7.0
Dec.	103,924.1	0.2	-3.0	92,570.1	0.2	-5.4
1995						
Jan.	104,651.5	0.7	-2.1	92,477.5	-0.1	-4.2
Feb.	104,756.2	0.1	-0.7	93,032.4	0.6	0.7
Mar.	104,860.9	0.1	0.4	92,567.2	-0.5	1.8
Apr.	105,595.0	0.7	2.5	92,104.4	-0.5	1.4
May	105,806.2	0.2	2.8	92,196.5	0.1	1.4
Jun.	105,382.9	-0.4	2.7	92,012.1	-0.2	1.9

Source: Central Bureau of Statistics

Table 24. Croatia: Retail Inflation Rates

(Average percentage change)

	1990	1991	1992	1993	1994
Total	609.5	123.0	665.5	1,517.5	97.6
Goods	591.6	115.5	746.8	1,502.4	95.1
Agricultural products	915.3	104.0	632.3	1,135.9	134.5
Industrial products – total	582.5	115.9	751.1	1,514.2	94.1
Processed food products	507.7	127.7	740.7	1,442.2	93.3
Alcoholic beverages	740.6	87.8	749.7	1,593.4	108.2
Tobacco	435.6	101.9	1,050.0	1,278.2	159.1
Non–food industrial products	614.8	113.7	743.3	1,552.6	90.8
Textile products	639.9	68.2	817.4	1,774.7	103.5
Fuel and light	514.1	96.4	659.9	1,807.1	87.6
Household furnishings	567.7	74.5	771.1	1,776.3	103.8
Electric appliances	704.0	69.3	958.5	1,488.6	62.2
Medicine	483.4	404.2	374.7	2,665.1	110.5
Services	690.1	152.5	393.5	1,604.2	110.9
Housing services	1,074.7	320.7	77.0	1,534.4	142.8
Public utilities and services	750.2	117.5	358.2	1,805.5	113.7
Transport	598.2	159.5	486.7	1,681.4	98.8
Communications	398.0	202.5	246.2	1,703.8	95.2

Source: Central Bureau of Statistics.

Table 25. Croatia: Cost of Living Indices

(1989=100)

	1990	1991	1992	1993	1994
Total	694	1,556	11,422	181,192	375,430
Goods	673	1,442	11,840	185,804	379,968
Services	874	2,398	9,226	159,796	364,175
Food	645	1,441	11,825	172,378	346,652
Tobacco and beverages	664	1,316	12,397	190,982	435,058
Tobacco	536	1,082	12,504	171,686	444,496
Beverages	772	1,513	12,302	207,234	426,902
Clothing and footwear	759	1,299	11,322	205,067	436,178
Clothing	737	1,257	11,185	210,705	446,274
Footwear	799	1,320	11,806	196,028	414,600
Housing	1,009	3,533	9,830	165,667	366,621
Rent	1,175	5,274	9,172	152,451	355,058
Fuel and light	575	1,213	7,900	151,047	299,375
Household furnishing and appliances	817	1,391	13,565	234,750	457,294
Hygiene and health	904	2,148	14,426	232,266	483,345
Eductaion, culture and entertainment	915	2,187	11,081	200,329	502,225
Transport and communications	653	1,738	9,259	168,947	337,387
Food by subgroup of products					
Cereal products	718	1,706	12,553	208,787	416,112
Meat and meat products	515	1,213	11,861	164,067	310,907
Fats	521	1,306	11,330	175,001	314,302
Milk, fresh and processed	555	1,379	10,422	156,803	286,008
Vegetables, fresh and processed	1,126	2,065	15,429	198,154	489,439
Fruit, fresh and processed	939	2,063	16,170	211,330	462,602
Other food products	563	1,311	7,957	128,866	313,273

Source: Central Bureau of Statistics.

Table 26. Croatia: Wholesale Price Indices
(1989=100)

	1990	1991	1992	1993	1994
Industrial products	566	1,282	12,142	179,510	340,530
Agricultural products	628	1,141	10,435	143,652	284,862
Hotel and restaurant services	668	1,605	14,337	233,300	450,035

Source: Central Bureau of Statistics.

Table 27. Croatia: Electro–Energy Balance Sheet

(In millions of Kwh)

	1980	1985	1990	1991	1992	1993	1994
Total supply of electro– energy	<u>12,444.8</u>	<u>15,019.3</u>	<u>16,214.4</u>	<u>14,482.2</u>	<u>12,312.7</u>	<u>12,941.7</u>	<u>12,820.0</u>
Domestic production ^{1/}	9,109.2	7,627.0	8,693.1	8,414.3	8,893.5	9,358.8	8,273.2
Imported from other SFRY republics	3,259.3	6,387.6	6,231.0	5,626.9	2,810.7	2,390.7	2,454.5
Imported from outside SFRY	76.3	1,004.7	1,290.3	441.0	608.5	1,192.2	2,092.3
Total use	<u>12,444.8</u>	<u>15,019.3</u>	<u>16,214.4</u>	<u>14,482.2</u>	<u>12,312.7</u>	<u>12,941.7</u>	<u>12,820.0</u>
Industry	5,105.6	5,810.5	5,860.1	4,591.2	3,332.8	2,996.5	2,971.7
Agriculture	84.0	103.0	115.0	103.0	81.3	71.1	...
Transportation	355.3	409.5	405.8	217.0	218.8	229.4	...
Others	5,175.3	6,896.8	7,789.4	7,322.4	6,560.4	6,908.2	7,282.5
Transmission loss	1,237.0	1,328.0	1,584.2	1,481.1	1,487.2	1,480.0	1,584.1
Exports (including other SFRY republics)	487.6	471.5	459.9	767.5	632.2	1,256.5	981.7

Source: Electricity Institute Zagreb.

^{1/} Including hydro– and nuclear–generated electricity.

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Table 28. Croatia: Energy Balance Sheet

(In millions of tons coal equivalent)

	1980	1985	1990	1991	1992	1993	1994
Domestic sources	<u>8.893</u>	<u>8.672</u>	<u>8.721</u>	<u>8.084</u>	<u>6.876</u>	<u>7.273</u>	<u>7.143</u>
Coal	0.347	0.226	0.246	0.130	0.103	0.093	0.085
Other solid fuels	0.865	0.784	0.774	0.739	0.367	0.372	0.486
Liquid fuel	4.366	4.315	3.851	3.110	2.738	2.747	2.607
Other	3.315	3.347	3.850	4.105	3.668	4.061	3.965
of which: hydro 1/	2.191	1.700	1.315	1.879	1.479	1.482	1.676
Imports	<u>9.978</u>	<u>7.990</u>	<u>10.357</u>	<u>6.729</u>	<u>6.903</u>	<u>6.680</u>	<u>7.683</u>
Liquid fuel	<u>8.158</u>	<u>4.685</u>	<u>7.460</u>	<u>4.148</u>	<u>4.284</u>	<u>4.114</u>	<u>5.779</u>
USSR/FSU	2.094	1.419	1.611	0.346	0.769	0.623	0.793
Others	6.064	3.266	5.849	3.802	3.515	3.491	4.986
Gas	<u>0.519</u>	<u>0.833</u>	<u>0.817</u>	<u>0.926</u>	<u>0.836</u>	<u>0.916</u>	<u>0.862</u>
USSR/FSU	0.519	0.833	0.817	0.926	0.836	0.916	0.862
Other primary energy	1.301	2.472	2.080	1.655	1.783	1.650	1.042
of which: nuclear fuel 2/	...	0.703	0.802	0.861	0.687	0.685	...
Exports	<u>6.332</u>	<u>3.615</u>	<u>5.137</u>	<u>3.309</u>	<u>2.828</u>	<u>2.759</u>	<u>3.892</u>
Liquid fuel	5.738	2.959	4.738	2.948	2.407	2.279	3.538
Solid fuels	0.594	0.656	0.399	0.361	0.421	0.480	0.354
Change in stocks	-0.189	-0.290	0.131	0.361	-0.267	-0.190	-0.092
Domestic use of primary energy	<u>12.349</u>	<u>12.290</u>	<u>13.539</u>	<u>11.294</u>	<u>10.227</u>	<u>10.550</u>	<u>10.842</u>
Electricity generation	3.197	2.648	2.865	2.881	2.973	3.125	2.828
Industry	4.308	4.428	4.696	3.645	2.857	2.723	2.828
Agriculture	0.195	0.201	0.221	0.189	0.379	0.368	8.014
Households	1.830	1.880	2.054	1.959	1.471	1.591	...
Transport	2.297	2.360	2.829	1.920	1.799	1.932	...
Other	0.522	0.773	0.874	0.700	0.748	0.811	...

Source: Electricity Institute Zagreb.

1/ Hydro=hydro-generated electricity/0.35.

2/ Nuclear fuel=nuclear generated electricity/0.336.

