

## **Republic of Croatia: Selected Issues and Statistical Appendix**

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INTERNATIONAL MONETARY FUND

REPUBLIC OF CROATIA

**Selected Issues and Statistical Appendix**

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Approved by European I Department

July 22, 2002

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## I. MEDIUM-TERM FISCAL ISSUES: A CROSS-COUNTRY PERSPECTIVE <sup>1</sup>

### A. Introduction and Overview

1. Fiscal policy represents the main macroeconomic policy instrument in Croatia, as monetary policy aims at realizing price stability through a broadly stable nominal exchange rate against the euro. This chapter discusses the revenue and expenditure trends of the country from a cross-country perspective and illustrates the medium-term fiscal outlook under two scenarios: one assumes gradual fiscal adjustment and structural reforms; the other assumes stronger fiscal adjustment and a more aggressive approach to structural reforms.

2. The overall fiscal picture in recent years does not compare favorably with other Central and Eastern European countries (CEECs), the EU countries, or the Baltic countries (Figure 1). The overall deficit of the general government has been significantly higher than in these three groups. A comparison of the primary balance, which reflects past fiscal trends, provides an even more worrisome picture: the primary balance of other CEECs, the Baltics, and the EU countries is in surplus or close to balance, but Croatia has run a significant deficit for the past five years. Croatia's general government debt stock is still lower than that of the EU countries on average, but it is considerably higher than in other transition economies. More alarmingly, however, Croatia's public debt to GDP ratio has risen by about 20 percentage points of GDP over the past five years, while it has gradually declined in the EU countries and other CEECs. The generous extension of public guarantees has contributed to the rising public debt ratio in Croatia.

3. The reduction of the fiscal deficit and public debt ratios is the most important policy challenge. In view of the high expenditure ratio, it is prudent to realize fiscal consolidation mainly through expenditure cuts (Figure 2). There would be little room to increase revenues as the country's tax system already imposes a heavy burden on the economy, compared with other transition economies. Experience in other transition countries also suggests that consolidation tends to be more successful when it is based on expenditure cuts rather than revenue increases.<sup>2</sup>

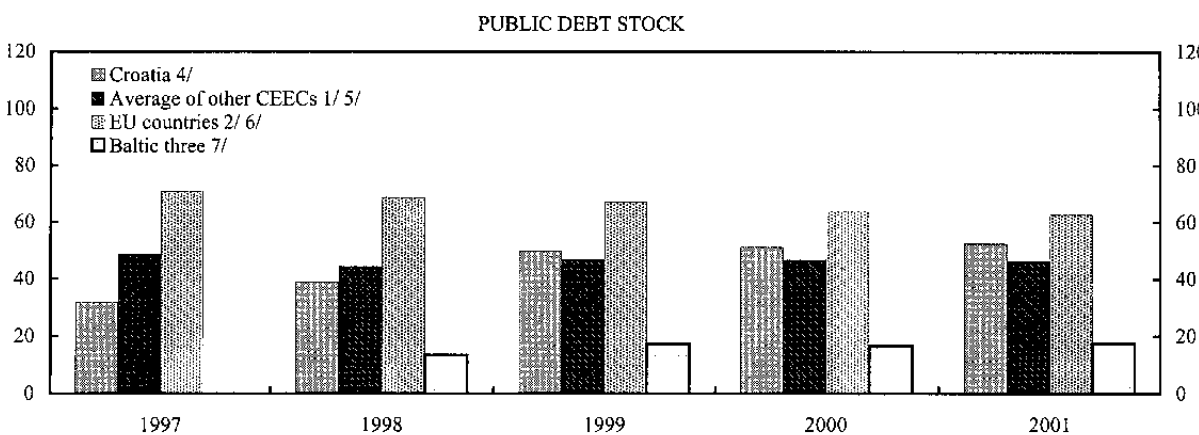
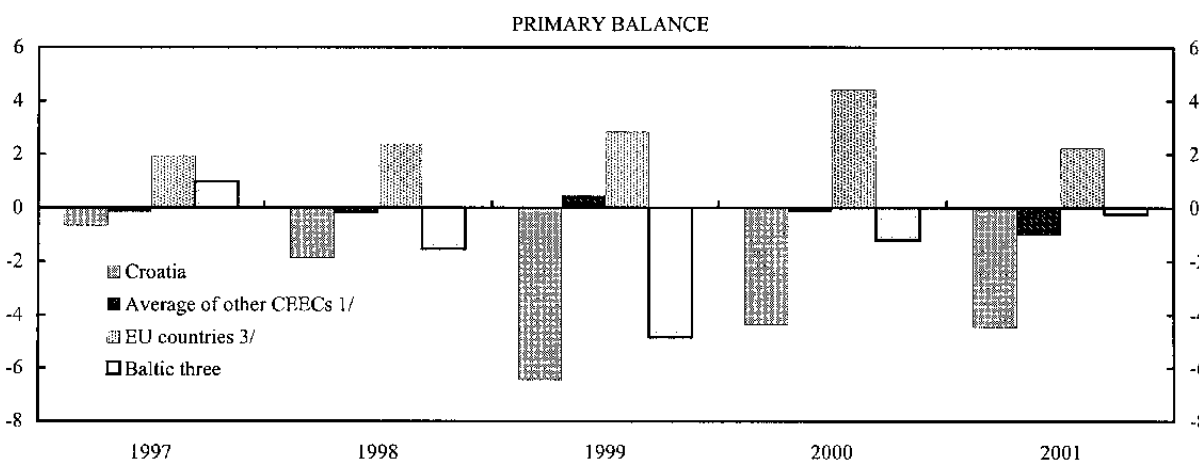
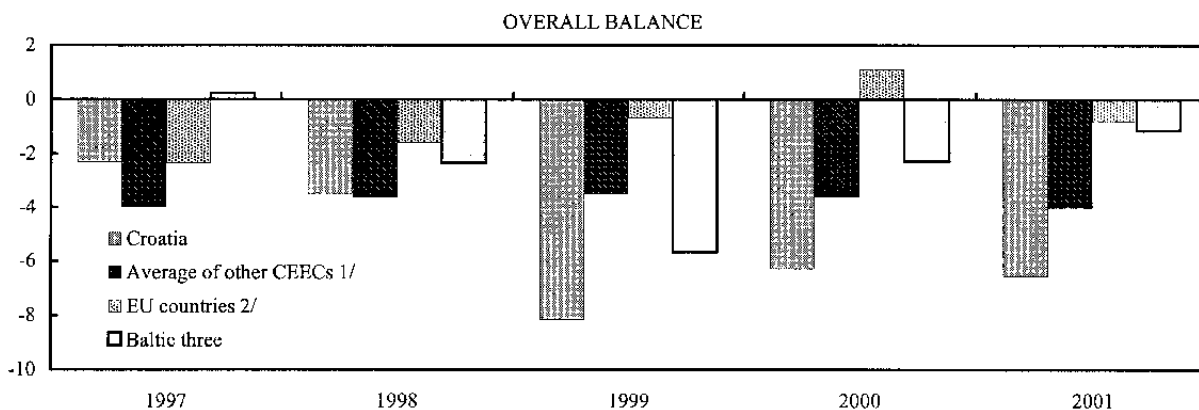
4. This chapter is organized as follows. Section B analyzes Croatia's revenue structure to provide a perspective for the medium-term revenue policy. Section C identifies the expenditure items that could be streamlined over the medium term. Section D presents alternative medium-term fiscal frameworks, and concluding remarks are provided in Section E.

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<sup>1</sup> Prepared by Tetsuya Konuki.

<sup>2</sup> See, for example, IMF (2001a).

Figure 1. Croatia and Selected Other Countries: General Government Balance, Primary Balance, and Public Debt Stock, 1997-2001 (In percent of GDP)



Sources: Ministry of Finance and IMF staff estimates

1/ Includes Albania, Bulgaria, Czech Rep., Hungary, Poland, Romania, Slovak Rep., and Slovenia.

2/ 15 EU member countries' average weighted by each member's GDP.

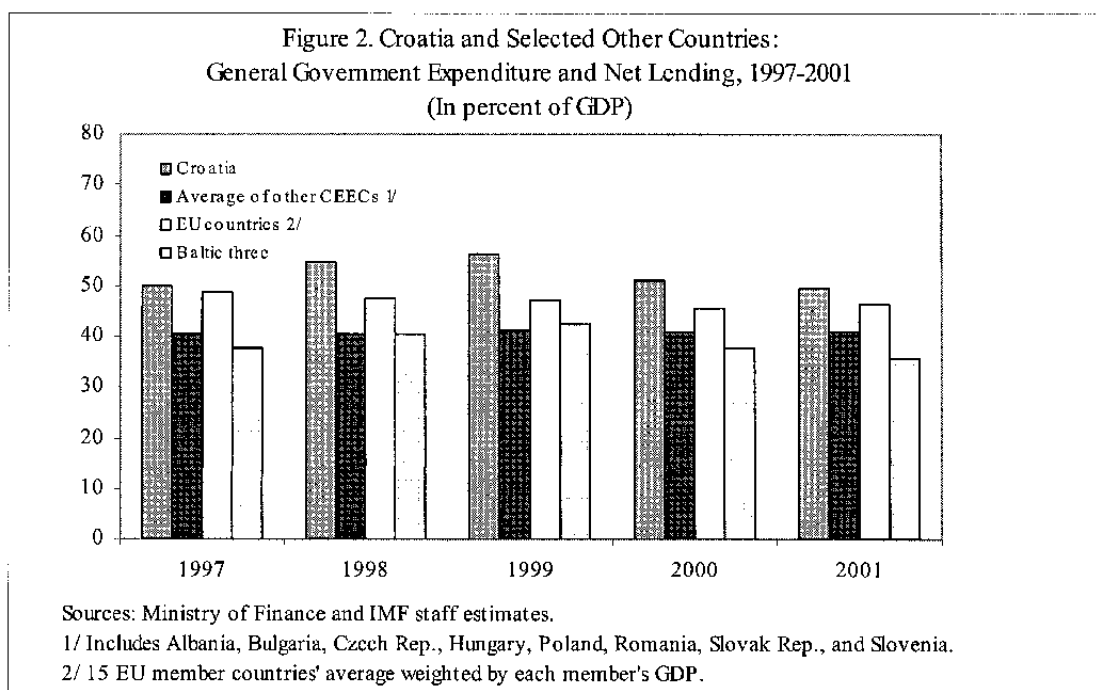
3/ 14 EU member countries' (excluding Luxembourg) average weighted by each member's GDP.

4/ Inclusive of guarantees and arrears.

5/ Except for Czech Rep., direct debt only. Debt stock of Czech Rep. includes guarantees. Central government debt for Hungary.

6/ Direct debt only.

7/ Inclusive of guarantees.



## B. Revenue Policy

5. The total revenue and tax burdens in Croatia are high compared with other CEECs and the Baltic countries. In 2001, the total revenue and grants to GDP ratio was more than 6 percentage points above the average of other CEECs and more than 8 percentage points above the average of the Baltic countries, but it was slightly lower than in the EU countries (Table 1). A similar situation prevails with respect to tax collections (Table 2).

6. Croatia's tax rates are not out of line with those in other transition countries in the region (Table 3). Croatia's VAT rate is about the average of those of other CEECs, although it is four percentage points higher than that of the Baltic countries. The statutory top corporate income tax rate and the payroll tax rate are among the lowest in transition economies of the region. The top personal income tax rate is in line with those of other CEECs, although it is higher than those in the Baltic countries. Tax rate comparisons suggest that a limited number of exemptions and tax incentives and the simplicity of the tax system have apparently contributed to the high revenue collections in Croatia. Despite the introduction of various exemptions and tax incentives since late 1999, the revenue-generating capacity of Croatia remains strong among transition economies in the region.<sup>3</sup>

<sup>3</sup> For example, zero rating for bread, milk, books, and prescription drugs was introduced into the VAT in November 1999, and that for organized foreign tourism was introduced in

(continued)



7. The proper agenda for tax policy over the medium term is to preserve and develop existing strengths, and to broaden tax bases where possible. Due to political pressures, the parliamentary discussion of legislation to extend the collections of social security contributions to all income tax-payers has been postponed. Thought is being given to replacing standard income tax deductions with itemized deductions in 2003. There are also pressures for providing more generous tax incentives for investment. Experience—including from tax incentives that have been offered in Croatia itself—suggests that such measures have only a limited effect in attracting investments. Instead, success in raising revenue through the broadening of tax bases and better tax administration offers the possibility of competitiveness enhancing tax rate cuts.

### **C. Scope for Expenditure Reform**

8. In view of the relatively heavy tax burden, expenditure reduction should play the dominant role in fiscal adjustment in Croatia. While there are no normative guidelines on the optimal size of government from a positive perspective, Begg and Wyplosz (1999) found that, except for Bulgaria, all transition economies in their sample had oversized governments when controlling for political and economic variables. Tanzi and Schuknecht (1996) study historical trends in public expenditure and improvements in social and economic indicators in industrial countries. They conclude that, as a rule of thumb, total spending could be reduced to about 30 percent of GDP without sacrificing much in terms of social and economic objectives. Croatia's total spending ratio is well above this level. Endogenous growth theories suggest that some elements of government expenditure, particularly investment in human and physical capital, can play a role in the growth process.<sup>4</sup> In empirical work on OECD countries, for example, Kneller et al. (1999) find that "productive" expenditure (education and infrastructure) tends to increase growth, while "non-productive" expenditure (mainly wages and social welfare) has a very limited impact. Reduction of non-productive spending would create savings for productive expenditures and spending necessitated by EU accession (particularly environmental protection) and NATO membership. It would also address the long-term pressure for pension spending resulting from population aging.

9. A further reduction of the wage bill ratio would be advisable. Despite its reduction over the past two years, the wage bill to GDP ratio in Croatia is very high in international comparison (Table 4). Notably, it is about twice as high as that in other CEECs. It is also more than 3 percentage points above that of the Baltic countries. Although the number of employees of the general government declined by about 5 percent over the past five years, the wage bill ratio in 2001 remained at the same level as in 1997. In 2002, the wage bill is expected to decline to 10.6 percent of GDP, close to the EU countries' average in 2001,

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January 2001. Investment incentives in the form of reduced profit tax rates and tax holidays were also introduced in January 2001.

<sup>4</sup> See Barro and Sala-i-Martin (1992) and Tanzi and Zee (1997).

mostly due to planned employment cuts in the defense and health sectors. Efforts to reduce government employment should keep up momentum to contain the wage bill in view of the planned easing of the three-year wage freeze in 2003, which was originally planned to continue until 2004. Further decentralization and rationalization of administration, which are currently under consideration, will help to downsize the general government without jeopardizing the quality of public services, if the institutional capacity of local governments is improved as a part of the public sector reform. To mitigate the short-term social impact of employment cuts, well defined and targeted active labor market policies and social safety net measures, such as a retraining program for laid off employees, should be implemented. While wage increases to attract and retain competent staff are necessary over the medium term, greater reliance should be placed on an incentive-based compensation system.<sup>5</sup>

10. Subsidies and other current transfers leave much to be streamlined. Their ratio to GDP in Croatia is substantially higher than that in the EU countries, the Baltic countries, and other CEECs, except for the Czech Republic, Poland, and Slovenia (Table 5). In 2002, the ratio of subsidies and other current transfers to GDP is expected to decline marginally to 19.7. The social reform package, which was approved by parliament in late 2001, has led to a substantial reduction in social transfers.<sup>6 7</sup> However, increases in subsidies to small and medium-sized enterprises and export industries, and new employment subsidies, reflecting the creation of two extrabudgetary funds for employment and growth and for regional development, offset the savings from the social package. In addition, a recently approved amendment of the agriculture law aims at increasing agricultural subsidies to the OECD average level of 1.3 percent of GDP. The authorities intend to review all subsidies with a view to reversing the recent increase in employment and economic subsidies and more than offsetting the increase in agricultural subsidies to be introduced in 2003. All subsidy programs should remain temporary so that companies that cannot operate without subsidies could exit. Although the social package and first pillar pension reform, whose implementation started in 1999, created some relief from pressures on pension spending,

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<sup>5</sup> Performance based pay is currently being negotiated in the health sector.

<sup>6</sup> In October 2001, parliament approved a social reform package, consisting of amendments to eleven laws, aimed at rationalizing the country's ill-coordinated and overly generous system of social transfers. The package fully or partially harmonized social benefits of privileged groups (e.g., war veterans, members of parliament) with those for the general population regarding pensions, child benefits, disability and health allowances. It also reduced the social benefits of the general population by cutting the amounts and duration of child benefits, making the sick and maternity leave benefits less generous, and increasing the patients' burden of copayments for drugs.

<sup>7</sup> Savings from the social reform package are estimated at 1.4 percent of GDP annually on a permanent basis. A small part of these savings accrues to revenues and expenditures on goods and non-wage services.

further reform and rationalization of the pension system would be necessary to offset the unfavorable demographic dynamics over the medium term, by raising the retirement age, establishing actuarially neutral incentives for retirement, and lowering the frequency and degree of indexation.<sup>8</sup> Payments under the small pension law could be discontinued as originally envisaged at the end of 2002.<sup>9</sup> Substantial room remains to raise efficiency in the delivery of health services, encourage their rational use, and reduce the cost of sick pay benefits, which remain very generous.

11. It is crucial to recognize that restraint on spending for wages and subsidies and transfers can be only sustained over the medium term if it is achieved through structural reforms. In addition to civil service reform, it is necessary to increase labor market flexibility to avoid prolonged increases in unemployment as a result of government employment reduction. A substantial reduction in subsidies might create additional unemployment in the short run and increase the cost of the social safety net. The more flexible the labor market is, the less costly the social safety net program is. The prompt approval of the new labor law, whose parliamentary discussion has been postponed until the fall of 2002, should be given high priority. Vigorous cuts in the wage bill and in subsidies and transfers, which are growth inhibiting, would create room for an increase in growth promoting expenditure (education and infrastructure) and the EU (environmental protection) and NATO accession costs over the medium term, as well as reduce the public debt ratio.

#### **D. Medium-Term Fiscal Frameworks**

12. Two medium-term fiscal frameworks are presented in this section to assess the fiscal challenges. The first scenario assumes a gradual approach on fiscal adjustment and structural reforms (Table 6). The second is an alternative scenario that assumes more front-loaded fiscal adjustment and a more aggressive approach to privatization and structural reforms (Table 7). Details of the assumptions underlying these scenarios are given in the Appendix.

13. The first scenario shows that the debt dynamics on current trends are not sustainable. Fiscal adjustment to reduce the overall deficit to 3.8 percent of GDP and the primary deficit

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<sup>8</sup> Starting from January 1, 1999, the statutory retirement age has been raised by six months every half year, to raise it by 2004 from 60 to 65 years for men and from 55 to 60 years for women. Also, a significant reduction in pension benefits applied to early retirement has been introduced. In addition, the calculation period for the pension benefit is gradually being shifted from the most favorable 10 years to the full length of service.

<sup>9</sup> For several years after the stabilization program was introduced in October 1993, the budget did not transfer the amounts due the then existing "merit pensions." The constitutional court ruled this action unconstitutional and mandated the government to compensate the non-payment of these transfers. This is called "Small Law" restitution, in contrast to larger, open-ended restitution payments for past inadequate indexation that have been made since 2001.

to 1.3 percent of GDP over the medium term from the 2001 levels of 6.6 percent and 4.5 percent, respectively, would not be enough to fully stabilize the public debt ratio. The scenario assumes real GDP growth of 4 percent and an average interest rate of 5 percent, which corresponds to the current average interest paid on the country's public debt. Under these macro assumptions and deficit dynamics, the public debt ratio (assuming no further increase in public guarantees) temporarily drops to 53 percent of GDP in 2004 due to the assumed realization of privatization receipts, mostly from the oil (INA) and electricity (HEP) companies. However, after financing from privatization receipts has dried up, the debt ratio will start rising again, albeit gradually. To stabilize the public debt ratio over the medium term, the primary deficit should not be larger than 1.25 percent under the baseline assumption on GDP growth.<sup>10</sup>

14. The alternative scenario, which is presented in the staff report, highlights the importance of front-loaded fiscal adjustment and vigorous structural reforms. The stronger fiscal adjustment would reduce the overall deficit to 3 percent of GDP, which is consistent with the Stability and Growth Pact of the EU, by 2005 and the primary deficit to 0.5 percent by 2006. The debt stock would decline to less than 50 percent of GDP by 2004, to a level lower than the other CEECs' current average by 2006, and to less than 40 percent by 2009. Allocations to productive expenditures, such as education and infrastructure investment, are assumed to be significantly higher under this scenario than under the first scenario.

15. The sizable fiscal adjustment combined with forceful structural reforms under this scenario would achieve higher growth for output, productivity, and employment. Several recent empirical studies have found that fiscal adjustment could lead to higher economic growth (see Box). Institutional or political economy arguments for strong fiscal adjustment in Croatia are as follows:

#### **Box. Fiscal Adjustment and Economic Growth**

While empirical evidence regarding the effects of fiscal consolidation is mixed (see Alesina, et al. (1998) and IMF (2001b)), more recent studies have argued that, in some circumstances, fiscal contraction can increase growth even in the short run. For example, a smaller fiscal deficit can lead to higher growth by reducing large risk premia on interest rates associated with a public debt sustainability problem. This underlines the importance of credible fiscal policy as a precondition for the automatic stabilizers to work (see IMF (2001a)). If the deficit or debt ratio is already high, as in Croatia, an increase in the government deficit in response to an economic downturn may even have an adverse—rather than a stabilizing—effect on output, as confidence effects and increases in interest rates dominate the multiplier effect.

Over time, the effect of fiscal consolidation on economic growth is increasingly determined by non-Keynesian factors and by the way it is achieved. In general, an adjustment through tax increases is more likely to have a persistent contractionary impact (see Leibfritz et al. (1997)). On the contrary, expenditure-driven adjustment can be expansionary over the medium term, depending on which categories of spending are cut. Durable adjustments in the public sector wage bill and subsidies and transfers, which the front-loaded adjustment scenario assumes, are more likely to contribute to sustained growth. Cuts in investment and education spending can have the opposite effect. The front-loaded adjustment scenario assumes significantly higher spending on investment and education over the medium term than the first scenario.

<sup>10</sup> For each percentage of change in GDP growth, the primary balance needed to stabilize the debt ratio changes by 0.3 percent of GDP.

- First, strong fiscal adjustment would reduce the likelihood of crowding out more productive private sector investment, and help to maintain the low level of interest rates by justifying the continuation of the current relaxed monetary policy.
- Second, moving toward a balanced budget would improve investors' perception of the country and would provide the authorities with the flexibility to borrow at low interest rates, if needed to respond to temporary shocks. Such flexibility is particularly important if the monetary authorities stick with a broadly stable nominal exchange rate even over the medium term, possibly in the context of EU accession. Stronger fiscal adjustment and structural reforms would lead to the realization of higher privatization receipts as investors react to the country's improved prospects.
- Strong adjustment would help to ensure fiscal sustainability in the long run, considering the demographic pressures related to population aging. Consumers' and investors' confidence would be more positively affected by the long-run sustainability than by the short-term Keynesian story as the demographic pressures increase.

#### **E. Conclusion**

16. Against the background of international experience, this chapter makes the case for front-loaded fiscal consolidation focused on expenditure cuts in Croatia. Considering the internationally high public debt ratio and excessive spending on wages and subsidies and transfers, there should be room for fiscal adjustment and higher growth to coexist over the medium term. Growth enhancing public spending could be increased through sustained cuts in non-productive spending. It should be noted that such a growth friendly fiscal adjustment over the medium term could be possible only if structural reforms, particularly public administration reform, privatization, rationalization of subsidies and transfers, and labor market reform, receive additional momentum.

Table 1. Croatia and Selected Other Countries:  
Total Revenue and Grants of General Government, 1997-2001  
(In percent of GDP)

	1997	1998	1999	2000	2001
Croatia	47.7	51.1	48.0	44.8	43.1
Average of other CEECs	36.5	36.6	37.6	37.2	36.6
Albania	16.7	20.3	21.3	22.4	22.5
Bulgaria	36.2	38.1	40.0	40.5	38.5
Czech Republic	39.6	38.6	39.8	39.9	39.8
Hungary	44.9	43.0	42.9	43.0	42.5
Poland	42.7	41.0	41.1	39.7	40.6
Romania	28.6	29.7	31.9	31.4	30.5
Slovak Republic	41.4	39.2	40.6	38.2	35.6
Slovenia	42.1	43.0	43.6	42.8	43.2
EU countries 1/	46.4	46.0	46.5	46.6	45.6
Baltic countries	37.9	38.2	36.7	35.5	34.8
Estonia	39.8	39.3	38.1	38.7	38.7
Latvia	41.3	42.6	40.0	37.4	35.9
Lithuania	32.6	32.7	32.1	30.4	29.8

Sources: Ministry of Finance; OECD; and IMF staff estimates.

1/ The 15 EU member countries' average, weighted by each member's GDP.

Table 2. Croatia and Selected Other Countries:  
Tax Collections of General Government, 1997-2001  
(In percent of GDP)

	1997	1998	1999	2000	2001
Croatia	43.4	46.9	43.7	40.8	39.7
Average of other CEECs	30.8	31.3	31.8	32.0	31.3
Albania	13.4	15.8	16.5	19.3	19.5
Bulgaria	28.0	30.1	30.1	28.9	29.5
Czech Republic	36.4	35.5	36.5	36.8	36.2
Hungary	36.0	35.6	35.4	36.3	35.9
Romania	26.5	27.8	30.1	29.4	28.3
Slovak Republic	35.5	34.3	32.9	33.4	30.2
Slovenia	39.8	40.0	41.1	39.6	39.6
EU countries 1/	41.8	41.9	42.4	42.2	41.7
Baltic countries	34.1	34.3	33.0	31.4	30.8
Estonia	37.6	36.9	35.9	35.4	34.5
Latvia	32.8	34.7	32.7	30.4	30.4
Lithuania	31.9	31.2	30.4	28.4	27.4

Sources: Ministry of Finance; OECD; and IMF staff estimates

1/ The 15 EU member countries' average, weighted by each member's GDP.

Table 3. Croatia and Selected Other Countries:  
Tax Rates in 2002  
(In percent)

	VAT	Top Corporate Income Tax Rate	Top Personal Income Tax Rate	Payroll Tax
Croatia	22	20	35	37.67
Average of other CEECs	21.4	25.6	35.3	44.9
Albania	20	25	25	42.5
Bulgaria	20	23.5	29	42
Czech Republic	22	31	32	47.5
Hungary	25	18	40	43.5
Poland	22	32	28	36.6
Romania	19	25	40	58
Slovak Republic	23	25	38	50.8
Slovenia	20	25	50	38
Baltic countries	18	24	28	34.5
Estonia	18	26	26	34.5
Latvia	18	22	25	35.09
Lithuania	18	24	33	34

Source: Ministry of Finance; PricewaterhouseCoopers, Corporate Taxes 2001-2002, Worldwide Summaries and PwC, Individual Taxes 2001-2002.



Table 4. Croatia and Selected Other Countries:  
Wages and Salaries of General Government, 1997-2001  
(In percent of GDP)

	1997	1998	1999	2000	2001
Croatia	11.2	11.9	12.7	12.5	11.3
Average of other CEECs	6.2	6.1	6.1	6.1	6.1
Albania	7.5	6.2	6.1	6.5	6.9
Bulgaria	3.6	4.6	5.2	4.9	4.0
Czech Republic	3.7	3.4	3.7	3.6	3.6
Hungary	6.2	6.3	6.5	6.2	6.7
Romania	4.9	5.0	4.8	5.5	5.0
Slovak Republic	7.4	7.3	6.7	6.6	6.4
Slovenia	9.8	9.6	9.6	9.6	10.0
EU countries	10.8	10.5	10.4	10.3	10.3
Baltic countries	8.0	8.2	8.9	8.3	8.0
Estonia	8.3	9.2	10.7	10.2	9.5
Latvia	7.0	7.8	7.8	7.2	7.2
Lithuania	8.7	7.7	8.2	7.6	7.3

Sources: Ministry of Finance; IMF estimates; and European Commission General Government Data (ESA 95).

Table 5. Croatia and Selected Other Countries:  
Subsidies and Other Current Transfers of General Government, 1997-2001  
(In percent of GDP)

	1997	1998	1999	2000	2001
Croatia	17.6	18.0	20.9	19.8	20.1
Average of other CEECs	16.9	17.3	17.5	18.0	18.3
Albania	8.4	7.6	7.6	8.4	8.9
Bulgaria	12.0	14.9	15.3	16.9	16.9
Czech Republic	26.7	26.4	27.2	28.6	30.3
Poland	20.4	19.2	19.9	19.5	21.5
Romania	14	14.8	14.7	14.5	14.5
Slovak Republic	17.4	17.2	17.2	17.4	15.9
Slovenia	19.7	21	20.5	20.6	20.1
EU countries	18.6	18.1	17.8	17.4	17.5
Baltic countries	13.6	14.4	15.4	14.5	13.9
Estonia	10.8	11.4	12.5	12.4	12.1
Latvia	18.5	19.7	21.0	18.9	17.7
Lithuania	11.4	12.1	12.7	12.2	11.8

Sources: Ministry of Finance; IMF estimates; and European Commission General Government Data (ESA 95).

Table 6. Croatia and Selected Other Countries:  
Gradualist Adjustment Scenario  
(In percent of GDP)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Nominal GDP growth	7.3	7.2	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Real GDP growth	4.1	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Revenue and grants	43.1	43.0	42.2	41.8	41.5	41.2	41.0	40.9	40.7	40.6
Expenditure and net lending	49.7	49.6	47.9	46.2	45.3	45.0	44.9	44.7	44.6	44.4
General government balance	-6.6	-6.6	-5.7	-4.5	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8
General government primary balance	-4.5	-4.2	-3.3	-2.0	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3
General government debt stock	52.4	53.8	54.5	53.0	53.0	53.0	53.1	53.2	53.2	53.3
Privatization receipts	2.5	2.0	1.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0

Table 7. Croatia and Selected Other Countries:  
Front-Loaded Adjustment Scenario  
(In percent of GDP)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Nominal GDP growth	7.3	7.2	8.7	9.2	10.2	11.3	11.3	11.3	11.3	11.3
Real GDP growth	4.1	3.5	4.5	5.0	6.0	7.0	7.0	7.0	7.0	7.0
Revenue and grants	43.1	43.0	42.0	41.5	41.1	40.7	40.6	40.4	40.2	40.1
Expenditure and net lending	49.7	49.5	46.4	44.8	44.1	43.7	43.4	43.1	42.9	42.7
General government balance	-6.6	-6.5	-4.4	-3.3	-3.0	-2.9	-2.8	-2.7	-2.6	-2.6
General government primary balance	-4.5	-4.1	-2.0	-0.9	-0.6	-0.5	-0.4	-0.3	-0.2	-0.2
General government debt stock	52.4	53.5	50.1	47.9	46.4	44.7	42.9	41.3	39.8	38.3
Privatization receipts	2.5	2.1	3.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0

### **Assumptions on the Medium–Term Fiscal Projections**

Assumptions on the medium-term fiscal projections are summarized as follows:

#### **Gradual adjustment scenario**

- The deficit will be gradually reduced to 3.8 percent of GDP by 2005.
- Christmas bonus (Hrk 200 million) will be paid in 2002.
- Wages will grow at one half of real GDP growth in 2003. After 2004, it will increase at the rate of inflation.
- Small Law related transfers (Hrk 1,750 million) will continue after 2003.
- No structural cuts in subsidies. Subsidies and transfers will increase at the rate of inflation.
- Purchases of goods and nonwage services will grow at the rate of nominal GDP growth. The highway construction program will proceed as planned by the authorities. Other capital spending will grow at the rate of nominal GDP growth.
- Infrastructure spending (part of capital expenditure) can be discretionarily increased after 2003 within the modest deficit target (5.7 percent of GDP in 2003, 4.5 percent in 2004, 3.8 percent after 2005). Capital spending will be considerably smaller than that in the front-loaded adjustment scenario. Education related spending (part of other purchases of goods and services) can be discretionarily increased after 2006 within the deficit target. Insufficient spending on infrastructure and education will contribute to the modest real GDP growth.
- All or some part of each of the following companies will be privatized in 2002, 2003, and 2004: Dubrovačka banka, Splitska banka, Riječka banka, PBZ, Croatia banka, the insurance company (CO), the food company (Podravka), HEP, INA, the pipeline (JANAF), and the telecommunications (HT). Total privatization receipts from these companies are assumed at Hrk 2,141 million in 2002, Hrk 1,706 million in 2003, and Hrk 4,459 million in 2004.
- No privatization is assumed after 2005.

#### **Front-loaded adjustment scenario**

- The deficit will be swiftly reduced to 3 percent of GDP by 2005.
- In 2002, no Christmas bonus will be paid.