Table 29. Croatia: National Public Enterprises

(End of Year)

	Employment					1994	
	1990	1991	1992	1993	1994	Assets	Sales
	(In persons)					(Millions of kuna)	
HRVATSKA ELEKTROPRIVREDA (Electricity)	18,289	...	14,250	13,984	14,457	23,331	5,386
HRVATSKA VODOPRIVREDA (Water Supply)	859	...	569	426	400	4,952	232
HRVATSKE CESTE (Road Construction)	4,444	...	3,857	3,643	3,715	36,590	1,391
HRVATSKE ZELJEZNICE (Railroads)	37,702	...	29,301	22,840	22,004	7,086	2,241
HPT (Post and telecommunications)	20,067	...	18,439	19,445	19,687	7,618	3,385
JADROLINIA RIJEKA (Coastal navigation)	2,309	...	2,209	1,499	2,113	317	348
HRVATSKA RADIO-TELEVIZIJA (HRT) (Radio and TV)	3,496	...	2,846	2,752	2,719	793	526
HRVATSKE SUME (Forestry)	14,734	...	10,113	9,882	10,201	22,328	1,470
NARODNE NOVINE (Printing)	736	...	725	763	746	203	439
INA-INDUSTRIJA NAFTE (Oil refining and distribution)	32,585	...	18,345	18,084	17,965	20,540	10,773
Total	135,221	...	100,654	93,318	94,007	123,758	26,191
<u>Memorandum item:</u>							
Total employment	1,564,770	...	1,710,436	1,671,200	1,652,529	...	...

Source: State Institute for Macroeconomic Analysis and Forecasting.

Table 30. Croatia: Number of Enterprises in the Economic Sector and Number of Legal Entities Undergoing Bankruptcy

(End of Year)

	Number of Enterprises in the Economic Sector					Legal Entities Undergoing Bankruptcy				
	1991	1992	1993	1994	1995 1/	1991	1992	1993	1994	1995 1/
Total	32,051	54,703	83,788	117,520	129,134	339	373	397	275	298
Industry	4,556	6,790	9,519	12,035	12,884	176	147	131	84	88
Agriculture and fishing	849	1,467	2,243	2,973	3,208	13	15	17	14	14
Forestry	21	50	87	124	144	--	--	--	--	--
Water supply	29	32	33	33	34	--	--	--	--	--
Construction	2,076	3,562	5,519	7,635	8,480	60	63	64	45	49
Transport and communication	800	1,441	2,625	4,185	4,536	3	2	2	4	4
Trade	14,948	27,010	42,214	61,384	67,923	28	83	110	78	87
Restaurants and Tourism	2,076	3,072	4,376	6,026	6,495	7	12	14	9	11
Artisanhip and personal services	1,386	2,214	3,465	4,992	5,614	23	21	24	15	16
Housing and urban services	785	915	1,041	1,133	1,162	4	3	2	2	2
Financial, engineering and business	4,525	8,150	12,666	17,000	18,654	25	27	33	24	27

Source: State Institute for Macroeconomic Analysis and Forecasting.

1/ April.

Table 31. Croatia: Number of Employees in Enterprises Undergoing Bankruptcy

(End of Year)

	Number of Employees in Enterprises Undergoing Bankruptcy					Number of Employees in Insolvent Enterprises				
	1991	1992	1993	1994	1995 1/	1991	1992	1993	1994	1995 1/
Total	87,177	69,062	59,017	33,532	36,283	189,537	164,797	158,324	188,902	183,175
Industry	73,170	53,941	44,489	24,356	25,025	135,853	80,291	86,621	95,464	103,644
Agriculture and fishing	1,139	1,182	1,588	1,408	1,339	6,532	10,266	15,433	18,273	20,101
Forestry	--	--	--	--	--	--	--	16	3	22
Water supply	--	--	--	--	--	--	--	--	--	--
Construction	6,590	8,306	7,361	4,184	5,703	20,964	20,375	20,338	16,598	17,677
Transport and communication	1,355	2	2	452	452	3,843	30,386	1,170	26,434	4,450
Trade	1,101	1,942	2,212	1,696	1,726	9,065	9,413	20,366	22,638	26,194
Restaurants and tourism	441	454	343	143	143	1,868	1,273	2,910	3,110	3,699
Artisanship and personal services	1,670	1,448	1,541	494	497	4,348	3,371	2,910	2,010	1,681
Housing and urban services	764	368	4	--	--	1,621	383	81	201	349
Financial, engineering and business	947	1,419	1,477	799	790	5,443	9,039	8,479	4,171	3,520

Source: State Institute for Macroeconomic Analysis and Forecasting.

1/ April.

Table 32. Croatia: Government Employment

	1991 Dec.	1992 Jul. Dec.	1993 Jul. Dec.	1994 Jul. Dec. 1/	1995 Apr. 1/			
Central government	29,312	25,468	25,635	26,273	27,439	27,668	26,738	26,322
Budgetary central government	19,938	18,678	18,885	14,075 2/	15,137	15,695	14,440	13,787
Administration	6,880	6,511	6,938	7,529	8,471	9,024	7,823	7,247
Legislature	723	691	721	804	852	912	817	833
Judiciary	6,047	5,747	5,725	5,742	5,814	5,759	5,800	5,707
Social Accounting Service (ZAP)	6,288	5,729	5,501	5,266 2/	5,430	5,037	5,252	...
National Bank of Croatia (NBC)	400	383	384	401	401	434	431	460
Extrabudgetary funds	8,974	6,407	6,366	6,531	6,471	6,502	6,615	12,075 3/
Regional and local governments	22,952	20,351	20,443	20,113	19,395	23,376	25,560	26,060
Health care	76,859	73,013	73,158	74,189	73,409	71,046	69,996	69,678
Social services	24,441	24,283	24,090	24,360	24,613	24,754	24,976	25,044
Education	66,976	64,202	64,489	65,947	67,328	67,237	65,860	65,891
Primary	39,485	38,288	38,202	38,724	39,449	39,441	38,910	38,888
Secondary	17,400	16,824	17,249	17,720	18,354	18,288	17,922	17,928
Tertiary	9,159	8,304	8,280	8,503	8,420	8,507	8,374	8,422
Other	932	786	758	1,000	1,105	1,001	654	653
Research	5,742	4,106	3,994	4,035	3,947	3,979	3,865	3,863
Culture, arts and information	20,124	17,517	17,048	16,693	16,576	16,142	16,446	16,486
Sports	1,779	1,635	1,608	1,581	1,578	1,552	1,513	1,509
Total general government	248,185	230,575	230,465	233,191	234,285	235,754	234,954	234,853
				(In percent of total employment)				
Total general government	11.6	...	11.7	...	12.2	...	12.4	...
Budgetary central government	0.9	...	1.0	...	0.8	...	0.8	...
Regional and local governments	1.1	...	1.0	...	1.0	...	1.3	...
Extrabudgetary funds	0.4	...	0.3	...	0.3	...	0.3	...
Providers of								
Health care	3.6	...	3.7	...	3.8	...	3.7	...
Education	3.1	...	3.3	...	3.5	...	3.5	...
Social services	1.1	...	1.2	...	1.3	...	1.3	...
Culture, arts and information	0.9	...	0.9	...	0.9	...	0.9	...
Memorandum items:								
Total labor force 4/	2,143,375	...	1,971,486	...	1,914,296	...	1,900,084	...

Source: Croatian Ministry of Finance.

1/ Preliminary data.

2/ Until 1993 employment of the ZAP is included in employment of the budgetary central government.

3/ April 1995 figure includes employment of ZAP.

4/ Estimate.

Table 33. Croatia: Budgetary Central Government Revenues

	1991	1992	1993	1994 1/	1994 2/	1995		
						Budget 1/	Budget 2/	Jan. - May 2/ 3/
(In millions of Croatian kuna)								
Revenue and grants	64	557	8,471	23,143	24,260	25,489	26,863	10,563
Revenue	64	557	8,471	23,143	24,260	25,489	26,863	10,563
Current revenue	64	547	8,371	22,789	23,906	24,789	26,163	10,474
Tax revenue	63	502	7,892	22,377	23,350	24,159	25,183	10,161
Income and profit tax	25	84	936	3,803	3,803	3,133	3,133	1,789
Property tax	--	2	63	118	118	97	97	57
Taxes on goods and services	33	316	5,663	14,921	15,894	17,327	18,351	6,742
Taxes on international trade	5	99	1,230	3,487	3,487	3,542	3,542	1,535
Other taxes	0	0	0	49	49	60	60	39
Non-tax revenue	1	45	479	411	556	630	980	313
Capital revenue	0	10	100	354	354	700	700	89
Grants	--	--	--	--	--	--	--	--
(In percent of GDP)								
Revenue and grants	15.0	20.4	20.3	27.5	28.9	28.3	29.8	30.8
Revenue	15.0	20.4	20.3	27.5	28.9	28.3	29.8	30.8
Current revenue	15.0	20.1	20.0	27.1	28.4	27.5	29.0	30.6
Tax revenue	14.8	18.4	18.9	26.6	27.8	26.8	27.9	29.6
Income and profit tax	5.8	3.1	2.2	4.5	4.5	3.5	3.5	5.2
Property tax	--	0.1	0.2	0.1	0.1	0.1	0.1	0.2
Taxes on goods and services	7.8	11.6	13.5	17.8	18.9	19.2	20.4	19.7
Taxes on international trade	1.2	3.6	2.7	4.1	4.1	4.0	4.0	4.5
Other taxes	0	0	0	0.1	0.1	0.1	0.1	0.1
Non-tax revenue	0.2	1.6	1.1	0.5	0.7	0.7	1.1	0.9
Capital revenue	0.0	0.4	0.2	0.4	0.4	0.8	0.8	0.3
Grants	--	--	--	--	--	--	--	--
(Composition)								
Revenue and grants	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Current revenue	100.0	98.2	98.8	98.5	98.5	97.3	97.4	99.2
Tax revenue	98.5	90.1	93.2	96.7	96.3	94.8	93.7	96.2
Income and profit tax	38.5	15.1	11.0	16.4	15.7	12.3	11.7	16.9
Property tax	0.0	0.4	0.7	0.5	0.5	0.4	0.4	0.5
Taxes on goods and services	52.1	56.8	66.9	64.5	65.5	68.0	68.3	63.8
Taxes on international trade	7.9	17.9	14.5	15.1	14.4	13.9	13.2	14.5
Other taxes	--	--	--	0.2	0.2	0.2	0.2	0.4
Non-tax revenue	1.5	8.1	5.7	1.8	2.3	2.5	3.6	3.0
Capital revenue	--	1.8	1.2	1.5	1.5	2.7	2.6	0.8
Grants	--	--	--	--	--	--	--	--

Source: Ministry of Finance.

- 1/ Adjustments were made to exclude the Croatian Road Company which became part of the Central Budget Operations on January 1, 1995.
2/ Includes the Road Fund.
3/ GDP shares are at an annual rate.

Table 34. Croatia: Budgetary Central Government Expenditure and Net Lending

	1991	1992	1993	1994 1/	1994 2/ 3/	1995		
						Budget 1/	Budget 2/ Jan.-May 2/ 3/ 4/	
(In millions of Croatian kuna)								
Expenditure and net lending	83	564	8,403	22,599	23,719	25,901	27,275	10,495
Expenditure	83	564	8,403	22,283	23,403	24,954	26,328	10,385
Current expenditure	80	520	7,742	20,361	21,193	22,734	23,200	9,771
Expenditure on goods and services	62	396	6,111	16,614	17,144	18,784	19,257	8,212
Wages and salaries	21	98	1,941	6,518	6,589	7,873	8,602	3,529
Employer contributions	4	24	484	1,368	1,383	1,547	1,568	735
Other goods and services	37	273	3,686	8,729	9,173	9,364	9,088	3,949
Interest payments	--	21	212	1,003	1,304	932	932	369
Domestic	--	21	207	895	1,132	477	569	338
External	--	--	5	107	173	456	363	31
Subsidies and other current transfers	17	103	1,419	2,744	2,744	3,019	3,011	1,189
Capital expenditure	3	44	661	1,922	2,210	2,220	3,128	614
Lending minus repayments	--	--	--	316	316	948	948	110
(In percent of GDP)								
Expenditure and net lending	19.6	20.7	20.1	26.9	28.2	28.7	30.3	30.6
Expenditure	19.6	20.7	20.1	26.5	27.8	27.7	29.2	30.3
Current expenditure	18.8	19.1	18.5	24.2	25.2	25.2	25.7	28.5
Expenditure on goods and services	14.6	14.5	14.6	19.8	20.4	20.8	21.4	24.0
Wages and salaries	4.9	3.6	4.6	7.8	7.8	8.7	9.5	10.3
Employer contributions	1.0	0.9	1.2	1.6	1.6	1.7	1.7	2.1
Other goods and services	8.7	10.0	8.8	10.4	10.9	10.4	10.1	11.5
Interest payments	0.1	0.8	0.5	1.2	1.6	1.0	1.0	1.1
Domestic	0.1	0.8	0.5	1.1	1.3	0.5	0.6	1.0
External	--	--	--	0.1	0.2	0.5	0.4	0.1
Subsidies and other current transfers	4.1	3.8	3.4	3.3	3.3	3.3	3.3	3.5
Capital expenditure	0.8	1.6	1.6	2.3	2.6	2.5	3.5	1.8
Lending minus repayments	--	--	--	0.4	0.4	1.1	1.1	0.3
(Composition)								
Expenditure and net lending	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Expenditure	100.0	100.0	100.0	98.6	98.7	96.3	96.5	99.0
Current expenditure	96.0	92.1	92.1	90.1	89.4	87.8	85.1	93.1
Expenditure on goods and services	74.7	70.1	72.7	73.5	72.3	72.5	70.6	78.2
Wages and salaries	24.8	17.4	23.1	28.8	27.8	30.4	31.5	33.6
Employer contributions	5.4	4.3	5.8	6.1	5.8	6.0	5.7	7.0
Other goods and services	44.5	48.4	43.9	38.6	38.7	36.2	33.3	37.6
Interest payments	0.4	3.7	2.5	4.4	5.5	3.6	3.4	3.5
Domestic	0.4	3.7	2.5	4.0	4.8	1.8	2.1	3.2
External	--	--	0.1	0.5	0.7	1.8	1.3	0.3
Subsidies and other current transfers	20.9	18.3	16.9	12.1	11.6	11.7	11.0	11.3
Capital expenditure	4.0	7.9	7.9	8.5	9.3	8.6	11.5	5.9
Lending minus repayments	0.0	0.0	0.0	1.4	1.3	3.7	3.5	1.0

Source: Ministry of Finance.

- 1/ Adjustments were made to exclude the Croatian Road Company which became part of the Central Budget on January 1, 1995.
2/ Includes the Road Fund.
3/ Includes accrued interest on the counterpart of the frozen foreign exchange deposits.
4/ GDP shares are at an annual rate.

Table 35. Croatia: Budgetary Central Government Expenditure by Function

	1991	1992	1993	1994	1995		
					Budget 1/	Budget 2/ Jan. - Mar. 2/	3/
<u>(In millions of Croatian kuna)</u>							
Expenditure by function	83	565	8,403	22,283	24,954	26,328	5,913
General public services	3	21	395	1,675	1,949	1,949	331
Defense affairs and services	22	196	3,259	7,650	8,482	8,482	2,189
Public Order and safety	15	65	998	2,841	3,236	3,236	676
Education	15	60	824	2,865	3,103	3,103	760
Health affairs and services	1	3	8	57	149	149	5
Social security and welfare	8	66	856	2,547	3,183	3,183	649
Culture	2	7	126	309	428	428	92
Housing	--	10	76	463	786	786	85
Agriculture, forestry and fisheries	2	43	495	653	540	540	82
Mining and mineral resources	--	--	74	192	317	317	63
Transportation and communication	7	37	578	1,499	1,302	2,676	513
Other	7	58	715	1,532	1,479	1,479	467
<u>(In percent of GDP)</u>							
Expenditure by function	19.6	20.7	20.1	26.5	27.7	29.2	29.7
General public services	0.8	0.8	0.9	2.0	2.2	2.2	1.7
Defense affairs and services	5.1	7.2	7.8	9.1	9.4	9.4	11.0
Public order and safety	3.6	2.4	2.4	3.4	3.6	3.6	3.4
Education	3.6	2.2	2.0	3.4	3.4	3.4	3.8
Health affairs and services	0.3	0.1	--	0.1	0.2	0.2	--
Social security and welfare	2.0	2.4	2.0	3.0	3.5	3.5	3.3
Culture	0.4	0.3	0.3	0.4	0.5	0.5	0.5
Housing	0.0	0.4	0.2	0.6	0.9	0.9	0.4
Agriculture, forestry and fisheries	0.5	1.6	1.2	0.8	0.6	0.6	0.4
Mining and mineral resources	--	--	0.2	0.2	0.4	0.4	0.3
Transportation and communication	1.7	1.3	1.4	1.8	1.4	3.0	2.6
Other	1.7	2.1	1.7	1.8	1.6	1.6	2.3
<u>(Composition)</u>							
Expenditure by function	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General public services	4.2	3.8	4.7	7.5	7.8	7.4	5.6
Defense affairs and services	26.0	34.7	38.8	34.3	34.0	32.2	37.0
Public Order and safety	18.2	11.4	11.9	12.8	13.0	12.3	11.4
Education	18.2	10.6	9.8	12.9	12.4	11.8	12.9
Health affairs and services	1.5	0.5	0.1	0.3	0.6	0.6	0.1
Social security and welfare	10.1	11.7	10.2	11.4	12.8	12.1	11.0
Culture	1.9	1.3	1.5	1.4	1.7	1.6	1.6
Housing	0.2	1.8	0.9	2.1	3.1	3.0	1.4
Agriculture, forestry and fisheries	2.3	7.5	5.9	2.9	2.2	2.1	1.4
Mining and mineral resources	--	--	0.9	0.9	1.3	1.2	1.1
Transportation and communication	8.8	6.5	6.9	6.7	5.2	10.2	8.7
Other	8.7	10.2	8.5	6.9	5.9	5.6	7.9

Source: Ministry of Finance.

1/ Adjustments were made to exclude the Croatian Road Company which became part of the Central Budget Operations on January 1, 1995.

2/ Includes the Road Fund.

3/ GDP shares are at an annual rate.

Table 36. Croatia: Consolidated Fiscal Accounts 1/

	1991	1992	1993	1994	1995 Budget
<u>(In millions of Croatian kuna)</u>					
Central government					
Revenues and grants	63.8	557.1	8,470.9	23,142.6	26,863.3
Expenditures plus net lending 2/	70.0	499.8	7,482.0	20,732.4	25,135.0
Balance	-6.2	57.3	988.9	2,410.2	1,728.3
Extrabudgetary funds 3/					
Revenues and grants	75.1	315.3	4,848.9	13,739.6	14,368.0
Expenditures plus net lending	89.7	477.4	6,163.3	14,736.9	16,503.5
Balance	-14.6	-162.1	-1,314.4	-997.3	-2,135.5
Local governments					
Revenues and grants	16.0	74.1	1,119.6	...	...
Expenditures plus net lending	15.2	68.3	1,119.6	...	...
Balance	0.8	5.8	0.0	...	...
Consolidated general government					
Revenues and grants	154.9	946.5	14,439.4	...	...
Expenditures plus net lending	174.9	1,045.5	14,764.9	...	...
Balance	-20.0	-99.0	-325.5	...	...
<u>(In percent of GDP)</u>					
Central government					
Revenues and grants	15.0	20.4	20.3	27.5	29.8
Expenditures plus net lending 2/	16.5	18.3	17.9	24.7	27.9
Balance	-1.5	2.1	2.4	2.9	1.9
Extrabudgetary funds 3/					
Revenues and grants	17.6	11.6	11.6	16.3	15.9
Expenditures plus net lending	21.1	17.5	14.7	17.5	18.3
Balance	-3.4	-5.9	-3.1	-1.2	-2.4
Local governments					
Revenues and grants	3.8	2.7	2.7	...	...
Expenditures plus net lending	3.6	2.5	2.7	...	...
Balance	0.2	0.2	0.0	...	...
Consolidated general government					
Revenues and grants	36.4	34.7	34.5	...	...
Expenditures plus net lending	41.1	38.4	35.3	...	...
Balance	-4.7	-3.6	-0.8	...	...
<u>Memorandum item:</u>					
<u>(In percent of GDP)</u>					
Consolidated central government (cash basis)	-4.8	-3.8	-0.8	1.7	...