- The wage bill will be frozen at the 2002 budget level in 2003 and 2004. After 2005, it will increase at the rate of inflation.
- Small Law related transfers (Hrk 1,750 million) will be eliminated at end-2002.
- Structural cuts in subsidies in 2003 by Hrk 300 million. After that, subsidies and transfers will increase at the rate of inflation.
- Purchases of goods and nonwage services will grow at the rate of inflation. The highway construction program will proceed as planned by the authorities. Other capital spending will grow at the rate of nominal GDP growth.
- Infrastructure spending (part of capital expenditure) and education related spending (part of purchases of goods and nonwage services) can be discretionarily increased after 2003 within the ambitious deficit target (4.4 percent of GDP in 2003, 3.3 percent in 2004, 3 percent in 2005). Infrastructure and education spending will help to boost real GDP growth, which will gradually rise to 7 percent by 2006.
- The same sets of companies as in the gradual adjustment scenario will be privatized in 2002, 2003, and 2004. Total privatization receipts from these companies are assumed at Hrk 2,390 million in 2002, Hrk 6,367 million in 2003, and Hrk 2,937 million in 2004.
- No privatization is assumed after 2005.

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## II. PRACTICAL ISSUES IN ADOPTING INFLATION TARGETING IN CROATIA<sup>1</sup>

### A. Introduction

1. **The current framework based on exchange rate stability has been very successful in delivering low inflation.** Amid high macroeconomic instability connected with the war in the first half of the 1990s, the Croatian National Bank (CNB) pursued a tight stabilization policy using the exchange rate as its nominal anchor.<sup>2</sup> Hyperinflation was stopped in the mid-1990s, and since then the CNB has continued to pursue exchange rate stability, delivering low inflation throughout the period.

2. **However, there are questions about the appropriateness of the framework going forward.** The new CNB law reduces the emphasis on the exchange rate by clearly defining price stability as the primary objective of monetary policy. This objective may at times conflict with exchange rate stability as the size of international capital flows is large relative to domestic markets. Under these circumstances, sterilization may be difficult and foreign exchange interventions—needed to maintain exchange rate stability—are reflected in fluctuations in the monetary base, and, ultimately, inflation. Indeed, evidence shows that the tolerance of the CNB for exchange rate movements is very low while the volatility of international reserves, the monetary base, and inflation is large relative to other countries with similar exchange rate arrangements.<sup>3</sup> In the context of an IMF program, this volatility may jeopardize the attainment of quantitative targets for international reserves and base money.

3. **The liberalization of the capital account, required as part of EU accession, is already testing the framework.** After the prohibition to hold foreign currency accounts was lifted for businesses in June 2001, large companies moved to take open positions in anticipation of the usual seasonal pattern of the kuna. The CNB intervened frequently and in large amounts to stop early appreciation and depreciation pressures. The latter, started in August when the tourist season was peaking, subsided only in September, when the CNB introduced the obligation for banks to hold part of their foreign currency reserve requirements in kuna. The liberalization of the capital account will have to be completed four years after the ratification of the Stabilization and Association with the European Union, which is expected to be concluded in 2003.

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<sup>1</sup> Prepared by Leo Bonato.

<sup>2</sup> For a review of the Croatian stabilization program, see Sonje and Skreb (1997).

<sup>3</sup> Even though inflation in Croatia is lower on average. See Billmeier and Bonato (2002).



4. **With EU accession and euro adoption still a medium-term prospect, inflation targeting is one of the alternatives being considered.** As both the European Union and the European Central Bank are currently opposed to the early adoption of the euro, Croatia must consider alternatives to the current framework for the transition period. With the progressive opening of the capital account, inflation targeting would offer several advantages. First and foremost, it would provide a nominal anchor while the exchange rate would be allowed more flexibility in response to international capital flows. Second, it would help shift the focus away from short-term interventionist policies towards the medium-term goal of low and stable inflation, which is the best contribution monetary policy can make to macroeconomic stability and growth. Third, its forward-looking character would strengthen the scope and the quality of policy response to short-run developments. Fourth, it would improve discipline and accountability in monetary policy as well as fiscal policy. Furthermore, additional exchange rate flexibility would help reduce the perception of low exchange rate risk, stimulate hedging, and discourage speculative capital flows. However, these advantages would have to be weighed against the risks of excessive exchange rate volatility, which might have momentous consequences in a highly euroized economy like Croatia.

#### **B. Main Issues**

5. **In general, there are no special preconditions for the success of inflation targeting.** The notion that certain prerequisites should be satisfied before the introduction of inflation targeting has increasingly been contradicted by the success of this framework in many emerging countries.<sup>4</sup> Most of these so-called “preconditions” are in fact necessary for any monetary policy strategy to be successful and in some cases have been adopted only after the introduction of inflation targeting. However, by increasing transparency and accountability, inflation targeting is more demanding than other regimes and may require to strengthen the overall policy framework. The introduction of inflation targeting is more likely to be successful if supported by a set of initial conditions, like a strong institutional framework, stable macroeconomic conditions, a well developed and stable financial system, and effective policy instruments.<sup>5</sup>

#### **The institutional framework**

6. **Independent monetary policy is supported by a strong institutional framework.** With the new CNB law, approved by parliament in 2001, Croatia has provided its central bank with a clear mandate and a large degree of independence. The primary objective of monetary policy is defined as achieving and maintaining price stability, for which the CNB is

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<sup>4</sup> Amato and Gerlach (2002).

<sup>5</sup> A comprehensive analysis of these conditions is in Schaechter et al. (2000); and Carare et al. (2002).

accountable to parliament. The CNB is granted full instrument independence and authority over exchange rate policy. Government financing is explicitly forbidden by the law.

Table 1. Central Bank Legal Frameworks of Croatia and Emerging Market Inflation Targeting Countries

Central Bank Legal Framework	Countries
<i>Objectives of monetary policy</i>	
Domestic price stability as primary objective	Colombia, <b>Croatia</b> , Czech Republic, Hungary, Korea, Mexico, Poland, Thailand
Currency stability plus other objectives	Brazil, Chile, Israel, South Africa
<i>Instrument independence</i>	Brazil, Chile, Colombia, <b>Croatia</b> , Czech Republic, Hungary, Israel, Korea, Mexico, Poland, South Africa, Thailand
<i>Financing of government deficits</i>	
Limited	Colombia, Czech Republic, Korea, Mexico, South Africa, Thailand
Not allowed	Brazil, Chile, <b>Croatia</b> , Hungary, Israel, Poland

Sources: Carare et al. (2002); Croatian National Bank

## Macroeconomic conditions

7. **The development of the Croatian economy, as measured by GDP per capita, is similar to that of the most advanced emerging economies that have already adopted inflation targeting.** After this framework was initially adopted by industrial countries in the early nineties, many emerging market countries have followed.<sup>6</sup> Out of the thirty richest emerging market economies, eleven have already adopted it. Even though inflation targeters are characterized, on average, by higher GDP per capita, the choice of this regime is not limited to the most advanced economies. Countries like South Africa, Colombia, Thailand have opted for the same policy framework. Croatia is among the most advanced emerging market countries and its GDP per capita compares well with most inflation targeters, including other transition countries like Hungary and Poland.

<sup>6</sup> For a survey of inflation targeting in industrial countries, see Bernanke et al. (1999). For emerging countries, see Schachter et al. (2000) and Mishkin (2000).

Table 2. GDP Per Capita, Emerging Market Countries, 2000 1/ 2/  
(U.S. dollars)

<b>Israel</b>	18,046	Gabon	4,179	Belize	3,115
<b>Korea</b>	9,762	<b>Poland</b>	4,083	Lithuania	3,062
Slovenia	9,107	Malaysia	3,852	Latvia	3,008
Argentina	7,757	Slovak Republic	3,584	<b>South Africa</b>	2,912
Uruguay	6,059	<b>Brazil</b>	3,568	<b>Colombia</b>	2,050
<b>Mexico</b>	5,754	Estonia	3,466	Tunisia	2,032
<b>Czech Republic</b>	4,979	Panama	3,396	El Salvador	2,012
<b>Chile</b>	4,927	Botswana	3,207	Peru	1,954
<b>Hungary</b>	4,839	Equatorial Guinea	3,167	<b>Thailand</b>	1,953
<i>Croatia</i>	4,334	Turkey	3,132	Macedonia, FYR	1,762
Median	3,517				
Median IT countries	4,839				

Source: IMF World Economic Outlook; Croatian National Bank

1/ Thirty emerging countries with largest GDP per capita, excluding large oil exporters and small island countries.

2/ Inflation targeting countries are marked in bold.

Table 3. Croatia and Inflation Targeting Emerging Market Countries Monthly CPI Year-over-Year Inflation Before and at Adoption of Full-Fledged Inflation Targeting Framework 1/

	t	t less 36 months	t less 24 months	t less 12 months	t
Brazil	June 1999	16.3	7.0	3.4	3.3
Chile	Sep. 1999	6.3	6.0	4.8	2.9
Colombia	Sep. 1999	20.5	19.1	19.2	9.5
Czech Republic	Dec. 1997	9.9	7.9	8.6	10.0
Hungary	Jul. 2001	14.1	10.1	9.6	9.4
Israel	June 1997	12.5	9.7	12.9	8.5
Korea, Rep.	Jan. 1998	5.1	4.8	4.7	8.3
Mexico	Jan. 1999	51.7	26.4	15.3	19.0
Poland	Mar. 1999	20.2	16.8	13.9	6.1
South Africa	Feb. 2000	9.7	5.4	6.2	2.4
Thailand	Apr. 2000	4.2	10.1	0.4	1.2
Median		12.5	9.7	8.6	8.3
<b>Croatia</b>	May 2002	3.8	5.0	7.2	1.8

Sources: Schacchter et al. (2000); Mishkin and Schmidt-Hebbel (2001); IMF International Financial Statistics; Croatian National Bank

1/ Month "t" is time of the adoption of full-fledged inflation targeting framework.

8. **Inflation is comparatively low.** Currently, inflation in Croatia is lower than in any of the emerging market inflation targeters at the time of the introduction of the new framework.

Moreover, unlike all the emerging market inflation targeters at that time, Croatia has already experienced a few years of low inflation. A good track record established under exchange rate targeting is likely to have strengthened the credibility of the CNB and could help in the transition to the new regime.<sup>7</sup>

Table 4. Fiscal and External Balances, Croatia and Inflation Targeting Emerging Market  
(as a percentage of GDP)

	t	Fiscal Balance 2/	Current Account Balance
Brazil	1999	-8.0	-5.9
Chile	1999	0.3	-4.5
Colombia	1999	-4.8	-4.8
Czech Republic	1997	-0.2	-7.9
Hungary	2001	-3.4	-4.1
Israel	1997	-2.8	-7.4
Korea, Rep.	1998	-2.0	2.8
Mexico	1999	-1.4	-3.9
Poland	1998	-1.2	-7.5
South Africa	2000	-2.1	-1.2
Thailand	2000	-2.7	13.7
Median		-2.1	-4.5
Croatia	2001	-6.6	-3.1

Sources: IMF International Financial Statistics; IMF staff; Croatian National Bank

1/ Average for year of IT adoption and two preceding years.

2/ General government.

9. **While the external imbalance is well contained, the fiscal position appears very weak.** Large external and fiscal imbalances can sidetrack monetary policy from its focus on the inflation target and undermine its credibility. The current account deficit in Croatia is in line with that of most inflation targeters, but its fiscal position looks particularly delicate. Among the emerging market inflation targeters, only Brazil had a worse fiscal balance at the inception of the new framework. Even though the institutional framework prevents the monetization of the deficit in Croatia, a stronger fiscal position would be required to support inflation targeting. While this constraint would be more stringent under an inflation targeting regime, fiscal consolidation is required anyway for the current policy framework to retain credibility.

<sup>7</sup> Even though the large and persistent euroization and the evidence of significant exchange-rate-related currency substitution seem to indicate that credibility gains have been limited (Kraft, 2002).

## The financial system

10. **Despite rapid progress in the last few years, financial markets are still not well developed in Croatia.** Well developed financial markets ensure better monetary policy transmission channels and allow the use of effective indirect instruments, which improve the chances of success of inflation targeting. While banks have substantially strengthened and monetization increased, markets remain shallow and highly segmented in Croatia. Credit to the private sector is held back by limited intermediation and substantial government absorption. This, however, has not prevented countries in a similar or even more problematic situation from adopting inflation targeting. This is the case, for instance, of Hungary and Poland.

Table 5. Indicators of Financial Market Development: Croatia and Inflation Targeting Emerging Market Countries 1/  
(as a percentage of GDP)

	t	Private credit	Broad money
Brazil	1999	29.5	30.4
Chile	1999	58.9	43.4
Colombia	1999	26.0	24.5
Czech Republic	1997	75.0	74.1
Hungary	2001	30.7	46.4
Israel	1997	70.4	80.3
Korea, Rep.	1998	68.1	48.6
Mexico	1999	18.9	27.2
Poland	1998	24.9	40.0
South Africa	2000	70.1	57.1
Thailand	2000	122.7	105.7
Median		58.9	46.4
Croatia	2001	37.5	49.6

Sources: IMF International Financial Statistics; IMF staff; Croatian National Bank

1/ Average for year of IT adoption and two preceding years.

11. **The situation described by indicators of financial stability is broadly similar to that in emerging market inflation targeters.** Vulnerabilities in the financial system weaken the credibility of the framework by raising the possibility that central banks have to intervene to inject liquidity when the system is under stress. Despite its relatively large external exposure, the indicators for Croatia are within the range of emerging market inflation targeters and, in fact, better than those of a late inflation targeter like Hungary. In addition, Croatia has a relatively strong international reserve position.

Table 6. Indicators of Financial Stability: Croatia and Inflation Targeting  
Emerging Market Countries  
(as a percentage of GDP)

	t	Non-bank liabilities to BIS banks	External debt
Brazil	1999	6.5	17.0
Chile	1999	20.5	31.8
Colombia	1999	11.3	20.7
Czech Republic	1997	5.0	16.6
Hungary	2001	13.5	37.7
Israel	1997	4.1	7.4
Korea, Rep.	1998	5.2	29.9
Mexico	1999	11.0	23.3
Poland	1998	4.5	6.7
South Africa	2000	7.6	15.5
Thailand	2000	8.2	39.6
Median		7.6	20.7
Croatia	2001	12.2	51.9

Sources: BIS; Croatian National Bank

1/ Average for year of IT adoption and two preceding years.

12. **However, the vulnerability of the financial system to sudden exchange rate movements may constitute a serious obstacle.** While the direct exposure of the banking system to exchange rate risk is limited, the indirect impact is likely to be significant due the high euroization of the economy. With about half of bank loans denominated in—or indexed to—foreign currency, many firms and consumers with unhedged foreign currency positions would find themselves under stress in case of large exchange rate movements, causing substantial losses to banks.<sup>8</sup>

#### Monetary policy instruments.

13. **The lack of depth of financial markets has prevented the development of effective policy instruments.** The CNB operates mainly through foreign exchange intervention, using open market operations with CNB bills for sterilization purposes. The size of capital inflows makes sterilization difficult and complicates liquidity management.

<sup>8</sup> Even though quantitative assessments are difficult to derive due to the lack of information, the stress testing exercise conducted under the FSAP (see the FSSA report) estimates that a 15-percent depreciation would cause serious difficulties to the least capitalized banks.

Structural excess liquidity and shallow money markets impair the effectiveness of the interest rate transmission channel, which is used by most countries that have adopted inflation targeting.

Table 7. Operating Targets and Main Instruments of Monetary Policy of Emerging Market Inflation Targeting Countries

	Operating Target	Main instruments
Brazil	Overnight interbank rate (SELIC)	Open market operations (OMOs) using Treasury Bonds or bonds issued by the central bank
Chile	Real overnight interbank rate tied to CPI with 20-day lag	OMOs through issuance of central bank paper and repos
Colombia	Overnight repo rate	OMOs with repos and government securities
Czech Republic	Two-week repo rate	Daily two-week repo auctions
Hungary	Short-term interbank rates	Weekly auctions of two-week central bank deposits and three-month central bank bills
Israel	Interest rate on short-term loans to and deposits with banks	Fixed-term and daily discount-window loans to banks, and OMOs with Treasury bills
Korea	Overnight interbank rate	OMOs with government securities
Mexico	Aggregate commercial bank current account balance with the central bank	OMOs with government or central bank government securities
Poland	28-day National Bank of Poland bill rate	OMOs with central bank bills.
South Africa	Overnight repo rate	OMOs with government securities.
Thailand	Two-week repo rate	OMOs with repos and government securities

Sources: Carare et al. (2002)

14. **The high level of euroization limits the options available to monetary policy.** High under former Yugoslavia, euroization has increased with the macroeconomic instability that accompanied the war in the early nineties. Foreign currency makes up about 74 percent of total currency in circulation and deposits (Kraft, 2002). Under these circumstances, monetary policy is severely limited. Its options are constrained by the vulnerability of the financial system to exchange rate volatility and its effectiveness is weakened by the importance of balance sheet effects in the transmission mechanism.<sup>9</sup> However, if euroization

<sup>9</sup> A tightening of policy, say, may not have the desired effect if the financial position of residents holding euro-denominated debt improves as a result of the ensuing exchange rate appreciation.

is limited to asset substitution (i.e., foreign currency is held as a store of value) and does not involve widespread indexation of the economy to the exchange rate, targeting the exchange rate may not necessarily be the best option.<sup>10 11</sup> Indeed, other countries characterized by a similar situation, like Peru, have opted for some form of inflation targeting.<sup>12</sup>

### C. Conclusions

15. **Most of the conditions that would support the introduction of inflation targeting seem to be present in Croatia.** The institutional framework for central bank independence has been fully established, price stability has been achieved and maintained for some time, the external imbalance seems well contained, and financial markets have strengthened considerably.

16. **However, the high euroization and the weakness of policy instruments are a constraint, and the fiscal position a concern.** The prudential implications of high euroization are substantial and any change in monetary policy regime would have to be accompanied by further strengthening of the banking system. The absence of an effective interest rate instrument does not in itself prevent the adoption of inflation targeting, but further efforts are certainly required to develop financial markets and strengthen the transmission mechanism. The fiscal position undermines the credibility of any monetary policy regime. Further consolidation is necessary, while institutional changes could be envisaged to reinforce the medium-term orientation of fiscal policy.

17. **Even if a shift to full-fledged inflation targeting may be premature, additional exchange rate flexibility would be desirable.** While the central bank could continue to intervene in the foreign exchange market to prevent sudden movements not justified by fundamentals, a less activist approach to intervention could help discourage speculative capital inflows and reduce medium-term inflationary pressures. If accompanied by strong and clear communication to the public, it would also help reduce risks to financial stability that the erroneous perception of exchange rate inflexibility may entail.

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<sup>10</sup> Billmeier and Bonato (2002) estimate of a low exchange rate pass-through to domestic prices in Croatia and interpret it as evidence of limited indexation of wages and prices to the exchange rate.

<sup>11</sup> Berg and Borensztein (2000) show that the implications of asset substitution are equivalent to those of capital account openness. Ize (2001) argues that inflation targeting is feasible even under these circumstances as long as the cost effects of an interest rate increase dominate the balance sheet effects.

<sup>12</sup> Peru has started a mild form of inflation targeting in 1994 (Mishkin and Schmidt-Hebbel, 2001). A discussion of the issues confronting monetary policy in Peru is in Stone (2001).



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### III. SELECTED ASPECTS OF EXPORT PERFORMANCE, COMPETITIVENESS AND TRADE POLICY<sup>1</sup>

#### A. Introduction

1. Croatian export performance in recent years has been mixed. While exports of goods have been lagging compared to most Central and Eastern European countries (CEECs), exports of services, in particular in transportation and tourism, have grown vigorously expanded. This chapter attempts to explain these developments by assessing trends in Croatia's competitiveness, indices of trade restrictiveness, and obstacles in access to foreign markets. It also reports on Croatia's progress in implementing obligations assumed under WTO membership, and on progress towards joining other regional trade agreements.

#### B. Recent Export Performance

2. To facilitate economic integration with regional and broader European markets, and with the perspective of eventually joining the European Union (EU), CEECs undertook deep reforms of their trade and investment regimes. A number of them became candidates for EU accession. The result of these developments was dramatic improvements of export performance, mainly to the EU market (Table 1). Cumulative growth rates of exports of goods and nonfactor services in 1997-2001 exceed 35 percent in several CEECs, including the Czech Republic, Estonia, Hungary, and Romania. Compared to these countries, Croatia's export performance has been lagging, with exports of goods and nonfactor services increasing by only 16.9 percent during the same period.

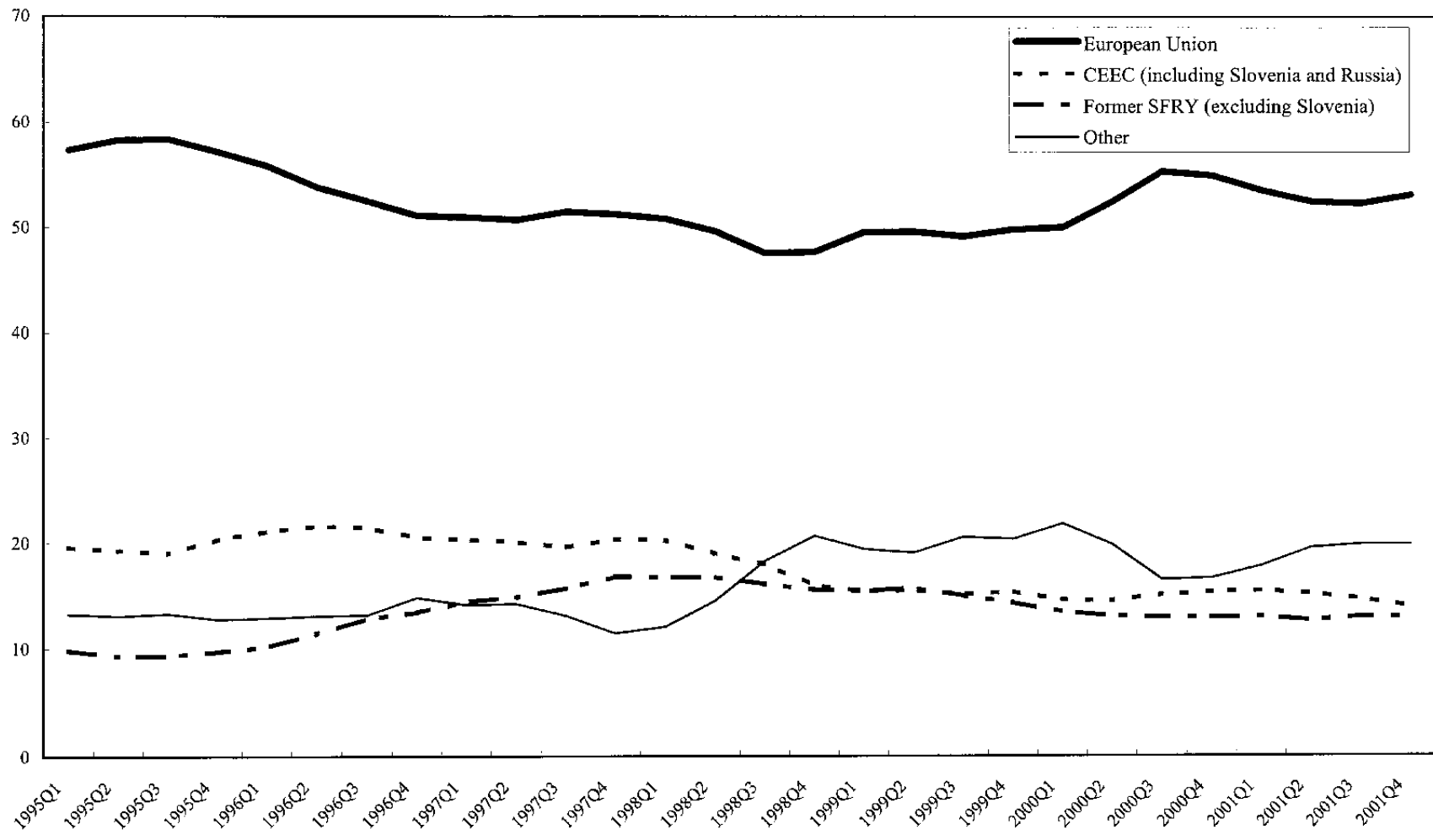
3. More insight can be gained by looking at exports of goods and nonfactor services separately. Countries with the highest growth rates of total exports experienced proportionally higher growth rates of exports of goods and proportionally lower growth rates of exports of nonfactor services. In addition, these countries reoriented their exports of goods even more strongly towards the EU. For example, in 1997-2001 the Czech Republic's exports of goods grew by 41.4 percent, exports of goods to the EU—by 51.9 percent, exports of services—by 16.2 percent. For Hungary the respective growth rates were 42.4, 62.3, and 12.4 percent, for Estonia—44.8, 57.2, and 23.3 percent. By contrast, Croatia's goods exports increased by 12.9 percent, the share of exports goods to the EU in total goods exports declined, but exports of nonfactor services grew proportionally faster at 21.0 percent. Figure 1 (showing shares of exports to the EU, other CEECs, and the former SFRY) and Figure 2 (showing indices of CEECs' shares in the total exports of goods to the (EU) confirm these findings.

4. A comparative analysis of export performance in individual sectors sheds additional light. Table 2 presents annual per capita export growth rates in various economic sectors. The inspection of the data shows that the countries experiencing high growth of goods exports

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<sup>1</sup> Prepared by Sergei Dodzin

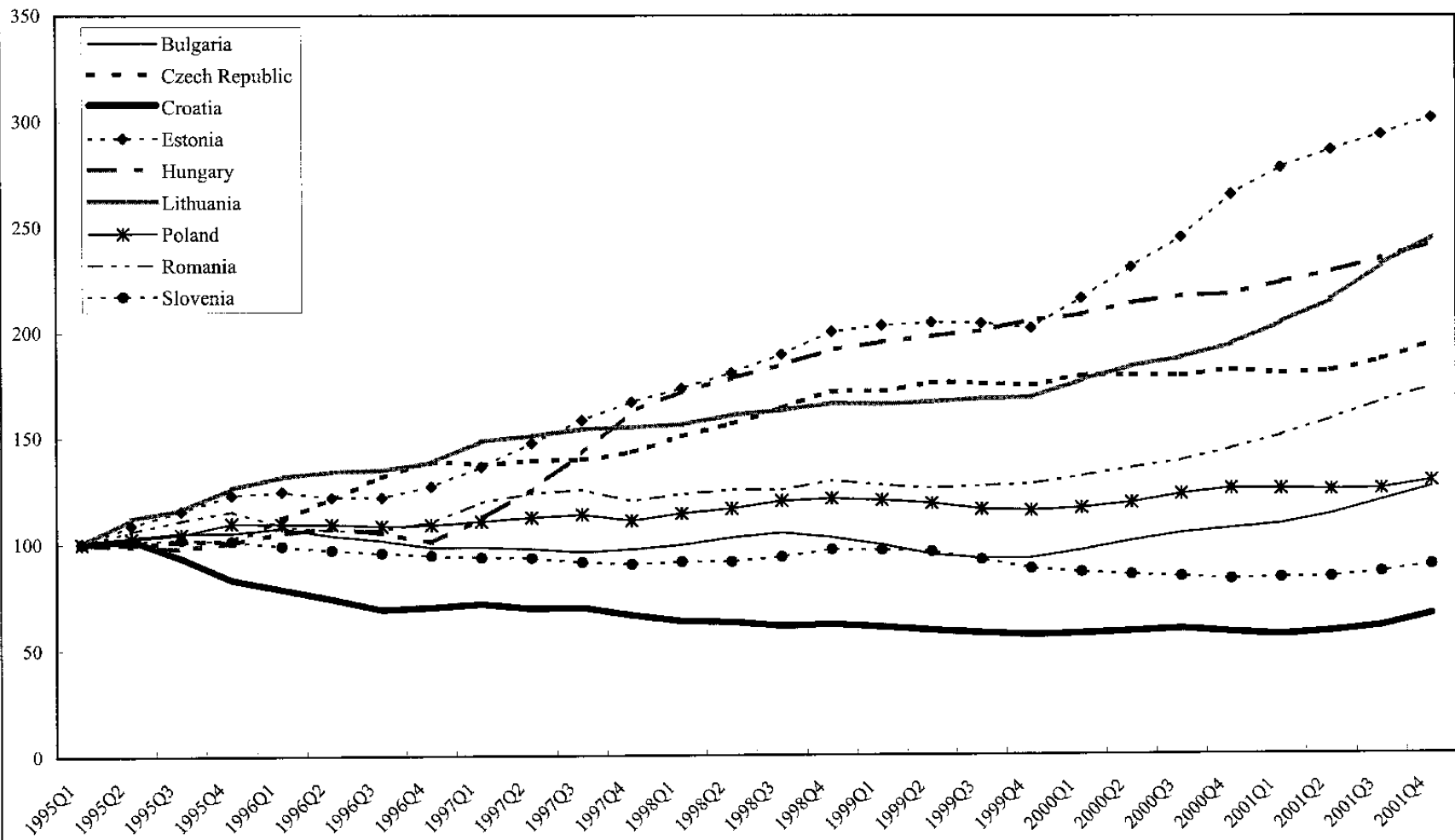
Figure 1. Croatia: Exports of Goods, 1995-2001  
 (Market Share Indices, 1995 = 100) 1/



Source: Direction of Trade Statistics (DOTS) database.

1/ Four-month moving average indices.

Figure 2. Croatia and Selected CEECs: Exports of Goods to the EU, 1995-2001  
 (Market Share Indices, 1995 = 100)



Source: Direction of Trade Statistics (DOTS) database.

tended to exhibit rapid (sometimes extremely rapid) growth of exports of consumer electronics, electronic components, manufacturing, and transport machinery. In only one of these sectors – transport machinery – has Croatia experienced relatively high growth. However, there is a caveat. Croatia's transport equipment exports consists mostly of ships, which have a very high (up to 80 percent) import component. Therefore net exports of the transport sector are much lower than their gross value. In addition, the shipbuilding sector has been making losses and is subsidized by the government.

### **C. External Competitiveness Indicators**

5. This section analyzes a range of standard external competitiveness indicators, including unit labor costs (ULC), CPI and ULC based real effective exchange rate (REER) indices, and a proxy index for the relative price of nontradables. The advantages and shortcomings of these indicators are well known.<sup>2</sup> In addition, one should bear in mind that these indicators mostly measure competitiveness in a narrow macroeconomic balance concept and that broader indicators, examined in Section E, also play a role in overall competitiveness. Nevertheless, together they provide valuable information about the change in country's competitiveness position. By account of any of these indicators, there is no evidence of a deterioration of Croatia's competitiveness compared to its main trading partners and other CEECs.

6. Figure 3 presents dollar valued indices of unit labor costs in Croatia and its main trading partners—Germany, Austria, and Italy (rom June 1995 until March 2002) Figure 4 shows unit labor costs in Croatia and other CEECs during the same period. The development in Croatia's unit labor costs is consistently among the most favorable in both samples. A comparison of CPI—based REERs, based on the IMF Information Notice System (Figure 5), yields similar results.

7. Figure 6 compares various real exchange rate indicators: the CNB's CPI—based REER, the IMF INS CPI—based REER, the CNB's PPI—based REER, Partial ULC—based REER, and the ratio of retail prices of services in terms of goods. The CPI- based REER indices were stable throughout the whole period and in April 2002 were approximately at the same level as in June 1995. The partial ULC based REER has depreciated by 22.3 percent during the same period (consistently with the behavior of unit labor costs). The PPI—based REER also has depreciated (by 12.6 percent until April 2002), but by less than the partial ULC—based REER. By contrast, the relative price of services index has appreciated and in April 2002 was 17 percent higher than in June 1995.

8. These trends are consistent with experience of other transition economies. The appreciation of services prices is typical for the transition countries and is explained mostly

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<sup>2</sup> See, for example, Lipschitz and McDonald (1991), Marsh and Tokarik (1994), and Hinkle and Montiel (1999).