Source: Ministry of Finance; and staff estimates.

1/ Cash basis preliminary, as further work is underway in the classification of inter-governmental transfers.

2/ Transfers to other levels of government have been netted out.

3/ Composed of the health, pension, child benefit, rent compensation, and employment funds and, for 1994 only, the Croatian road and water companies. The rent compensation fund ceased to exist in 1994, while the Road Fund became part of the Central Budget on January 1, 1995.

Table 37. Croatia: Monetary Survey 1/

(In millions of Croatian kuna)

	1991 December	1992 December	1993				1994				1995	
			March	June	September	December	March	June	September	December	March	April
Assets												
Domestic Credits	131	2,254	4,264	8,661	17,195	22,226	22,994	24,928	27,382	29,427	28,681	29,842
in kuna	87	640	1,222	2,547	5,708	10,289	10,477	13,988	15,850	17,323	17,130	18,240
in foreign currency	44	1,614	3,042	6,114	11,487	11,937	12,517	10,940	11,532	12,104	11,551	11,602
Claims on Government	78	2,576	4,945	9,102	19,039	19,189	17,588	18,292	17,752	16,660	16,338	16,261
"Big bonds"	13	299	801	1,055	3,602	3,769	3,453	5,318	5,249	4,972	5,103	5,099
Counterpart to frozen foreign exchange deposits	49	2,238	4,065	7,933	14,976	14,892	13,546	12,273	12,163	11,437	11,043	10,989
Credits from the NBC	16	39	79	114	461	528	589	701	340	251	192	173
Counterpart to frozen deposits at non-resident banks	22	791	1,497	3,315	6,428	5,296	6,720	5,106	5,105	4,990	4,918	4,877
Other items (net)	-39	-1,850	-3,972	-8,078	-18,515	-17,506	-19,418	-18,199	-19,556	-20,807	-19,818	-19,840
Total Assets	192	3,771	6,734	13,000	24,147	29,205	27,883	30,127	30,683	30,270	30,119	31,140
Liabilities												
Foreign liabilities (net)	24	473	796	970	907	2,121	-321	281	-2,063	-2,990	-2,873	-3,038
Foreign assets	-5	-602	-1,455	-3,668	-7,714	-10,304	-9,519	-11,851	-13,855	-17,026	-16,505	-17,255
Foreign liabilities (net)	29	1,075	2,251	4,638	8,621	12,425	9,198	12,132	11,792	14,036	13,632	14,217
Broad money (M3)	150	1,008	1,809	3,908	8,125	11,895	13,613	15,881	19,584	20,569	20,677	22,042
Narrow money (M1)	65	391	551	1,029	2,004	3,772	4,723	5,754	7,562	7,804	7,579	8,305
Currency outside banks	18	131	152	305	590	1,367	1,527	1,663	2,158	2,658	2,556	2,727
Deposit money	47	260	399	724	1,414	2,405	3,196	4,091	5,404	5,146	5,023	5,578
Quasi-money	85	617	1,258	2,879	6,121	8,123	8,890	10,127	12,022	12,765	13,098	13,737
in kuna	31	262	475	978	2,184	2,095	2,428	2,830	3,392	3,411	3,459	3,727
in foreign currency	54	355	783	1,901	3,937	6,028	6,462	7,297	8,630	9,354	9,639	10,010
Frozen household foreign currency deposits	-	2,099	3,783	7,397	13,713	13,857	13,141	12,703	11,941	11,492	11,150	10,984
Frozen deposits at non-resident banks	17	191	348	726	1,403	1,331	1,449	1,263	1,222	1,199	1,165	1,152
Total Liabilities	191	3,771	6,736	13,001	24,148	29,204	27,883	30,128	30,684	30,270	30,119	31,140

Source: National Bank of Croatia.

1/ National definitions of monetary aggregates are used.

Table 38. Croatia: Monetary Authorities Balance Sheet

(In millions of Croatian kuna)

	1991	1992	1993				1994				1995	
	December	December	March	June	September	December	March	June	September	December	March	April
Assets												
Foreign assets	--	133	423	1,136	2,687	4,044	4,396	5,079	6,644	7,908	7,672	8,129
SDRs	--	--	--	--	8	24	38	2	14	25	28	521
Foreign currency vault cash	--	--	--	--	504	608	540	540	176	88	82	81
Deposits at foreign banks	--	133	423	1,136	2,175	3,410	3,818	4,537	6,454	7,795	7,562	7,527
Claims on Government	16	53	107	170	464	535	605	701	340	250	192	173
In kuna	16	53	62	115	409	384	478	600	246	180	131	124
In foreign exchange	--	--	45	55	55	151	127	101	94	70	61	49
Claims on private sector	--	--	--	--	--	--	--	1	1	1	3	3
Claims on banks	25	108	100	165	226	191	198	114	168	223	173	217
Credit to deposits money banks	25	107	98	164	225	181	185	87	155	221	171	215
Refinancing facilities	17	101	95	150	190	140	81	--	--	--	--	--
Lombard credits	--	--	--	--	--	--	--	--	--	24	171	9
Liquidity credits	8	5	2	2	2	41	53	31	155	--	--	--
Repurchase agreements in NBC bills	--	--	--	--	--	--	--	--	--	197	--	206
Advances to banks' foreign exchange offices	--	--	--	10	33	--	51	56	--	--	--	--
NBC deposits with banks	--	--	--	--	1	1	1	1	1	1	1	1
Arrears with NBC	--	--	1	1	--	9	12	26	12	1	1	1
Total Assets	41	294	630	1,471	3,377	4,771	5,199	5,896	7,154	8,383	8,039	8,522
Liabilities												
Reserve money	34	207	305	563	1,283	2,262	2,802	3,422	4,732	5,068	4,938	5,021
Currency outside banks	18	131	152	305	590	1,367	1,527	1,666	2,158	2,658	2,556	2,727
Vault cash at deposit money banks	1	4	11	15	32	52	64	85	105	134	120	106
Other liabilities to deposit money banks	15	72	142	243	661	843	1,211	1,671	2,469	2,276	2,262	2,188
Reserve and giro deposits at NBC	10	38	80	224	576	822	1,045	1,319	2,030	1,901	1,855	1,900
NBC bills	4	34	62	19	85	21	166	352	439	375	407	288
Obligatory	4	32	58	--	54	--	--	--	--	--	--	--
Voluntary	--	2	4	19	31	21	166	352	439	375	407	288
Demand deposits of non-banks	--	--	2	3	4	8	40	37	39	54	13	15
Restricted and blocked deposits	--	--	--	--	1	1	3	26	25	40	130	136
Restricted deposits	--	--	--	--	1	1	3	26	25	40	27	29
Escrow accounts	--	--	--	--	--	--	--	--	--	--	103	107
Foreign liabilities	--	--	45	55	47	152	128	102	95	716	672	1,170
Use of IMF credit	--	--	45	55	47	151	127	101	94	715	671	1,169
Liabilities to other international organizations	--	--	--	--	--	--	1	1	1	1	1	1
Central government deposits	--	--	--	--	--	--	3	3	3	761	629	707
Other items, net	7	86	277	849	2,042	2,347	2,224	2,308	2,260	1,744	1,658	1,473
Total Liabilities	41	294	630	1,471	3,377	4,771	5,199	5,896	7,154	8,383	8,039	8,522

Source: National Bank of Croatia.