Figure 3. Croatia and Major Trading Partners in the EU: Unit Labor Costs, June 1995-December 2001  
(Indices in US dollar terms, June 1995 = 100)

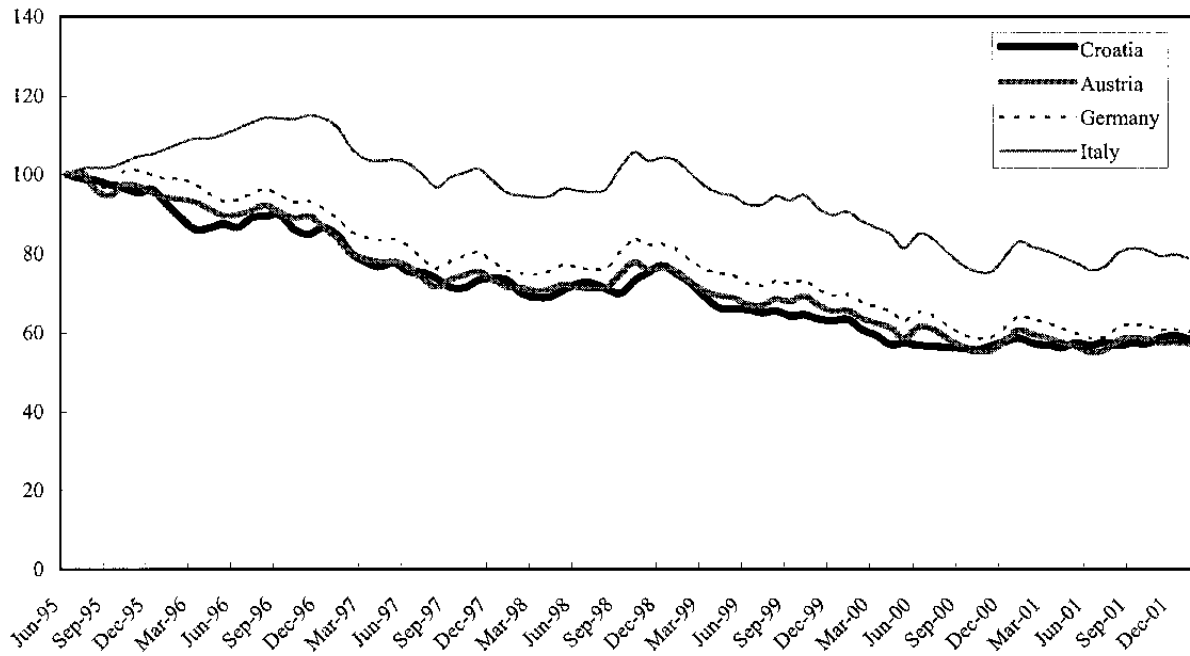
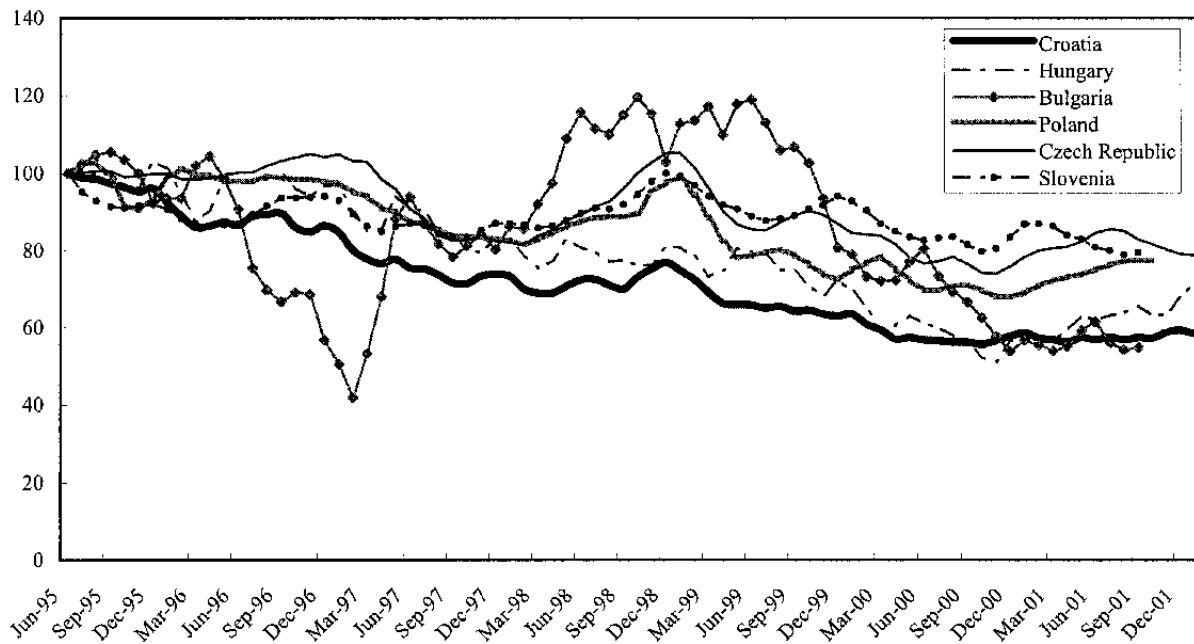


Figure 4. Croatia and Selected CEECs: Unit Labor Costs, June 1995-December 2001  
(Indices in US dollar terms, June 1995 = 100)



Source: National Statistical Offices, World Economic Outlook, and IMF staff estimates.

Figure 5. Croatia and Selected CEECs: CPI-Based Real Effective Exchange Rate Indices, June 1995-March 2002  
(Index, June 1995 = 100)

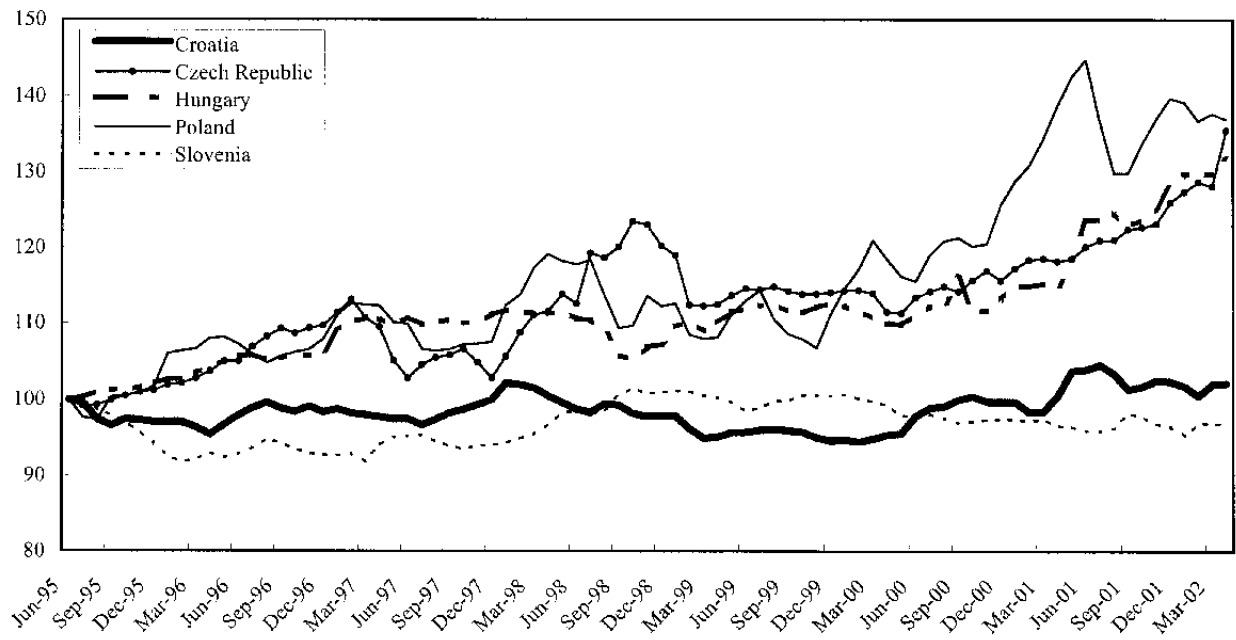
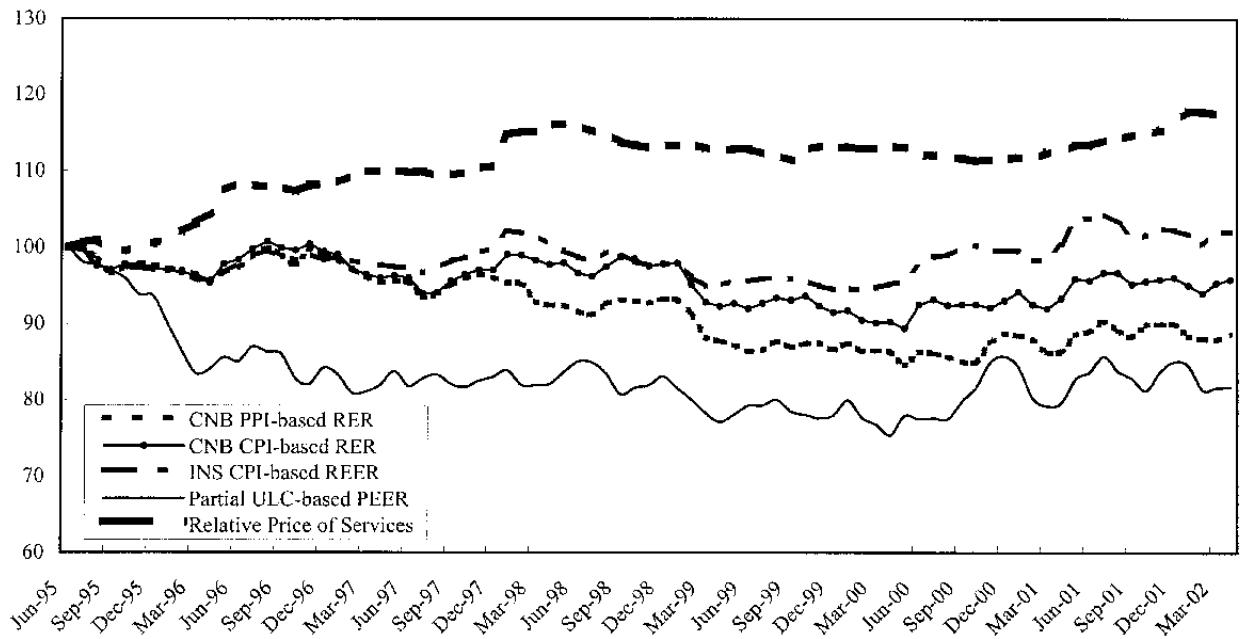


Figure 6. Croatia: Real Exchange Rate Indicators, June 1995-March 2002  
(Index, June 1995 = 100)



Source: IMF Information Notice System.



by Balassa—Samuelson effects. The CPI based REER indices have appreciated relatively to the partial ULC based and PPI- based REER indices because they contain a higher share of non-tradable services. None of these indices signals a deterioration of Croatia's external competitiveness over the recent period.

9. The above analysis shows no evidence of a deterioration of competitiveness from the middle of 1995 until the present, but the question remains whether the level of competitiveness appropriate. Tables 3 and 4 show that Croatia has had one of the highest industrial dollar wages among CEECs throughout the period, while Croatia's dollar GDP per capita was in line with average per capita GDP in those countries. Thus, Croatia has one of the highest ratios of industrial dollar wage to dollar GDP per capita among CEECs.

10. This paper does not attempt to estimate equilibrium wages and equilibrium real exchange rates for Croatia (and other CEECs) and any such assessments would be subject to a high degree of imprecision<sup>3</sup>. However, it can be argued that long-run equilibrium wages in Croatia and other CEECs, are higher than in Table 3, provided that these countries eventually will join the EU. Against this benchmark, Croatia's current wage does not appear to be excessive in relation to its long-term equilibrium wage..

11. It does not appear that in the sample of CEECs there is a negative correlation between the level of dollar wages and subsequent growth of exports of goods and services (Figure 7). However, there seems to be a negative correlation between the level of dollar wages and FDI as a share of GDP (Table 5 and Figure 8). This observation should be interpreted with caution since negative correlation does not mean causality.

12. Higher dollar wages in Croatia also might be partially explained by a lower level of initial overshooting compared to other CEECs. This is consistent with the fact that while dollar wages in most CEECs grew, Croatia's dollar wage remained at the same level. The gap between Croatia's dollar wage and the dollar wages in other CEECs has narrowed, with favorable consequences for Croatia's competitiveness.

13. Summarizing, it does not appear that Croatia's lagging performance in exports of goods is attributable to a loss of external competitiveness. The conclusion made earlier during the 1999 Article IV consultation therefore continues to hold<sup>4</sup>. However, as argued in Section E, reforms aimed at making labor markets and wages more flexible would improve Croatia's competitiveness.

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<sup>3</sup> See Halpern and Wyplosz (1997), and Krajnyak and Zettelmeyer (1998) for examples of estimating equilibrium dollar wages using econometric methods.

<sup>4</sup> Republic of Croatia – *Selected Issues and Statistical Annex* (SM/99/301) – December 1999

Figure 7. Croatia and Selected CEECs: Industrial Dollar Wages in 1997 and Growth of Exports of Goods and Services, 1997-2001

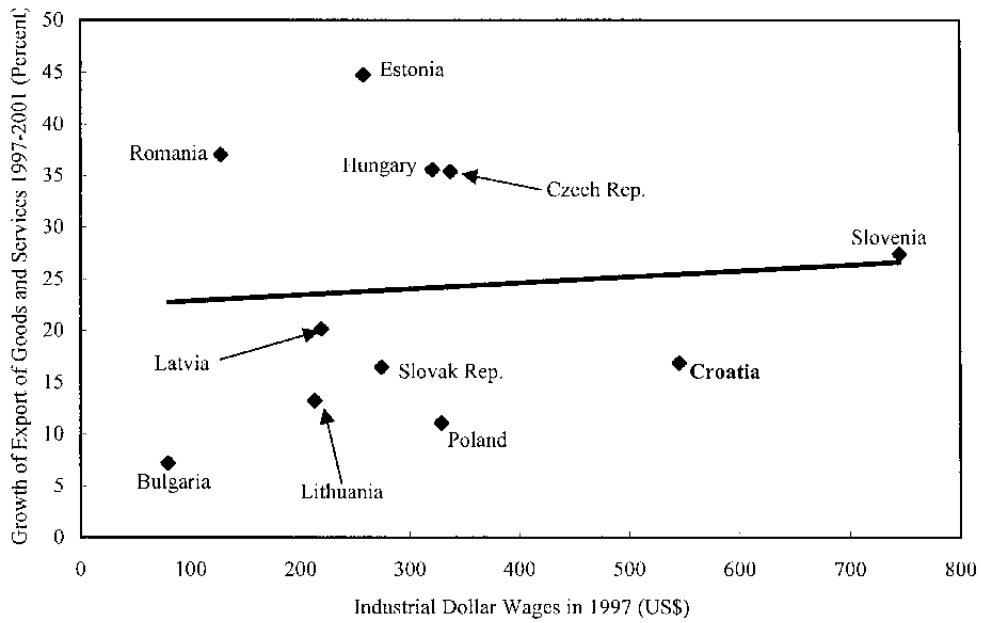
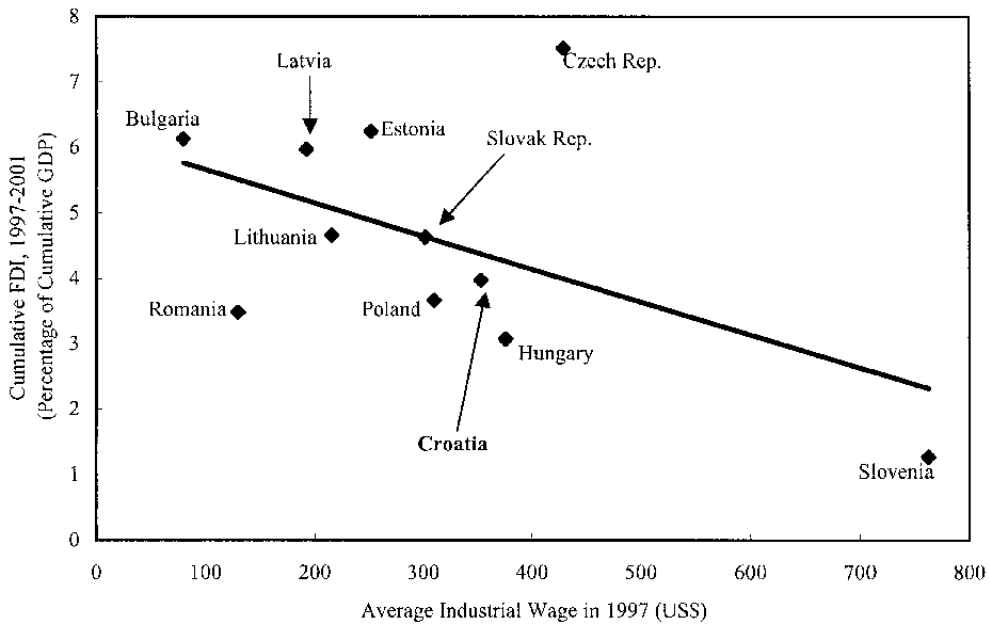


Figure 8. Croatia and Selected CEECs: Industrial Wages in 1997 and Cumulative FDI as a Percentage of Cumulative GDP in 1997-2001



Source: National Statistical Offices, World Economic Outlook, and IMF staff estimates.

1/ Lines represent regression lines.

#### **D. Progress in Trade Liberalization and Integration**

14. Croatia became a member of the WTO in November 2000 and since then has made significant progress in implementing commitments under its WTO accession agreement and in further liberalizing its trade regime.

15. Under the WTO accession agreement, Croatia undertook commitments to gradually reduce tariffs on industrial goods over a period of 5 years and on agricultural goods over a period of 7 years. A major reduction of customs tariffs on industrial goods took place in the beginning of 2002 and the average industrial tariff was lowered to 3.5 percent.

16. Croatia signed a Stabilization and Association Agreement (CSAA) with the EU in October 2001 paving the way towards eventual integration with the EU. The agreement will enter into force after having been ratified by all EU member states, a process which is expected to last about two years. Until ratification the relations with the EU are governed by an Interim Agreement, effective since March 2002. The Interim Agreement includes the free movement of goods, relevant provisions for customs cooperation, and provisions regulating the harmonization of legislation.

17. Under the SAA, Croatia is committed to fostering regional cooperation, including cooperation in trade. Croatia signed bilateral trade agreement with the Republic of Slovenia (effective January 1998), Macedonia (effective September 1997), and Bosnia and Herzegovina (effective January 2001). In 2001 free trade agreements were signed with Bulgaria, the Czech Republic, Hungary, Poland. The negotiations towards bilateral agreements with Albania, Romania, and Yugoslavia are in progress and are expected to be concluded by the end of 2002 or the beginning of 2003. In addition, Croatia is in the process of negotiating free trade agreements with Latvia, Lithuania, and Estonia.

18. Croatia was invited to join CEFTA and is expected to become a member at the beginning of 2003. While Croatia is not a member of EFTA, it has a free trade agreement with this organization since 2001.

19. Table 6 summarizes the progress made by Croatia the past two years. In January 2000, Croatia had free trade agreements only with Macedonia and Slovenia. However, the table also shows that most of the CEECs signed most of their agreements in the mid—1990s and had a significant head start over Croatia.

20. As a result of these and earlier trade reforms and measures, Croatia maintains a very liberal trade regime with a low 6.3 percent average tariff level (CEEC average –10 percent), and the lowest index of trade restrictiveness according to the IMF's TPD trade restrictions database (Table 7).

21. Despite the substantial progress an important outstanding issue that needs to be addressed is joining the Pan European System of Cumulation of Origin. This agreement

covers the EU, CEFTA, EFTA, the Baltic countries and Turkey and establishes a single rule of origin among participating countries. While Croatia has bilateral agreements on rules of origin with 28 countries of the System (including the EU and EFTA as a single area), not being a member of the System represents a substantial obstacle for Croatian exports, especially textiles. For example, final textile products made in the Czech Republic from Croatian fabric cannot be exported duty free to Germany despite the fact that Croatia has a bilateral agreement on rules of origin with both countries.

22. The Baltic, CEFTA, and EFTA countries already have agreed on Croatia entering the Pan European System, and the main remaining issue is getting an agreement from the EU. The clause in the EU's SAA with Croatia indicates that "the Community declares its readiness to examine, within the Stabilization and Association Council, the issue of Croatia's participation in diagonal cumulation of rules of origin once economic and commercial as well as other relevant conditions for granting diagonal cumulation have been established"<sup>5</sup>. According to Croatian officials, two issues need to be addressed prior to inclusion in the System. First, the Croatian customs service needs to be certified to ensure a sufficient level of monitoring efficiency of the system, in particular with respect to checking the rules of origin certificates. Second, free trade agreements with Albania and Yugoslavia must be signed.

23. Summarizing, Croatia has made significant progress in the past two years in liberalizing its trade regime and improving access to foreign markets for its exports. However, it was behind other CEECs in this process, especially in gaining access to the EU. With signed trade agreements yet to bear fruit and with an important obstacle for Croatian exports – not being a member of Pan European System of origin – remaining, trade issues are likely to be a significant factor in explaining Croatia's lagging performance in exports of goods.

### **E. Broader Indicators of Competitiveness**

24. While the real exchange rate measures of external competitiveness, and measures of trade restrictiveness discussed in the previous sections are important for assessing export performance and prospects, competitiveness also depends on other important, but more elusive and less quantifiable factors. These factors include flexibility of labor markets, levels of red tape and bureaucracy, entrepreneurial attitude, labor skills and education.. This chapter examines some of these broader assessments of Croatia's competitiveness.

25. One of the most important factors affecting country's competitiveness is their ability to attract foreign direct investment. Table 6 shows that between 1997 and 2001 Croatia's FDI

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<sup>5</sup> See *Council Decision Concerning the signature of the Stabilization and Association Agreement between the European Communities and its Member States and the Republic of Croatia on behalf of the European Community* (COM 2001/301), September 2001, page 65.

as a percentage of GDP was 4 percent, slightly below the average of CEECs (4.6 percent of GDP). A relatively late start in negotiating free trade agreements and obstacles in access to external markets (discussed above) may have adversely affected the attractiveness of Croatia for foreign investment. However, the attractiveness to FDI also is greatly affected by the investment climate and the level of administrative barriers to foreign investors. A recent report by the IFC/World Bank Foreign Investment Advisory Service (FIAS)<sup>6</sup> suggests that Croatia still needs to implement significant measures to remove barriers facing foreign investors.

26. The FIAS report looked in detail at the procedures investors would have to follow in order to establish and legally operate a business in Croatia. The investigation concentrated on four generic areas of the investment process: entry procedures (e.g., immigration and work permits), business establishment procedures (e.g., registration and licensing), locating procedures (e.g., land registration and construction permit), and operating procedures (e.g., tax collection and customs, labor regulations, and government inspections).

27. The report concluded that Croatia ranks poorly with regard to these key elements of the investment process. By contrast, the operating environment does not pose significant challenges to foreign investors, and Croatia compares well with other CEECs in this area. The report provided a number of specific recommendations to improve performance in these areas.

28. The 2001 World Economic Forum's (WEF) *European Competitiveness and Transition Report* identifies 20 factors affecting competitiveness including macroeconomic stability, startup conditions for businesses, development of the financial system, education, corruption, rule of law, labor market flexibility, and others. The report assesses the five CEEC candidates to EU accession against these factors on seven-point scale and finds that they achieve relatively high rankings with regard to capital accumulation, low taxes, education, and intensity of competition and workplace incentives. They ranked higher than the EU average on labor market flexibility and, by a slight margin, on taxation levels.

29. The findings of the FIAS and the WEF reports suggest that Croatia needs to intensify reforms aimed at creating a better investment climate and increasing labor market flexibility and competition.

## F. Conclusions

- The REER/ULC indicators do not show any deterioration of competitiveness. However, Croatia's competitiveness would benefit from more flexible labor market and wage policies.

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<sup>6</sup> *Croatia: Administrative Barriers to Foreign Investment*, Foreign Investment Advisory Service of the IFC and World Bank, February 2002.

- Croatia has made significant progress in further liberalizing its trade regime and gaining access to export markets, but these measures only have started to bear fruit and some significant obstacles (e.g., being outside the system of cumulation of origin) remain.
- The relatively high growth of exports of services compared to other CEECs suggests that Croatia may have a comparative advantage in service exports because of nature and location (e.g., transport and tourism).
- However, even if this is true, growth in exports of goods has been too low, and analysis of sectoral trends suggests that Croatia did not manage to restructure its industry towards high growth export sectors.
- As pointed out above, the reason for this disappointing performance is not a loss of price or cost competitiveness. Rather the explanation seems to be lack of structural reform in the labor and enterprise sector, and continuing protection of some industries in dire need of restructuring (in particular, shipbuilding). Accelerating these reforms is a key to increasing the export of goods.

Table 1. Croatia: Central and Eastern European Countries: Export Performance Indicators  
(In percent unless otherwise indicated)

	Growth of exports of goods and non-factor services (1997-2001) 1/	Growth of exports of goods (1997-2001) 1/	Growth of exports of non-factor services (1997-2001) 1/	Growth of exports of goods to EU 1/ (1997-2001) 1/	Share of exports of goods and nonfactor services in GDP			Share of exports of nonfactor services in GDP			Share of exports of goods to the EU in total exports of goods		Change in market share of goods exports to the EU
					1997	2001	Percent Change	1997	2001	Percent Change	1997	2001	
					Bulgaria	7.2	6.7	8.3	43.8	69.1	59.1	-14.5	
Croatia 2/	16.9	12.9	21.0	11.1	40.9	47.5	16.2	19.9	24.0	20.3	52.7	51.9	-1.3
Czech Republic	35.4	41.4	16.2	51.9	56.5	71.5	26.5	13.5	14.7	8.6	59.5	63.9	34.9
Estonia	44.8	57.2	23.3	99.9	78.4	96.6	23.2	28.7	30.1	4.9	62.1	78.9	77.5
Hungary	35.6	42.4	12.4	62.3	56.7	74.1	30.8	12.5	13.9	10.8	69.3	79.0	44.1
Latvia	20.1	23.1	15.1	98.4	51.9	45.3	-12.8	19.3	16.2	-16.4	44.4	71.5	76.2
Lithuania	13.3	11.8	20.0	67.5	54.5	49.2	-9.7	9.7	9.2	-4.3	29.3	43.8	48.7
Poland	11.1	11.3	9.5	31.7	21.5	20.1	-6.4	2.6	2.3	-10.5	60.7	71.8	17.0
Romania	37.1	39.4	24.2	61.7	28.3	34.4	21.5	4.3	2.9	-33.5	56.4	65.4	43.6
Slovak Republic	27.4	31.0	11.6	47.9	60.7	75.4	24.2	11.1	12.1	8.8	47.1	53.2	31.3
Slovenia	16.5	21.3	-3.5	8.0	57.4	57.8	0.6	11.2	9.4	-16.7	63.3	56.3	31.3
Average	24.1	27.1	14.4	53.1	52.4	57.4	9.1	14.1	14.0	-3.8	53.2	62.7	39.2
(standard deviation)	(12.5)	(16.3)	(8.1)	(30.0)	(16.6)	(21.4)	(17.6)	(7.7)	(8.3)	(15.9)	(11.8)	(11.7)	(23.2)
Median	20.1	23.1	15.1	51.9	56.5	57.8	16.2	12.5	13.9	-4.3	56.4	63.9	34.9

Sources: World Economic Outlook; Direction of Trade Statistics (DOTS); and Trade Analysis and Reporting System (TARS) databases, Croatian Authorities and Staff estimates.

1/ Exports are expressed in US dollars.

2/ Data for Croatia may differ slightly from those presented in other tables of the Statistical Appendix, but they have been taken from the same source as for the other CEECs in order to ensure comparability.

Table 2. Croatia and Selected CEECs: Average Annual Change in Per Capita Exports in Selected Sectors, 1996-2000  
(Percent per annum)

	Consumer Electronics	Electronic Components	Transport Equipment	Basic Manufact.	Non-Electric Machinery	Chemicals	Clothing	Textiles	Misc. Manufact.	Minerals
Bulgaria	-6	-2	-15	1	-2	-9	30	30	8	17
Croatia	0	0	24	4	2	-3	4	-4	2	3
Czech Republic	35	22	21	2	6	3	0	5	4	0
Estonia	105	34	4	23	23	3	6	4	19	11
Hungary	367	25	66	5	75	7	2	4	18	4
Latvia	-9	-10	-12	23	4	4	8	-4	15	49
Lithuania	-6	6	1	3	-4	-4	12	0	7	63
Poland	38	15	16	2	20	4	-4	9	7	2
Romania	579	26	6	1	3	10	10	3	2	141
Slovak Republic	27	24	29	0	2	-4	17	-3	-4	-3
Slovenia	-2	5	1	2	3	2	-7	3	0	-2
Average (standard deviation)	102.5 (192.1)	13.2 (14.1)	12.8 (22.6)	6.0 (8.5)	12.0 (22.5)	1.2 (5.6)	7.1 (10.3)	4.3 (9.5)	7.1 (7.5)	25.9 (44.0)
Median	27.0	15.0	6.0	2.0	3.0	3.0	6.0	3.0	7.0	4.0

Source: International Trade Center of UNCTAD, WTO.



Table 3. Croatia: Monthly Dollar Industrial Wages in Selected CEECs, 1997-2001  
(in U.S. dollars)

	1997	1998	1999	2000	2001
Bulgaria	80	105	108	104	106
Croatia	545	579	544	495	535
Czech Republic	337	362	367	352	387
Estonia	258	290	280	281	297
Hungary	321	326	334	341	360
Latvia	219	227	234	232	259
Lithuania	213	252	269	269	270
Poland	329	357	426	433	511
Romania	128	161	134	134	143
Slovak Republic	274	286	259	249	256
Slovenia	745	795	793	729	801
Average	314	340	341	329	357
(standard deviation)	(188)	(194)	(194)	(176)	(198)
Median	274	290	280	281	297

Source: Staff estimates.

Table 4. Croatia: Monthly Dollar GDP per Capita in selected CEECs, 1997-2001  
(in U.S. Dollars)

	1997	1998	1999	2000	2001
Bulgaria	95	115	117	117	125
Croatia	353	386	354	329	353
Czech Republic	429	461	443	415	461
Estonia	252	291	294	289	315
Hungary	376	388	401	403	388
Latvia	192	210	232	251	274
Lithuania	216	242	240	255	271
Poland	310	341	334	340	380
Romania	130	156	132	137	147
Slovak Republic	302	330	304	299	308
Slovenia	762	824	841	759	884
Average	311	340	336	327	355
(standard deviation)	(182)	(192)	(196)	(171)	(201)
Median	302	330	304	299	315

Source: World Economic Outlook

Table 5. Croatia: Central and Eastern European Countries:  
Cumulative FDI, 1997-2001  
(In percent of cumulative GDP)

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Bulgaria	6.1
Croatia	4.0
Czech Republic	7.5
Estonia	6.2
Hungary	3.1
Latvia	6.0
Lithuania	4.7
Poland	3.7
Romania	3.5
Slovak Republic	4.6
Slovenia	1.3
Average	4.6
(standard deviation)	(1.8)
Median	4.6

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Source: World Economic Outlook.

Table 6. Croatia: Selected Central and Eastern European Countries: Trade Arrangements

	WTO	CEFTA	EU PHARE	Bilateral agreement with EFTA	Other bilateral agreements	EU Trade and Cooperation Agreement 1/	EU Autonomous Preferential Trade Regime	EU Interim Agreement 1/	EU Association Agreement 1/	EU membership application	Pan-European System of Cumulation of Origin
Bulgaria	Yes	Yes	Yes	Yes	Croatia, Czech Republic, Kenya, Macedonia, Slovak Republic, Slovenia, Turkey	November 1990	No	December 1993	February 1995	December 1995	Yes
Croatia June 2002	Yes	Under negotiations, expected in 2003	No	Yes	Bosnia and Herzegovina, Bulgaria, Czech Republic, Hungary, Slovak Republic, Slovenia, FYR of Macedonia, Bulgaria <i>Under Negotiation:</i> Latvia, Lithuania, Estonia, Albania, Yugoslavia, Romania	No	Yes	March 1, 2002	Signed, but had not come into force	No	No
Croatia January 2000	No	No	No	No	Slovenia, FYR of Macedonia	No	Yes	No	No	No	No
Czech Republic 2/ 3/	Yes	Yes	Yes	Yes	Bulgaria, Croatia, Estonia, Israel, Latvia, Lithuania, Romania, Slovak Republic, Turkey	November 1990	No	March 1992	February 1995	January 1996	Yes
Estonia	Yes	No	Yes	Yes	Czech Republic, Hungary, Poland, Slovak Republic, Slovenia, Turkey, Ukraine	March 1993	No	No	February 1998	November 1995	Yes
Hungary	Yes	Yes	Yes	Yes	Croatia, Estonia, Israel, Latvia, Lithuania, Slovenia,	December 1988	No	March 1992	February 1994	March 1994	Yes
Latvia	Yes	Yes	Yes	Yes	Czech Republic, Hungary, Poland, Turkey, Slovak Republic, Slovenia, Ukraine	February 1993	No	No	February 1998	October 1995	Yes
Lithuania	Yes	No	Yes	Yes	Czech Republic, Hungary, Poland, Slovak Republic, Slovenia, Turkey	February 1993	No	No	February 1998	December 1995	Yes
Poland	Yes	Yes	Yes	Yes	Estonia, Israel, Latvia, Lithuania, Turkey	December 1989	No	March 1992	February 1994	April 1994	Yes
Romania	Yes	Yes	Yes	Yes	Czech Republic, Israel, Moldova, Slovak Republic, Turkey	May 1991	No	May 1993	February 1995	June 1995	Yes
Slovak Republic 2/ 3/	Yes	Yes	Yes	Yes	Bulgaria, Croatia, Czech Republic, Estonia, Israel, Latvia, Lithuania, Romania, Slovenia, Turkey	November 1990	No	March 1992	February 1995	June 1995	Yes
Slovenia	Yes	Yes	Yes	Yes	Bosnia, Bulgaria, Croatia, Estonia, Hungary, Israel, Latvia, Lithuania, FYR of Macedonia, Slovak Republic, Turkey	September 1993	No	January 1997	February 1999	June 1996	Yes

Sources: EU Sectoral and Trade Barriers Database; and IMF Trade Policy Division database.

1/ Date refers to when agreement came into force.

2/ The Czech Republic and the Slovak Republic have a customs union agreement.