Table 39. Croatia: Deposit Money Banks – Assets 1/

(In millions of Croatian kuna)

	1991 December	1992 December	1993				1994				1995	
			March	June	September	December	March	June	September	December	March	April
Claims on the National Bank	18	76	153	259	693	882	1,273	1,758	2,573	2,415	2,389	2,303
Giro account	8	5	4	7	16	42	24	37	51	117	54	48
Vault cash	1	4	11	15	32	52	64	85	105	134	120	106
Statutory reserves	5	33	76	218	561	767	1,019	1,285	1,980	1,785	1,807	1,857
NBC bills	4	34	62	19	84	21	166	351	437	379	408	292
Domestic credits	131	2,253	4,264	8,661	17,195	20,936	22,993	24,928	27,382	29,427	28,681	29,842
In kuna	87	640	1,222	2,547	5,708	8,453	10,477	13,988	15,850	17,323	17,130	18,240
Of which: government	3	6	21	24	35	51	25	185	171	165	29	33
In foreign currency	44	1,613	3,042	6,114	11,487	12,483	12,516	10,940	11,532	12,104	11,551	11,602
Of which: government	- -	1	1	2	4	4	4	947	1,021	1,119	1,076	1,071
Claims on government	62	2,537	4,866	8,987	18,578	19,666	16,999	17,898	17,412	16,409	16,146	16,088
Big bonds	13	299	801	1,055	3,602	4,996	3,453	5,354	5,249	4,972	5,103	5,099
Counterpart to frozen deposits	49	2,238	4,065	7,932	14,976	14,670	13,546	12,544	12,163	11,437	11,043	10,989
Counterpart, former branches 2/	22	791	1,497	3,315	6,428	6,950	6,720	5,129	5,105	4,990	4,918	4,877
Other items, net	-22	-1,432	-3,073	-6,029	-14,157	-15,440	-14,679	-15,284	-16,448	-16,943	-15,950	-16,127
Claims	42	569	1,240	2,362	4,615	5,222	6,486	4,732	4,887	4,658	4,803	4,852
Of which: accrued interest	14	264	471	782	1,537	1,392	1,214	1,269	952	1,116	1,061	941
Liabilities	-64	-2,001	-4,313	-8,391	-18,772	-20,662	-21,165	-20,016	-21,335	-21,601	-20,753	-20,979
Capital	-28	-766	-1,984	-3,708	-9,542	-11,339	-9,024	-12,407	-14,034	-14,185	-14,168	-14,300
Transferred deposits 3/	- -	-452	-806	-1,815	-3,530	-3,644	-3,617	-2,932	-2,935	-2,990	-2,940	-2,916
Other	-36	-783	-1,523	-2,868	-5,700	-5,679	-8,524	-4,677	-4,366	-4,426	-3,645	-3,763
Total assets	211	4,227	7,708	15,193	28,738	32,993	33,306	34,429	36,024	36,298	36,185	36,983

Source: National Bank of Croatia.

1/ Croatia introduced a new plan of accounts for commercial banks in May 1995. Where possible, earlier data have been revised to be consistent with the new plan of accounts.

2/ Claims of former Croatian branches of banks based in other republics of the former Yugoslavia on the central Bank of the former Yugoslavia

3/ Deposits transferred from former Croatian branches of banks based in other republics of the former Yugoslavia.

Table 40. Croatia: Deposit Money Banks – Liabilities 1/

(In millions of Croatian kuna)

	1991	1992	1993				1994				1995	
	December	December	March	June	September	December	March	June	September	December	March	April
Foreign liabilities, net	24	607	1,174	2,051	3,546	3,710	3,948	5,259	4,485	6,195	6,106	5,882
Foreign claims	-5	-468	-1,033	-2,532	-5,028	-5,356	-5,122	-6,771	-7,212	-7,118	-6,854	-7,165
Foreign liabilities	29	1,075	2,207	4,583	8,574	9,066	9,070	12,030	11,697	13,313	12,960	13,047
Deposit money	47	259	396	721	1,409	2,484	3,154	4,048	5,363	4,331	4,382	4,856
Of which: government	16	104	176	279	586	945	1,120	678	1,061	370	121	282
Quasi-money	85	617	1,258	2,879	6,120	8,215	8,887	9,359	11,080	11,752	12,178	12,699
In kuna	31	262	475	978	2,183	2,145	2,425	2,062	2,450	2,398	2,485	2,689
Of which: government	2	18	21	67	141	92	114	354	406	308	353	366
In foreign exchange	54	355	783	1,901	3,937	6,070	6,462	7,297	8,630	9,354	9,693	10,010
Of which: government	-	29	72	144	96	151	50	212	117	181	345	275
Frozen foreign exchange deposits	-	2,099	3,783	7,397	13,713	14,220	13,141	12,703	11,941	11,492	11,150	10,984
Foreign currency deposits of former branches	17	191	348	725	1,403	1,489	1,449	1,263	1,222	1,199	1,165	1,152
Liabilities to the National Bank	29	118	108	195	243	272	216	97	174	223	182	219
Interbank liabilities, net	9	336	641	1,226	2,304	2,603	2,512	1,008	913	208	225	285
In kuna	1	4	1	-1	23	27	35	62	75	28	24	73
In foreign exchange	8	332	640	1,227	2,281	2,576	2,477	946	838	180	201	212
Liabilities to other financial institutions, net	...	...	...	...	...	...	...	690	846	898	796	906
In kuna	...	...	...	...	...	...	...	712	873	933	847	963
Claims	...	...	...	...	...	...	...	-31	-44	-41	-47	-47
Liabilities	...	...	...	...	...	...	...	743	917	974	894	1,010
In foreign exchange	...	...	...	...	...	...	...	-22	-27	-35	-51	-57
Claims	...	...	...	...	...	...	...	-22	-27	-35	-51	-57
Liabilities	...	...	...	...	...	...	...	-	-	-	-	-
Total Liabilities	211	4,227	7,708	15,193	28,738	32,993	33,306	34,429	36,024	36,298	36,185	36,983

Source: National Bank of Croatia.

1/ National definitions of monetary aggregates are used. Croatia introduced a new plan of accounts for commercial banks in May 1995. Where possible, earlier data have been revised to be consistent with the new plan of accounts.

Table 41. Croatia: National Bank of Croatia Interest Rates

	Deposit Rates		Credit Rates			Inflation
	Statutory Reserves Rate	NBC Bills (7 day)	Discount Rate	Interest on Arrears	Reserve Shortfall Credits	Retail Price Index 1/
(Average annual rates; in percent)						
1992						
January	55	211	307	501	674	502
February	55	211	307	501	674	437
March	79	211	307	501	674	410
April	79	211	307	506	674	604
May	101	290	435	748	1,042	624
June	169	572	935	1,825	2,763	885
July	136	424	667	1,228	1,789	780
August	168	566	925	1,802	2,724	1,278
September	155	509	819	1,562	2,328	2,131
October	207	757	1,287	2,660	4,177	3,029
November	262	1,058	1,889	4,192	6,882	2,478
December	262	1,058	1,889	4,192	6,882	1,946
1993						
January	175	210	987	1,946	2,964	1,532
February	250	210	987	1,946	2,964	1,852
March	792	259	1,355	2,828	4,467	1,398
April	792	259	1,355	2,230	4,467	1,471
May	792	259	1,355	2,230	4,467	1,517
June	792	259	1,355	2,230	4,467	1,728
July	792	792	1,355	2,230	8,538	1,828
August	792	792	1,355	2,230	8,538	1,927
September	474	1,076	1,927	3,312	22,328	2,819
October	--	545	127	166	6,621	1,167
November	--	33	43	181	2,230	343
December	--	68	35	166	290	3
1994						
January	--	27	14	128	200	-8
February	--	28	14	51	128	-10
March	6	24	11	47	71	-14
April	6	18	11	30	40	-10
May	5	18	9	30	35	-7
June	5	15	10	30	35	1
July	5	11	9	22	23	1
August	5	11	9	22	23	4
September	5	11	9	22	23	2
October	5	11	9	22	...	2
November	5	9	9	22	...	1
December	5	9	9	22	...	3
1995						
January	5	9	9	22	...	4
February	5	10	9	22	...	4
March	5	9	9	22	...	4
April	5	9	9	22	...	4
May	6	9	9	22	...	2

Source: National Bank of Croatia.

1/ Retail price inflation is a centered, three-month average at an annual rate.

Table 42. Croatia: Deposit Money Bank Interest Rates – Domestic Currency Rates

	Deposit Rates			Credit Rates			Inflation
	Sight Deposits	Time Deposits	Average of All Deposits	Short-Term Credits	Long-Term Credits	Average of All Credits	Retail Price Index 1/
(Average annual rates; in percent)							
1992							
January	49	--	--	--	--	--	502
February	51	270	88	357	122	341	437
March	53	270	91	368	128	344	410
April	55	279	96	404	56	217	604
May	71	408	127	537	62	485	624
June	115	849	223	1,030	1,192	1,045	885
July	103	702	196	915	709	776	780
August	114	899	234	1,069	477	966	1,278
September	110	822	224	1,052	589	970	2,131
October	148	1,255	331	1,659	1,667	1,659	3,029
November	179	1,862	465	2,293	1,615	2,269	2,478
December	185	1,867	434	2,385	1,166	2,333	1,946
1993							
January	126	1,057	332	1,392	784	1,371	1,532
February	126	1,032	355	1,509	829	1,462	1,852
March	154	1,341	386	1,843	1,262	1,822	1,398
April	178	1,382	484	2,028	1,814	2,024	1,471
May	174	1,330	474	1,912	741	1,899	1,517
June	186	1,475	521	1,936	1,039	1,929	1,728
July	187	1,510	563	1,994	1,114	1,990	1,828
August	187	1,485	561	2,014	1,317	2,006	1,927
September	236	2,037	777	2,583	1,860	2,579	2,819
October	23	57	31	101	95	101	1,167
November	23	57	35	84	42	83	343
December	18	52	27	59	79	59	3
1994							
January	8	38	16	56	24	56	-8
February	8	33	14	54	26	54	-10
March	6	14	8	24	15	23	-14
April	3	10	5	18	15	18	-10
May	3	8	4	17	11	17	-7
June	3	8	4	16	13	16	1
July	3	8	4	16	13	16	1
August	3	8	4	15	13	15	4
September	3	9	4	15	13	15	2
October	4	9	5	16	13	16	2
November	4	9	5	16	14	16	1
December	4	10	5	15	14	15	3
1995							
January	4	9	5	16	14	16	4
February	4	10	6	16	14	16	4
March	4	10	5	17	13	17	4
April	4	11	5	18	15	18	4
May	4	11	5	--	--	19	2
June	4	11	5	23	15	23	-1
July	--	--	--	--	--	--	-2

Source: National Bank of Croatia

1/ Retail price inflation is a centered, three-month average at an annual rate.