3/ The Czech and Slovak Federal Republic (CSFR) signed a Trade and Cooperation Agreement in May 1990 and an Association Agreement in December 1991. Following the dissolution of the CSFR, separate Association Agreements and supplementary protocols to the

Table 7. Croatia: Central and Eastern European Countries: Tariff Structure Summary and Trade Restrictiveness Rating

	Observation Date	Simple average tariff (2001 or latest)	Minimum	Maximum	Import weighted average tariff (1998)	Trade restrictiveness index		
						Tariff	NTB	Overall
Bulgaria	2002	11.1	0	74	6.5	2	1	2
Bosnia and Herzegovina	2001	6.8	0	15	...	1	1	1
Croatia	2001	6.3	0	77	...	1	1	1
Czech Republic	2001	6.0	0	148	...	1	1	1
Estonia	2001	3.1	0	59	...	1	1	1
Hungary	2001	11.7	0	127.5	...	2	2	5
Latvia	2002	4.3	0	55	...	1	1	1
Lithuania	2001	5.3	0	100	...	1	1	1
Macedonia	2001	14.6	0	60	...	2	1	2
Poland	2000	14.5	0	748	...	2	1	2
Romania	1999	19.5	0	248	...	3	1	3
Slovak Republic	2001	6.1	0	125	...	1	1	1
Slovenia	2001	10.8	0	293	...	2	2	5
FR Yugoslavia	2001	10.0	...	...	...	2	2	5
Average (standard deviation)		11.8 (4.7)	0.0	163.8	...	1.6 (0.6)	1.2 (0.4)	2.2 (1.6)
Median		10.0	0.0	100.0	...	2	1	2

Source: IMF, Trade Policy Division.

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Table A1. Croatia: Gross Domestic Product at Constant 1997 Prices, 1990-2002 1/

	GDP (In millions of kunas)	Index 1990 = 100
1990	151.3	100.0
1991	119.4	78.9
1992	105.4	69.7
1993	97.0	64.1
1994	102.6	67.8
1995	109.7	72.5
1996	116.3	76.8
1997	123.8	81.8
1998	126.9	83.9
1999	126.5	83.6
2000	131.2	86.7
2001	136.5	90.2
1998		
Q1	29.6	78.3
Q2	31.6	83.4
Q3	33.8	89.3
Q4	32.0	84.5
1999		
Q1	29.3	77.3
Q2	31.0	82.0
Q3	33.7	89.2
Q4	32.5	85.8
2000		
Q1	30.3	80.2
Q2	32.5	85.8
Q3	35.1	92.9
Q4	33.2	87.9
2001		
Q1	31.6	83.5
Q2	34.0	89.8
Q3	36.6	96.6
Q4	34.4	90.9
2002		
Q1	33.1	87.4

Sources: Central Bureau of Statistics; and IMF staff.

1/ Following the publication of a new quarterly series in June 1999, data from 1997 onwards have been revised.

Table A2. Croatia: Gross Value Added and Gross Domestic Product at Current Prices, 1997-2002

	1997	1998	1999	2000	2001	2002 1/
	(In millions of kunas)					
Agriculture, hunting, forestry, and fishing	9,687	10,901	11,366	12,387	13,113	3,333
Mining, quarrying, manufacturing, electricity, gas and water supply	27,113	29,074	30,871	35,174	38,008	9,832
Construction	7,437	7,731	7,957	7,648	8,186	2,503
Wholesale and retail trade	13,050	13,788	14,328	16,401	19,176	4,886
Hotels and restaurants	3,266	3,582	3,452	4,232	4,826	615
Transport, storage, and communication	9,092	9,777	10,507	12,596	15,105	3,623
Financial intermediation, real estate, renting, and business activities	14,694	16,388	17,396	18,502	20,266	5,606
Public administration and community services	20,368	25,053	27,070	29,540	28,528	7,314
Financial intermediation services indirectly measured	-3,788	-5,233	-5,603	-6,037	-6,954	-1,828
Gross value added (basic prices)	100,919	111,061	117,344	130,443	140,254	35,883
Taxes on products less subsidies on products	22,893	26,543	25,356	27,068	28,717	6,202
GDP (market prices)	123,812	137,604	142,700	157,511	168,972	42,085
	(Percent composition)					
Agriculture, hunting, forestry, and fishing	7.8	7.9	8.0	7.9	7.8	7.9
Mining, quarrying, manufacturing, electricity, gas and water supply	21.9	21.1	21.6	22.3	22.5	23.4
Construction	6.0	5.6	5.6	4.9	4.8	5.9
Wholesale and retail trade	10.5	10.0	10.0	10.4	11.3	11.6
Hotels and restaurants	2.6	2.6	2.4	2.7	2.9	1.5
Transport, storage, and communication	7.3	7.1	7.4	8.0	8.9	8.6
Financial intermediation, real estate, renting, and business activities	11.9	11.9	12.2	11.7	12.0	13.3
Public administration and community services	16.5	18.2	19.0	18.8	16.9	17.4
Financial intermediation services indirectly measured	-3.1	-3.8	-3.9	-3.8	-4.1	-4.3
Gross value added (basic prices)	81.5	80.7	82.2	82.8	83.0	85.3
Taxes on products less subsidies on products	18.5	19.3	17.8	17.2	17.0	14.7
GDP (market prices)	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bureau of Statistics; and IMF staff.

1/ January-March quarter.

Table A3. Croatia: Gross Domestic Product by Sector at Constant 1997 Prices, 1997-2002

	1997	1998	1999	2000	2001	2002 1/
	(In millions of kunas)					
Agriculture, hunting, forestry, and fishing	9,687	10,229	10,029	10,157	10,225	2,625
Mining, quarrying, manufacturing, electricity, gas and water supply	27,112	28,689	29,356	30,204	31,595	7,901
Construction	7,437	7,476	6,856	6,548	6,734	1,838
Wholesale and retail trade	13,051	12,942	12,385	13,688	15,297	3,635
Hotels and restaurants	3,266	3,288	3,130	3,636	3,853	561
Transport, storage, and communication	9,092	9,479	9,141	9,713	10,421	2,526
Financial intermediation, real estate, renting, and business activities	14,693	15,287	15,480	15,766	16,514	4,265
Public administration and community services	20,366	20,890	21,440	21,662	21,669	5,465
Financial intermediation services indirectly measured	-3,789	-4,034	-3,869	-3,893	-4,290	-1,131
Gross value added (basic prices)	100,915	104,246	103,948	107,481	112,018	27,688
	(Annual percent change)					
Agriculture, hunting, forestry, and fishing	...	5.6	-2.0	1.3	0.7	1.8
Mining, quarrying, manufacturing, electricity, gas and water supply	...	5.8	2.3	2.9	4.6	2.7
Construction	...	0.5	-8.3	-4.5	2.8	15.3
Wholesale and retail trade	...	-0.8	-4.3	10.5	11.8	12.7
Hotels and restaurants	...	0.7	-4.8	16.2	6.0	5.6
Transport, storage, and communication	...	4.3	-3.6	6.3	7.3	5.8
Financial intermediation, real estate, renting, and business activities	...	4.0	1.3	1.8	4.7	4.9
Public administration and community services	...	2.6	2.6	1.0	0.0	0.5
Financial intermediation services indirectly measured	...	6.5	-4.1	0.6	10.2	11.5
Gross value added (basic prices)	...	3.3	-0.3	3.4	4.2	4.5

Source: Central Bureau of Statistics.

1/ January-March quarter.



Table A4. Croatia: Trends in Industrial Production, 1993-2002  
(Industrial production by main industrial groupings, 2000=100)

	Total Industry	Energy	Intermediate Goods, Except Energy	Capital Goods	Durable Consumer Goods	Nondurable Consumer Goods
1993	82.2	60.4	95.9	113.1	85.3	85.0
1994	80.0	61.7	96.7	83.1	83.1	90.5
1995	87.3	70.7	88.8	85.8	73.2	96.1
1996	90.0	77.3	95.6	91.2	73.6	90.0
1997	96.2	90.5	93.8	97.2	96.4	100.6
1998	99.7	93.8	97.4	98.5	94.7	104.9
1999	98.3	102.5	96.4	93.3	103.9	98.8
2000	100.0	100.0	100.0	100.0	100.0	100.0
2001	106.0	103.1	104.2	115.2	95.1	107.6
1998						
Q1	95.4	101.9	92.6	95.4	93.5	94.7
Q2	100.3	78.0	104.1	106.9	96.5	104.0
Q3	102.4	87.3	96.2	99.8	95.5	115.7
Q4	100.9	107.8	96.8	92.2	93.5	105.0
1999						
Q1	92.0	120.5	84.9	81.7	91.1	89.5
Q2	99.9	92.8	103.3	93.0	100.9	100.7
Q3	97.7	87.5	96.1	97.3	100.8	102.2
Q4	103.7	109.0	101.7	101.3	122.6	102.9
2000						
Q1	95.4	118.1	94.5	79.3	99.8	87.8
Q2	101.9	88.3	106.0	110.9	106.5	103.0
Q3	100.2	87.9	96.3	111.9	91.9	107.2
Q4	102.5	105.7	103.3	97.9	101.8	101.8
2001						
Q1	100.8	114.8	97.8	104.2	110.6	95.3
Q2	108.2	93.4	112.6	120.9	100.6	109.8
Q3	106.2	94.5	104.7	108.6	82.3	114.3
Q4	108.7	109.7	101.6	126.8	87.0	110.8
2002						
Q1	102.5	109.6	101.7	109.0	97.9	98.9

Source: Central Bureau of Statistics.

Table A5. Croatia: Agricultural Production, 1995-2001  
(1994=100)

	1995	1996	1997	1998	1999	2000	2001
Total production - net	101.0	103.0	106.1	116.7	113.2	101.9	110.5
Crops	106.0	109.2	114.6	128.4	123.3	104.8	118.4
Livestock	93.0	92.1	94.8	102.4	104.5	99.2	101.8
Businesses	92.0	82.8	84.5	99.7	91.7	79.8	86.4
Family farms	103.0	108.2	112.5	121.5	120.3	109.4	118.8

Source: Central Bureau of Statistics.

Table A6. Croatia: Tourism—Overnight Stays, 1990-2002

(In thousands)

	Overnight Stays		
	Total	Domestic	Foreign
1990	52,523	6,747	45,776
1991	10,158	3,394	6,764
1992	10,724	3,170	7,554
1993	12,909	3,152	9,757
1994	19,977	4,421	15,556
1995	12,885	4,370	8,515
1996	21,455	4,909	16,546
1997	30,314	5,617	24,697
1998	31,287	5,285	26,002
1999	26,563	5,215	21,348
2000	38,406	5,099	33,307
2001	43,404	5,021	38,384
2000			
Jan	255	159	95
Feb	249	143	106
Mar	305	160	145
Apr	1,048	217	830
May	1,400	317	1,083
Jun	4,752	525	4,226
Jul	11,703	1,329	10,374
Aug	13,321	1,404	11,918
Sep	4,099	358	3,741
Oct	735	204	531
Nov	254	140	114
Dec	286	143	143
2001			
Jan	257	163	94
Feb	254	140	114
Mar	353	177	176
Apr	1,213	246	967
May	2,064	349	1,714
Jun	5,826	538	5,288
Jul	13,185	1,209	11,976
Aug	14,242	1,327	12,915
Sep	4,521	367	4,154
Oct	918	223	696
Nov	301	148	153
Dec	271	134	137
2002			
Jan	238	154	85
Feb	274	154	120
Mar	523	176	347
Apr	1,021	249	772

Source: Central Bureau of Statistics.

Table A7. Croatia: Nights Spent by Tourists According to Type of Accommodation, 1995-2001

	(In thousands)						
	1995	1996	1997	1998	1999	2000	2001
	(Total)						
Hotels	5,587	8,551	11,247	11,387	9,605	13,164	14,582
Pensions	15	31	51	58	63	95	104
Motels	95	111	140	89	90	72	80
Overnight lodging houses	29	41	42	43	51	88	116
Tourist facilities	1,972	3,083	3,791	3,667	3,171	4,561	4,916
Inns and other food and lodging establishments	2	5	40	67	56	93	109
Spas and sanatoriums	262	172	207	166	163	253	266
Vacation facilities	495	626	1,057	944	908	815	730
Campgrounds	3,429	5,815	7,857	8,650	7,640	10,740	12,131
Private rooms, apartments, suites, and summer houses	840	2,806	5,660	6,020	4,656	8,325	9,346
Other	158	216	221	196	160	975	1,023
Total	12,884	21,457	30,313	31,287	26,564	39,183	43,404
	(Domestic tourists)						
Hotels	2,569	2,732	2,793	2,623	2,647	2,385	2,308
Pensions	7	10	14	21	24	26	27
Motels	66	73	107	53	63	43	47
Overnight lodging houses	16	21	19	21	26	52	77
Tourist facilities	466	502	434	414	465	424	435
Inns and other food and lodging establishments	1	3	12	16	19	19	25
Spas and sanatoriums	173	139	156	125	117	158	154
Vacation facilities	333	358	642	617	611	491	458
Campgrounds	351	388	445	458	455	485	497
Private rooms, apartments, suites, and summer houses	279	527	839	812	673	914	863
Other	108	158	155	126	116	141	130
Total	4,369	4,911	5,616	5,286	5,215	5,138	5,021
	(Foreign tourists)						
Hotels	3,018	5,819	8,454	8,764	6,958	10,779	12,273
Pensions	8	21	37	37	39	69	78
Motels	29	38	33	36	27	29	33
Overnight lodging houses	13	20	23	22	25	37	39
Tourist facilities	1,506	2,581	3,357	3,253	2,706	4,138	4,481
Inns and other food and lodging establishments	1	2	28	51	37	73	84
Spas and sanatoriums	89	33	51	41	47	95	112
Vacation facilities	162	268	415	327	297	325	272
Campgrounds	3,078	5,427	7,412	8,192	7,186	10,255	11,634
Private rooms, apartments, suites, and summer houses	561	2,279	4,821	5,208	3,983	7,412	8,483
Other	50	58	66	70	44	834	894
Total	8,515	16,546	24,697	26,001	21,349	34,045	38,384

Source: Central Bureau of Statistics.

Table A8. Croatia: Nights Spent by Tourists According to Region of Origin, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
(In thousands)							
Total	8,515	16,546	24,697	26,002	21,349	34,045	38,384
European Union	4,569	8,987	13,024	14,141	10,724	19,526	22,981
Eastern Europe	3,503	6,844	10,697	11,386	10,248	14,174	15,040
Other European	297	443	743	245	177	106	121
Non-European	147	272	232	230	200	238	243
(In percent)							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
European Union	53.7	54.3	52.7	54.4	50.2	57.4	59.9
Eastern Europe	41.1	41.4	43.3	43.8	48.0	41.6	39.2
Other European	3.5	2.7	3.0	0.9	0.8	0.3	0.3
Non-European	1.7	1.6	0.9	0.9	0.9	0.7	0.6

Source: Central Bureau of Statistics.

TableA9. Croatia: Composition of Employment, 1997-2001

(In thousands)

	1997 1/	1998	1999	2000	2001
Total	1,311	1,385	1,365	1,341	1,348
A. Agriculture, hunting and forestry	157	146	134	115	108
B. Fishing	1	4	4	4	4
C. Mining and quarrying	9	8	8	8	8
D. Manufacturing	285	305	296	289	287
E. Electricity, gas and water supply	27	27	27	27	28
F. Construction	67	97	96	89	90
G. Wholesale and retail trade	147	201	198	198	206
H. Hotels and restaurants	43	76	73	75	76
I. Transport, storage and communication	88	99	96	97	97
J. Financial intermediation	28	29	29	30	30
K. Real estate, renting and business activities	42	61	64	66	70
L. Public administration and defense; social security	45	123	124	122	121
M. Education	77	79	80	83	84
N. Health and social work	78	81	82	82	82
O. Other community, social and personal service activities	27	38	41	42	44
P. Private households with employed persons	...	6	8	10	11
Q. Extra-territorial organizations and bodies	0	2	1	0	0
Not classified by activity 2/	...	4	4	3	3

Source: Central Bureau of Statistics.

1/ Excludes persons employed in police and defense. Persons employed in crafts and trades and free-lancers are included only in the total.

2/ Refers to persons employed in crafts and trades as well as free-lancers.