Table 43. Croatia: Deposit Money Bank Interest Rates – Foreign Currency Rates

	Household Deposits			Enterprise Deposits			Enterprise Credits	
	Sight Deposits	3 month	24 month	Sight Deposits	3 month	24 month	Short-term	Long-term
1993 Q3	5.7	8.4	9.3	4.0	5.4	4.9	...	...
1993 Q4	5.4	8.9	8.9	2.9	4.3	5.2	...	...
1994 Q1	5.4	8.0	8.8	1.6	4.1	4.8	...	...
1994 Q2	5.4	7.8	8.5	1.5	3.8	4.6	12.0	12.0
1994 Q3	4.7	6.7	8.1	1.4	3.8	5.0	13.2	13.0
1994 Q4	4.7	6.9	7.7	1.7	3.8	5.2	14.0	13.5
1995 Q1	4.5	7.0	9.0	1.6	3.8	4.5	14.0	14.0
1995 Q2	4.5	7.1	9.2	1.5	4.2	4.0	15.0	15.0

Source: National Bank of Croatia

Table 44. Croatia: Balance of Payments

(In millions of U.S. dollars)

	1987	1988	1989	1990 1/	1991	1992	1993	1994
(Balance in convertible currency)								
Trade balance	-386	-496	-746	-1,170	-536	137	-763	-969
Exports, f.o.b. 2/	1,737	1,924	2,188	3,461	3,292	4,597	3,904	4,260
Of which: to former Yugoslav Republics 2/	...	...	...	...	...	1,470	966	968
Imports, c.i.f. 2/	-2,123	-2,420	-2,934	-4,631	-3,828	-4,461	-4,666	-5,229
Of which: to former Yugoslav Republics 2/	...	...	...	...	...	-1,031	-773	-572
Services, income, and transfers, net	1,103	1,616	1,676	2,221	-54	686	868	1,074
Transportation	199	227	222	308	151	166	179	120
Tourism	844	1,064	1,103	1,421	105	385	533	875
Other services	165	147	229	-411	-183	-128	-80	-257
Interest	-239	-119	-249	-192	-101	-170	-141	-124
Government transfers	...	...	...	-8	18	106	250	235
Private transfers	134	297	371	1,103	-44	326	126	224
Current account balance	717	1,120	930	1,050	-590	823	104	104
Capital account	...	...	...	-1,600	-698	-431	18	208
Foreign direct investment	...	...	...	-	-	13	74	98
Government drawings	...	...	...	62	6	15	251	192
Government repayments	...	...	...	-436	-570	-373	-369	-330
Bank net claims	...	...	...	218	195	-229	-193	-183
Other Sector net claims	...	...	...	-1,444	-329	143	255	431
Errors and omissions, net	...	...	...	438	1,052	-411	73	105
Overall balance of payments	...	...	...	-111	-236	-20	195	417
Change in reserves, net (increase, -)	...	...	...	-	-	-167	-446	-793
Arrears, net (increase, +)	...	...	...	109	236	186	251	259
Exceptional financing (UFR)	...	...	...	...	...	...	-	117
(Balance in nonconvertible currency) 3/								
Trade balance	-62	70	22	2	-	-	-	-
Exports, f.o.b.	668	719	621	559	-	-	-	-
Imports, c.i.f.	-730	-649	-599	-557	-	-	-	-
Invisibles, net	157	143	171	120	-	-	-	-
Current account balance	95	213	193	122	-	-	-	-

Source: National Bank of Croatia.

1/ The treatment of in-bond export processing activities was changed from 1990. The series for the period before 1990 included only the domestic value-added in such processing activities, as a receipt under exports of services. For data from 1990 onwards, both the import of components and the exports of the final products are included under merchandise trade. In terms of the old presentation, 1990 exports were estimated to be US\$2,455 million, and 1990 imports US\$3,876 million, with a trade deficit of US\$ 1,421 million.

2/ Figures for years before 1992 do not include trade with the countries of the former Yugoslavia.

3/ With former socialist economies. Integrated with convertible currency beginning in 1991. Small amounts of transactions in nonconvertible currency for 1991 are also included in the 1991 total for convertible currency.

Table 45. Croatia: Merchandise Exports and Imports, 1992-95

(In millions of U.S. dollars) 1/

Month	Overall		World, except Former Yugoslav Republics		Former Yugoslav Republics	
	Exports	Imports	Exports	Imports	Exports	Imports
1992	<u>4.597</u>	<u>4.461</u>	<u>3.127</u>	<u>3.429</u>	<u>1.470</u>	<u>1.031</u>
January	365	216	149	159	217	57
February	242	208	154	127	88	80
March	378	315	255	231	123	83
April	337	468	168	302	169	166
May	384	234	296	148	87	86
June	541	415	414	320	126	95
July	517	483	386	386	130	97
August	335	520	251	457	84	62
September	406	447	279	359	127	88
October	343	360	228	275	114	85
November	361	465	268	387	93	77
December	390	332	278	278	112	55
1993	<u>3.904</u>	<u>4.666</u>	<u>2.938</u>	<u>3.894</u>	<u>966</u>	<u>773</u>
January	185	162	130	119	55	43
February	353	646	261	514	92	132
March	240	362	170	300	70	63
April	542	439	389	380	154	59
May	390	538	305	477	86	61
June	277	353	218	299	59	54
July	330	273	263	240	68	33
August	356	254	278	209	77	44
September	257	569	193	482	65	86
October	364	417	256	326	108	90
November	301	282	236	245	65	37
December	307	374	240	303	68	71
1994	<u>4.260</u>	<u>5.229</u>	<u>3.292</u>	<u>4.657</u>	<u>968</u>	<u>572</u>
January	135	137	102	110	33	27
February	232	315	190	290	42	25
March	260	278	211	245	50	33
April	267	409	204	370	64	39
May	244	292	180	256	64	36
June	420	421	340	383	80	38
July	520	520	436	468	84	52
August	332	481	249	429	83	52
September	512	432	357	386	155	46
October	386	544	290	473	96	71
November	564	777	438	685	126	92
December	387	626	296	564	91	62
1995	<u>1.456</u>	<u>2.354</u>	<u>1.113</u>	<u>2.083</u>	<u>313</u>	<u>271</u>
January	370	505	303	447	67	58
February	366	554	284	487	82	67
March	430	676	338	599	92	77
April	290	619	218	550	72	69

Source: Statistical Office of Croatia.

1/ Calculated at current market exchange rate.

Table 46. Croatia: Composition of Exports (SITC)

(In millions of U.S. dollars)

	Total			
	1991	1992 ^{1/}	1993	1994
Total	<u>3,292</u>	<u>4,597</u>	<u>3,904</u>	<u>4,261</u>
Food products	<u>246</u>	<u>459</u>	<u>367</u>	<u>398</u>
Live animals	43	56	22	5
Meat and meat products	55	90	49	60
Fish and fish products	28	54	49	50
Grain and grain products	26	65	74	64
Fruit and vegetables	43	46	40	40
Coffee, tea, cocoa and spices	4	32	25	30
Livestock feed	7	21	10	21
Other food products	40	94	98	128
Beverages and tobacco	<u>24</u>	<u>112</u>	<u>101</u>	<u>67</u>
Raw materials, excluding fuels	<u>171</u>	<u>286</u>	<u>237</u>	<u>214</u>
Oil seeds, for planting and consumption	7	3	1	2
Raw rubber	- -	- -	- -	...
Wood, framing lumber and cork	117	167	168	144
Textile fibers and waste material	6	56	6	6
Raw fertilizers and minerals	4	11	12	13
Metal ores and scrap	8	14	10	20
Other raw materials	29	35	40	29
Mineral fuels and lubricants	<u>223</u>	<u>397</u>	<u>377</u>	<u>386</u>
Petroleum and petroleum products	172	340	322	344
Gas, natural and industrial	9	17	18	16
Other fuels and lubricants	42	39	37	26
Animal and vegetable oil and fats	<u>1</u>	<u>6</u>	<u>4</u>	<u>7</u>
Chemical products	<u>399</u>	<u>597</u>	<u>564</u>	<u>543</u>
Organic chemicals	40	40	61	43
Paints, material for tanning and dyeing	27	22	16	14
Medical and pharmaceutical products	68	127	100	133
Synthetic fuels	82	123	77	86
Plastic, cellulose resins	93	165	145	177
Other chemical products	89	119	166	90
Products classified according to constituent material	<u>477</u>	<u>820</u>	<u>526</u>	<u>654</u>
Rubber products	11	44	11	13
Paper, cardboard and products thereof	43	95	80	98
Textile yarns, textiles and the like	74	95	95	129
Non-metal mineral products	63	125	102	126
Raw iron and steel	108	124	66	69
Non-ferrous metals	74	195	41	50
Other metal products	104	142	131	168
Machines and transport equipment	<u>770</u>	<u>849</u>	<u>552</u>	<u>732</u>
Special machines for specific industries	109	49	32	47
Metal-working tools	43	22	17	15
General-purpose industrial machines	37	43	39	42
Electrical machines, devices and tools	76	162	143	172
Other machines and transport equipment	505	572	321	456
Miscellaneous ready-made products	<u>971</u>	<u>1,044</u>	<u>1,169</u>	<u>1,257</u>
Household furnishings	128	109	148	138
Clothing	585	553	644	629
Footwear	152	186	225	279
Scientific and monitoring instruments	6	17	13	17
Other ready-made products	100	179	139	194
Miscellaneous transactions and goods	<u>10</u>	<u>28</u>	<u>7</u>	<u>3</u>

Source: Central Bureau of Statistics

^{1/} Starting with 1992 data include trade with the countries of the former Yugoslavia.

Table 47. Croatia: Composition of Imports (SITC)

(In millions of U.S. dollars)

	Total			
	1991	1992 ^{1/}	1993	1994
Total	<u>3,828</u>	<u>4,461</u>	<u>4,666</u>	<u>5,228</u>
Food products	<u>375</u>	<u>468</u>	<u>357</u>	<u>498</u>
Live animals	31	68	69	18
Meat and meat products	42	104	61	76
Fish and fish products	13	12	13	19
Grain and grain products	14	22	19	39
Fruit and vegetables	121	79	92	131
Coffee, tea, cocoa and spices	58	30	24	52
Livestock feed	44	36	41	34
Other food products	53	117	38	129
Beverages and tobacco	<u>22</u>	<u>52</u>	<u>37</u>	<u>62</u>
Raw materials, excluding fuels	<u>199</u>	<u>263</u>	<u>176</u>	<u>151</u>
Oil seeds, for planting and consumption	11	14	7	12
Raw rubber	9	6	4	4
Wood, framing lumber and cork	5	15	16	19
Textile fibers and waste material	42	92	36	28
Raw fertilizers and minerals	45	65	45	38
Metal ores and scrap	47	32	31	7
Other raw materials	40	39	36	43
Mineral fuels and lubricants	<u>667</u>	<u>430</u>	<u>461</u>	<u>589</u>
Petroleum and petroleum products	499	321	302	436
Gas, natural and industrial	80	66	103	95
Other fuels and lubricants	88	43	56	58
Animal and vegetable oil and fats	<u>10</u>	<u>23</u>	<u>15</u>	<u>12</u>
Chemical products	<u>515</u>	<u>672</u>	<u>575</u>	<u>541</u>
Organic chemicals	125	114	102	81
Paints, material for tanning and dyeing	45	61	47	46
Medical and pharmaceutical products	55	106	98	99
Synthetic fuels	23	38	24	15
Plastic, cellulose resins	92	72	58	70
Other chemical products	174	281	246	230
Products classified according to constituent material	<u>347</u>	<u>808</u>	<u>804</u>	<u>801</u>
Rubber products	15	48	45	53
Paper, cardboard and products thereof	46	136	166	134
Textile yarns, textiles and the like	89	155	148	149
Non-metal mineral products	36	70	75	77
Raw iron and steel	60	152	159	142
Non-ferrous metals	23	78	64	81
Other metal products	77	170	147	165
Machines and transport equipment	<u>840</u>	<u>726</u>	<u>1,123</u>	<u>1,367</u>
Special machines for specific industries	97	117	147	176
Metal-working tools	14	13	24	24
General-purpose industrial machines	156	157	169	217
Electrical machines, devices and tools	98	145	159	241
Other machines and transport equipment	475	294	625	709
Miscellaneous ready-made products	<u>551</u>	<u>715</u>	<u>780</u>	<u>776</u>
Household furnishings	11	31	32	54
Clothing	170	175	173	231
Footwear	144	286	358	202
Scientific and monitoring instruments	78	53	58	79
Other ready-made products	147	169	159	210
Miscellaneous transactions and goods	<u>302</u>	<u>304</u>	<u>339</u>	<u>431</u>

Source: Central Bureau of Statistics

^{1/} Starting with 1992 data include trade with the countries of the former Yugoslavia.

Table 48. Croatia: Exports by Destination

(In millions of U.S. dollars)

	1991	1992 1/	1993	1994
Total	<u>3,292</u>	<u>4,597</u>	<u>3,904</u>	<u>4,260</u>
Developed countries	<u>2,430</u>	<u>2,584</u>	<u>2,412</u>	<u>2,726</u>
EEC countries	<u>2,017</u>	<u>1,966</u>	<u>2,087</u>	<u>2,215</u>
Belgium	28	32	29	38
Denmark	9	7	7	10
France	66	58	133	111
Italy	715	909	828	910
Netherlands	126	98	92	94
Germany	968	773	895	941
Great Britain	57	56	73	68
Other	48	33	30	43
EFTA countries	<u>249</u>	<u>509</u>	<u>202</u>	<u>381</u>
Austria	97	105	130	149
Norway	58	23	3	4
Sweden	44	339	25	164
Switzerland	42	36	40	60
Other	8	7	4	4
Other developed	<u>164</u>	<u>108</u>	<u>123</u>	<u>130</u>
Australia	7	5	6	5
Japan	1	3	1	1
Canada	9	5	5	5
U.S.A.	120	69	82	88
Turkey	10	11	20	14
Other	16	15	9	17
Other countries	<u>467</u>	<u>1,851</u>	<u>1,302</u>	<u>1,334</u>
East European countries	<u>390</u>	<u>265</u>	<u>304</u>	<u>349</u>
Czech and Slovak Republics	51	32	32	50
Hungary	36	42	54	68
Poland	44	32	37	45
FSU	247	155	173	176
Other	12	4	8	10
Other countries 2/	<u>77</u>	<u>115</u>	<u>32</u>	<u>17</u>
Republics of former SFRY	<u>...</u>	<u>1,470</u>	<u>966</u>	<u>967</u>
Bosnia-Herzegovina	...	192	189	338
FYR of Macedonia	...	87	63	73
Slovenia	...	1,101	712	556
Other and unclassified	...	90	2	--
Developing countries	<u>395</u>	<u>163</u>	<u>190</u>	<u>200</u>
Middle East	65	14	24	16
Asia	38	25	31	16
Mediterranean	63	30	22	22
Africa	191	60	55	71
Americas	35	34	33	61
Oceania	--	--	--	...
Europe	3	--	25	15

Source: Central Bureau of Statistics

1/ Starting with 1992 data include trade with countries of the former Yugoslavia.

2/ Albania, China, and Mongolia.

Table 49. Croatia: Imports by Origin

(In millions of U.S. dollars)

	1991	1992 ^{1/}	1993	1994
Total	<u>3,828</u>	<u>4,461</u>	<u>4,666</u>	<u>5,229</u>
Developed countries	<u>2,568</u>	<u>2,389</u>	<u>2,949</u>	<u>3,520</u>
EEC countries	<u>1,903</u>	<u>1,863</u>	<u>2,251</u>	<u>2,655</u>
Belgium	42	50	47	55
Denmark	29	31	16	31
France	99	72	97	116
Italy	623	761	882	994
Netherlands	115	89	92	115
Germany	833	768	991	1,110
Great Britain	111	65	90	179
Other	50	28	36	55
EFTA countries	<u>343</u>	<u>333</u>	<u>465</u>	<u>553</u>
Austria	177	190	311	353
Norway	11	7	5	8
Sweden	46	53	60	81
Switzerland	87	67	79	101
Other	22	16	10	10
Other developed	<u>322</u>	<u>193</u>	<u>232</u>	<u>312</u>
Australia	8	9	5	5
Japan	111	32	42	54
Canada	8	4	10	19
U.S.A.	148	106	124	172
Turkey	21	15	9	16
Other	26	28	42	46
Other countries	<u>607</u>	<u>1,646</u>	<u>1,286</u>	<u>1,163</u>
East European countries	<u>575</u>	<u>604</u>	<u>494</u>	<u>558</u>
Czech and Slovak Republics	202	215	118	145
Hungary	80	103	78	100
Poland	25	32	25	38
FSU	252	231	261	254
Other	16	24	12	21
Other countries ^{2/}	32	12	19	33
Republics of former SFRY	...	<u>1,031</u>	<u>773</u>	<u>572</u>
Bosnia-Herzegovina	...	81	14	4
FYR of Macedonia	...	56	46	27
Slovenia	...	874	712	541
Other and unclassified	...	21	1	...
Developing countries	<u>654</u>	<u>426</u>	<u>432</u>	<u>545</u>
Middle East	18	10	3	17
Asia	215	254	270	338
Mediterranean	233	74	64	91
Africa	42	27	37	15
Americas	145	61	57	81
Oceania	--	--	--	...
Europe	--	--	--	3

Source: Central Bureau of Statistics

^{1/} Starting with 1992 data include trade with countries of the former Yugoslavia.

^{2/} Albania, China, and Mongolia.

Table 50. Croatia: Exchange Rates and International Reserves

	HrK/US\$ 1/		HrK/DM 1/		Real Effective Exchange Rate 2/	Foreign Exchange Reserves		
	e.o.p.	p.a.	e.o.p.	p.a.		NBC	Commercial Banks	Total
(In millions of U.S. dollars)								
1992								
January	0.088	0.087	0.055	0.055	100.0	- -	186.5	186.5
February	0.090	0.089	0.055	0.055	112.4	3.5	219.2	222.7
March	0.110	0.108	0.067	0.065	109.7	4.0	228.4	232.4
April	0.155	0.130	0.094	0.079	99.3	4.0	246.1	250.1
May	0.181	0.166	0.113	0.102	92.5	7.0	290.3	297.3
June	0.221	0.202	0.145	0.128	86.7	18.6	290.9	309.5
July	0.242	0.226	0.163	0.151	91.5	30.8	355.0	385.8
August	0.275	0.258	0.195	0.178	95.8	89.0	386.6	475.6
September	0.338	0.305	0.234	0.209	104.7	122.2	440.6	562.8
October	0.462	0.384	0.301	0.260	112.2	135.7	452.2	587.9
November	0.619	0.532	0.386	0.336	112.0	143.9	455.1	599.0
December	0.798	0.685	0.495	0.433	105.5	166.8	502.3	669.1
1993								
January	0.958	0.869	0.603	0.538	110.9	200.2	528.1	728.3
February	1.227	1.078	0.748	0.657	112.5	231.0	559.5	790.5
March	1.556	1.372	0.956	0.833	114.8	271.6	583.2	854.8
April	1.920	1.668	1.214	1.045	114.1	312.7	652.7	965.4
May	2.431	2.142	1.517	1.337	111.4	342.4	663.1	1,005.5
June	3.195	2.773	1.882	1.681	113.4	355.9	636.5	992.4
July	3.971	3.530	2.278	2.059	114.8	416.2	628.5	1,044.7
August	4.774	4.302	2.865	2.532	119.7	465.7	741.5	1,207.2
September	5.940	5.290	3.683	3.254	122.1	476.3	748.0	1,224.3
October	6.849	6.949	4.093	4.269	128.1	500.1	751.2	1,251.3
November	6.283	6.488	3.719	3.819	145.0	573.9	677.5	1,251.4
December	6.562	6.433	3.802	3.765	146.9	612.4	712.9	1,325.3
1994								
January	6.544	6.597	3.775	3.788	144.6	620.8	720.5	1,341.3
February	6.178	6.434	3.595	3.710	144.9	669.4	703.2	1,372.6
March	6.139	6.169	3.661	3.643	146.6	733.2	729.1	1,462.3
April	6.144	6.229	3.694	3.672	141.9	773.6	678.5	1,452.1
May	6.121	5.767	3.716	3.713	143.4	795.6	699.1	1,494.7
June	5.866	6.073	3.718	3.717	140.0	866.1	760.3	1,626.4
July	5.888	5.829	3.694	3.701	140.9	962.9	848.4	1,811.3
August	5.848	5.772	3.697	3.694	140.9	1,071.3	947.8	2,019.1
September	5.726	5.738	3.695	3.693	140.9	1,150.0	939.2	2,089.2
October	5.492	5.601	3.665	3.681	141.0	1,357.9	952.2	2,310.1
November	5.698	5.614	3.645	3.651	141.6	1,362.8	877.1	2,239.9
December	5.629	5.725	3.632	3.639	142.1	1,405.0	902.4	2,307.4
1995								
January	5.495	5.565	3.630	3.639	143.2	1,445.2	904.5	2,349.7
February	5.291	5.456	3.630	3.631	143.3	1,478.2	917.6	2,395.8
March	4.997	5.115	3.595	3.629	146.2	1,535.2	1,018.3	2,553.5
April	4.952	5.010	3.593	3.626	147.2	1,642.3	1,053.9	2,696.2
May	4.991	5.062	3.598	3.596	146.4	1,719.6	1,035.3	2,754.9
June	5.042	5.047	3.608	3.600	...	1,825.9	1,054.9	2,880.8

Source: National Bank of Croatia.

1/ Croatia introduced a new currency, the Croatian kuna, on May 30, 1994, at the rate of one kuna per 1,000 Croatian dinars. Exchange rates prior to May 1994 are foreign currency units per 1,000 Croatian dinars.

2/ Real effective exchange rates are calculated relative to seven currencies using retail or consumer prices. An increase in the rate denotes a real appreciation.

Table 51. Croatia: External Debt 1/

(In millions of U.S. dollars)

Groups of Creditors	Outstanding Debt			
	1991 Dec. 31	1992 Dec. 31	1993 Dec. 31	1994 Dec. 31
Medium- and long-term external debt	2,719.4	2,537.4	2,431.3	3,171.5
International financial institutions	423.3	404.1	319.6	404.0
IMF	--	43.9	20.6	126.1
IBRD	152.8	118.4	88.81	71.4
Eurofima	99.8	81.1	59.6	48.1
IFC	5.2	2.2	2.1	2.3
EIB	153.1	147.0	138.6	145.7
EFR	12.4	11.5	9.9	10.4
Commercial banks (new financial agreement)	887.4	936.0	941.1	992.9
Governments (Paris Club)	1,127.7	984.1	929.1	1,399.3
Consolidated debt	783.4	731.1	666.2	782.0
Nonconsolidated debt (guaranteed by an official agency in the creditor country)				
Signed before Dec. 2, 1982	130.4	112.2	105.3	240.0
Signed after Dec. 2, 1982	213.9	140.8	157.6	377.3
Commercial banks nonguaranteed	144.6	150.4	136.1	98.0
Suppliers' credits	136.4	62.8	105.4	160.9
Short-term external debt	83.6	198.6	54.6	50.5
Leasing	175.0	--	--	--
Interest arrears 2/	...	...	152.2	382.1
Total external debt	2,978.0	2,736.0	2,638.1	3,487.7
Memorandum items:				
Internal foreign exchange debt in blocked accounts with the banks	3,414.4	3,121.0	2,269.5	2,031.9
Total external debt as percent of GDP	25.3	28.9	24.2	21.6

Source: National Bank of Croatia.

1/ Does not include amounts subject to disputes between Croatians commercial banks debtors and external commercial bank creditors. Figures for 1991-93 exclude Croatia's share of the non-allocated debt of the former Yugoslavia owed to Paris Club creditors. Figures for 1994 include Croatia's share of this debt.

2/ Interest in arrears is included in short-term debt in the figures for 1990-92. The 1994 figures includes late interest on debts owed to Paris Club creditors.

Table 52. Croatia: External Debt and Debt Service

(In millions of U.S. dollars) 1/

	Outstanding 2/ Debt as of Dec. 31, 1994	Arrears through Dec. 31, 1994	Scheduled Payments					
			1995	1996	1997	1998	1999	2000
Total	<u>3,487.7</u>	<u>1,264.3</u>	<u>586.7</u>	<u>447.7</u>	<u>368.3</u>	<u>367.7</u>	<u>313.1</u>	<u>218.2</u>
Principal	<u>3,105.6</u>	<u>882.2</u>	<u>434.2</u>	<u>322.8</u>	<u>264.4</u>	<u>279.2</u>	<u>242.2</u>	<u>161.0</u>
Medium—and—long term loans	<u>3,055.1</u>	<u>843.6</u>	<u>388.1</u>	<u>322.8</u>	<u>264.4</u>	<u>279.2</u>	<u>242.2</u>	<u>161.0</u>
Official creditors	<u>1,803.3</u>	<u>660.7</u>	<u>246.4</u>	<u>193.0</u>	<u>163.9</u>	<u>192.0</u>	<u>157.2</u>	<u>82.2</u>
Int. fin. organizations	<u>404.0</u>	<u>2.7</u>	<u>52.5</u>	<u>36.3</u>	<u>25.5</u>	<u>53.2</u>	<u>87.3</u>	<u>72.4</u>
IMF	126.1	--	5.7	4.5	2.3	16.5	61.6	52.9
IBRD	71.4	--	13.3	11.5	11.7	11.8	10.3	6.9
IFC	2.3	--	2.3	--	--	--	--	--
EIB	145.7	--	7.8	9.1	9.3	10.3	11.3	12.3
EUROFIMA	48.1	--	21.7	9.5	0.5	13.2	32	--
EFR	10.4	2.7	1.7	1.7	1.7	1.4	0.9	0.3
Paris Club Creditors	<u>1,399.3</u>	<u>658.0</u>	<u>193.9</u>	<u>156.7</u>	<u>138.4</u>	<u>138.8</u>	<u>69.9</u>	<u>9.8</u>
Pre—cutoff date debt	<u>1,022.0</u>	<u>570.7</u>	<u>129.8</u>	<u>102.7</u>	<u>81.2</u>	<u>81.4</u>	<u>12.6</u>	<u>9.8</u>
Post—cutoff date debt	<u>377.3</u>	<u>87.3</u>	<u>64.1</u>	<u>54.0</u>	<u>57.2</u>	<u>57.4</u>	<u>57.3</u>	<u>--</u>
Private creditors	<u>1,302.3</u>	<u>221.5</u>	<u>187.8</u>	<u>129.8</u>	<u>100.5</u>	<u>87.2</u>	<u>85.0</u>	<u>78.8</u>
Medium—and long—term loans	<u>1,251.8</u>	<u>182.9</u>	<u>141.7</u>	<u>129.8</u>	<u>100.5</u>	<u>87.2</u>	<u>85.0</u>	<u>78.8</u>
Commercial banks (NFA & Trade Facility)	<u>992.9</u>	<u>136.4</u>	<u>72.8</u>	<u>72.8</u>	<u>72.8</u>	<u>72.8</u>	<u>72.8</u>	<u>72.8</u>
Other commercial banks	<u>98.0</u>	<u>14.7</u>	<u>26.0</u>	<u>22.5</u>	<u>12.1</u>	<u>2.1</u>	<u>4.8</u>	<u>1.2</u>
Suppliers	<u>160.9</u>	<u>31.8</u>	<u>42.9</u>	<u>34.5</u>	<u>15.6</u>	<u>12.3</u>	<u>7.4</u>	<u>4.8</u>
Short—term credits	<u>50.5</u>	<u>38.6</u>	<u>46.1</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Interest in arrears	<u>382.1</u>	<u>382.1</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Interest 3/	--	--	152.5	124.9	103.9	88.5	70.9	57.2

Source: NBC data base as of Dec. 31, 1994 and staff estimates

1/ Calculated at exchange rate on Dec. 31, 1994. Covers payments due on debt outstanding at this time only. Excludes debt not recognized by the Croatian obligors.

2/ Including arrears.

3/ Excluding interest on arrears.