Table A10. Croatia: Trends in Employment and Unemployment, 1991-2001 1/

(In units, unless otherwise indicated; end of period)

	Majority State- owned Ent. & Pub. Sector 1/ (1)	Private Sector 2/ (2)	Total Employment 3/ (3)=(1)+(2)	Unemployed (registered) (4)	Labor Force (5)=(3)+(4)	Unemployment Rate (In percent) (4):(5)
1991	1,482,740	343,650	1,826,390	283,308	2,109,698	13.4
1992	1,221,333	435,200	1,656,533	261,050	1,917,583	13.6
1993	1,054,357	586,823	1,641,180	243,096	1,884,276	12.9
1994	870,787	716,791	1,587,578	247,555	1,835,133	13.5
1995	799,665	738,804	1,538,469	249,070	1,787,539	13.9
1996 4/	667,979	764,232	1,432,211	264,124	1,696,335	15.6
1997 4/	644,047	746,383	1,390,430	284,611	1,675,041	17.0
1998 4/	607,052	748,990	1,392,042	292,332	1,683,374	17.4
1999 4/	584,660	791,923	1,376,583	318,157	1,694,740	18.8
2000 4/	565,324	776,817	1,342,141	357,711	1,699,852	21.0
2001 4/	543,767	790,211	1,333,978	388,747	1,722,725	22.6
2002 4/	...	...	1,326,780	415,352	1,742,132	23.8

Sources: State Institute for Macroeconomic Analysis and Forecasting; Central Bureau of Statistics; and Croatian Employment Office

1/ Comprises formerly socially owned enterprise sector as well as government sector.

2/ Private sector employment includes individual farmers, entrepreneurs and their employees, independent professional workers, and employees at private enterprises. From 1992 onwards, private enterprises established in the process of privatization are included.

3/ Total employment estimates are based on employees paying pension contributions.

4/ End-March.

Table A11. Croatia: Trends in Total Labor Costs, 1999-2001 1/

(In thousands of kunas)

	Gross Salaries	Net Salaries	Contributions from Salaries	Income Tax	Compensation from Employment and Work	Other Contributions 2/
1999						
Jan	3,416,722	2,322,572	703,845	390,305	159,247	12,198
Feb	3,331,967	2,268,552	686,385	377,030	169,025	11,895
Mar	3,301,016	2,249,672	680,009	371,335	191,902	11,785
Apr	3,446,458	2,334,252	709,970	402,236	185,305	12,304
May	3,572,691	2,413,320	735,974	423,397	186,549	12,755
Jun	3,557,639	2,397,365	732,874	427,400	204,324	12,701
Jul	3,646,494	2,458,320	751,178	436,996	406,968	13,018
Aug	3,603,266	2,439,201	742,273	421,792	168,951	12,864
Sep	3,587,308	2,425,530	738,985	422,793	170,693	12,807
Oct	3,572,985	2,415,885	736,035	421,065	208,799	12,756
Nov	3,567,806	2,413,236	734,968	419,602	185,133	12,737
Dec	3,942,835	2,642,176	812,224	488,435	275,738	14,076
2000						
Jan	3,625,960	2,428,653	746,948	450,359	117,273	12,945
Feb	3,636,148	2,438,919	749,046	448,183	135,708	12,981
Mar	3,673,884	2,465,739	756,820	451,325	151,703	13,116
Apr	3,797,283	2,604,541	782,240	410,502	185,166	13,556
May	3,708,492	2,559,967	763,949	384,576	181,289	13,239
Jun	3,923,002	2,696,286	808,138	418,578	177,410	14,005
Jul	4,006,377	2,754,188	825,314	426,875	174,195	14,303
Aug	3,908,388	2,696,189	805,128	407,071	166,343	13,953
Sep	4,019,068	2,766,231	827,928	424,909	179,962	14,348
Oct	3,938,627	2,718,231	811,357	409,039	164,210	14,061
Nov	3,977,136	2,740,021	819,290	417,825	162,833	14,198
Dec	4,241,910	2,913,572	873,833	454,505	243,432	15,144
2001						
Jan	4,054,031	2,826,055	835,130	392,846	167,515	...
Feb	4,003,908	2,818,780	824,805	360,323	144,485	...
Mar	3,913,252	2,760,558	806,130	346,564	220,775	...
Apr	4,077,916	2,857,495	840,051	380,370	257,285	...
May	4,145,625	2,916,915	853,999	374,711	240,127	...
Jun	4,303,489	3,012,822	886,519	404,148	250,602	...
Jul	4,233,168	2,980,764	872,033	380,371	231,801	...
Aug	4,281,253	3,007,496	881,938	391,819	187,145	...
Sep	4,298,477	3,020,350	885,486	392,641	212,412	...
Oct	4,250,893	2,989,910	875,684	385,299	216,075	...
Nov	4,309,837	3,031,736	887,826	390,275	215,554	...
Dec	4,615,852	3,220,867	950,866	444,119	430,103	...

Source: Finacijska agencija (FINA), former ZAP

1/ Excluding employees of the Ministry of Defense and the Ministry of Internal Affairs.

2/ Contributions to the Croatian Chamber of Economy. This contribution was abolished in 2001.



Table A12. Croatia: Average Monthly Net Wages and Salaries, 1995-2002 1/

	Total	Total
	(In HRK)	(In US\$)
1995	1,818	348
1996	2,033	374
1997	2,377	386
1998	2,681	421
1999	3,055	430
2000	3,324	402
2001	3,541	425
2000		
Jan	3,191	420
Feb	3,179	405
Mar	3,303	413
Apr	3,207	393
May	3,367	396
Jun	3,329	412
Jul	3,274	405
Aug	3,369	403
Sep	3,303	382
Oct	3,369	384
Nov	3,503	397
Dec	3,499	414
2001		
Jan	3,546	438
Feb	3,395	406
Mar	3,535	419
Apr	3,513	412
May	3,625	431
Jun	3,503	410
Jul	3,550	423
Aug	3,567	435
Sep	3,431	416
Oct	3,538	429
Nov	3,707	445
Dec	3,582	432
2002		
Jan	3,597	426
Feb	3,500	406
Mar	3,622	428
Apr	3,696	442

Sources: Central Bureau of Statistics; and IMF staff estimates.

1/ Comprises the formerly socially owned industrial sector ("economy") and the general government sector ("non-economy"). Persons employed in the police and defense, in crafts and trades and free-lancers and private farmers are not included.

Table 13. Croatia: Average Gross Monthly Pay Per Employee, 1997-2002 1/  
(In kuna)

	1997	1998	1999	2000	2001	2002 2/
Total	3,668	4,131	4,551	4,830	5,060	5,189
A. Agriculture, hunting and forestry	3,377	3,558	3,821	4,300	4,109	4,283
B. Fishing	2,784	3,106	3,005	2,900	3,278	3,499
C. Mining and quarrying	4,206	4,351	4,615	5,039	5,703	5,485
D. Manufacturing	3,358	3,681	3,869	4,050	4,464	4,603
E. Electricity, gas and water supply	4,148	4,729	5,113	5,369	5,480	5,299
F. Construction	3,229	3,473	3,630	3,644	3,964	4,191
G. Wholesale and retail trade	3,349	3,558	3,580	3,827	4,148	4,421
H. Hotels and restaurants	3,048	3,453	3,610	3,827	4,111	4,211
I. Transport, storage and communication	3,970	4,324	4,908	5,410	5,796	5,907
J. Financial intermediation	5,625	6,413	6,998	7,568	8,106	9,340
K. Real estate, renting and business activities	4,125	4,643	5,093	5,235	5,380	5,487
L. Public administration; social security	4,155	5,053	6,185	6,386	5,998	5,931
M. Education	3,322	4,046	4,624	5,043	5,245	5,343
N. Health and social work	4,150	4,989	5,789	6,338	6,347	6,248
O. Other community, social and personal service activities	4,302	4,662	4,994	5,105	5,305	5,352

Source: Central Bureau of Statistics.

1/ Excludes persons employed in crafts and trades, free-lancers, police and defense, as well as private farmers.  
2/ January-April average.

Table A14. Croatia: Indices of Nominal Net Wages and Salaries Per Employee, 1997-2002 1/  
(1997=100)

	1997	1998	1999	2000	2001	2002 2/
Total	100.0	112.8	126.7	135.9	139.2	143.6
A. Agriculture, hunting and forestry	100.0	106.6	117.7	129.7	130.2	133.6
B. Fishing	100.0	116.6	116.0	92.9	119.1	122.6
C. Mining and quarrying	100.0	105.3	116.5	135.9	136.0	144.7
D. Manufacturing	100.0	110.3	119.6	132.4	139.1	144.3
E. Electricity, gas and water supply	100.0	113.1	127.0	130.7	137.0	137.2
F. Construction	100.0	109.4	117.9	119.3	134.0	142.2
G. Wholesale and retail trade	100.0	107.4	111.7	124.0	129.3	134.8
H. Hotels and restaurants	100.0	113.5	122.1	135.6	144.2	143.3
I. Transport, storage and communication	100.0	109.3	126.9	139.1	152.4	150.9
J. Financial intermediation	100.0	113.7	127.5	134.0	142.9	187.3
K. Real estate, renting and business activities	100.0	112.5	125.4	129.7	127.6	127.7
L. Public administration; social security	100.0	120.2	146.8	155.3	139.4	144.1
M. Education	100.0	120.7	138.9	151.2	150.7	153.5
N. Health and social work	100.0	119.5	139.2	152.2	144.7	143.6
O. Other community, social and personal service activities	100.0	109.2	120.4	128.2	133.5	135.3

Source: Central Bureau of Statistics.

1/ Excludes persons employed in crafts and trades, free-lancers, police and defense, as well as private farmers.

2/ April.

Table A15. Croatia: Indices of Real Net Wages and Salaries Per Employee, 1997-2002 1/

(1997=100)

	1997	1998	1999	2000	2001	2002 2/
Total	100.0	106.0	116.6	117.0	116.9	118.5
A. Agriculture, hunting and forestry	100.0	100.2	108.0	111.4	109.2	110.0
B. Fishing	100.0	109.6	104.0	78.0	97.5	98.5
C. Mining and quarrying	100.0	98.9	106.4	116.3	113.6	118.6
D. Manufacturing	100.0	103.6	109.3	113.3	116.2	118.3
E. Electricity, gas and water supply	100.0	106.3	115.5	111.4	113.8	112.0
F. Construction	100.0	102.8	107.6	102.0	111.7	116.4
G. Wholesale and retail trade	100.0	101.0	102.7	106.8	108.7	111.3
H. Hotels and restaurants	100.0	106.7	111.2	115.6	120.0	117.1
I. Transport, storage and communication	100.0	102.7	115.9	118.9	127.2	123.7
J. Financial intermediation	100.0	106.8	117.0	115.1	119.9	154.3
K. Real estate, renting and business activities	100.0	105.7	116.7	112.9	108.4	106.5
L. Public administration; social security	100.0	112.9	135.3	134.0	117.4	119.2
M. Education	100.0	113.4	129.1	131.6	127.9	127.9
N. Health and social work	100.0	112.3	129.9	133.0	123.4	120.3
O. Other community, social and personal service activities	100.0	102.6	110.4	110.0	111.9	111.3

Source: Central Bureau of Statistics.

1/ Excludes persons employed in crafts and trades, free-lancers, police and defense, as well as private farmers.

2/ April.

Table A16. Croatia: Price Developments, 1994-2002

	Retail Prices			Producer Prices		
	Index Dec. 1994=100	Rate of Growth		Index Dec. 1994=100	Rate of Growth	
		Previous Period	Same Month Previous Year		Previous Period	Same Month Previous Year
1994	100.0	97.6	...	101.3	77.6	...
1995	102.0	2.0	...	102.0	0.7	...
1996	105.6	3.5	...	103.4	1.4	...
1997	109.4	3.6	...	105.8	2.3	...
1998	115.8	5.9	...	102.3	-3.3	...
1999	120.8	4.3	...	104.8	2.4	...
2000	128.4	6.2	...	114.9	9.7	...
2001	134.7	4.9	...	119.0	3.6	...
2000						
Jan	123.7	0.8	4.6	110.4	1.9	7.6
Feb	124.1	0.3	4.6	111.5	0.8	7.8
Mar	125.2	0.8	5.1	113.3	1.4	10.2
Apr	126.2	0.8	5.6	113.9	0.5	10.2
May	126.4	0.2	5.0	113.7	-0.2	10.1
Jun	128.8	1.9	7.0	114.4	0.7	10.6
Jul	129.5	0.5	6.5	114.1	-0.2	9.4
Aug	129.5	0.0	6.5	114.5	0.2	8.7
Sep	131.0	1.2	7.1	115.3	0.9	8.9
Oct	131.8	0.6	7.3	116.6	1.1	9.7
Nov	132.1	0.2	7.7	120.4	3.4	11.3
Dec	132.2	0.0	7.4	120.7	0.2	11.2
2001						
Jan	131.9	0.1	6.6	119.5	-0.7	8.2
Feb	132.5	0.5	6.8	120.7	0.9	8.3
Mar	132.8	0.1	6.0	119.5	-1.6	5.5
Apr	134.8	1.4	6.8	119.8	0.0	5.1
May	135.5	0.6	7.2	119.6	0.0	5.2
Jun	135.1	-0.3	4.9	119.5	0.1	4.5
Jul	134.4	-0.6	3.8	118.7	-0.7	4.0
Aug	135.8	1.0	4.9	118.4	-0.5	3.4
Sep	136.0	0.3	3.8	118.8	0.6	3.0
Oct	136.1	-0.1	3.2	119.1	0.2	2.1
Nov	135.7	-0.2	2.8	118.0	-0.5	-2.0
Dec	135.5	-0.2	2.6	116.9	-1.0	-3.1
2002						
Jan	136.2	0.8	3.3	116.3	-0.1	-2.6
Feb	136.3	0.1	2.8	117.3	0.6	-2.8
Mar	137.0	0.4	3.2	116.8	-1.1	-2.3
Apr	137.7	0.4	2.2	118.1	0.9	-1.4
May	138.0	0.2	1.8	118.2	0.2	-1.2

Source: Central Bureau of Statistics.

Table A17. Croatia: Retail Inflation Rates, 1994-2002

(Annual average percentage change)

	1994	1995	1996	1997	1998	1999	2000	2001	2002 1/
Total	97.6	2.0	3.5	3.6	5.9	4.3	6.2	4.9	2.6
Goods	95.1	0.0	2.4	2.8	4.1	4.2	6.5	4.3	0.5
Agricultural products	134.5	3.7	0.0	6.5	3.7	-0.5	5.9	3.0	2.2
Industrial products - total	94.1	-0.2	2.5	2.7	4.1	4.4	6.5	4.4	0.4
Processed food products	93.3	0.0	4.5	3.6	7.3	0.5	-0.1	2.0	1.3
Alcoholic beverages 2/	108.2	4.4	7.7	3.2	-1.7	4.3	11.1	9.4	2.3
Tobacco	159.1	27.2	18.2	0.0	0.1	9.1	20.3	3.3	0.0
Non-food industrial products	90.8	-2.2	0.2	2.6	3.9	5.4	7.3	5.1	0.0
Textile products	103.5	-4.2	-1.5	5.9	4.5	9.4	6.8	3.3	2.5
Fuel and light	87.6	-3.5	1.9	3.1	1.6	3.5	9.5	11.0	-3.5
Household furnishings	103.8	-5.8	-3.3	1.5	-0.6	4.1	2.7	1.2	-1.7
Electric appliances	62.2	-10.6	-3.9	-2.2	-0.9	4.2	2.8	1.0	-1.2
Medicine	110.5	0.6	-0.6	6.7	18.0	1.2	-6.6	8.5	1.8
Services	110.9	11.9	8.6	7.0	12.1	3.8	5.1	7.2	10.7
Housing services 3/	142.8	18.1	5.1	1.1	30.9	3.0	1.6	1.8	7.3
Public utilities and services	113.7	5.3	4.5	8.9	20.6	3.8	4.0	8.0	...
Transport 4/	98.8	6.5	5.9	8.2	9.0	2.2	8.7	8.5	15.8
Communications	95.2	23.8	32.8	15.0	18.1	26.4	6.3	23.2	...

Source: Central Bureau of Statistics.

1/ Average January-May.

2/ All beverages in 2002.

3/ Housing and public utilities services in 2002.

4/ Transport and communications in 2002.

Table A18. Croatia: Number of Enterprises in the Economic Sector and Number of Legal Entities Undergoing Bankruptcy, 1996-2001  
(End of year; in units)

	Registered Legal Entities According to the Activities of the NCFA, 31 December						Legal Entities in the Process of Liquidation or Bankruptcy, 31 December				Crafts and Trades and Free-lancers, 31 March			
	1996	1997	1998	1999	2000	2001	1998	1999	2000	2001	1998	1999	2000	2001
Total	171,170	177,730	183,306	188,552	192,034	195,563	294	425	623	780	92,850	86,512	87,844	87,539
Agriculture, hunting and forestry	3,063	3,135	3,177	3,269	3,288	3,299	22	29	45	50	503	550	632	655
Fishing	467	479	497	507	517	534	-	-	-	1	1,518	1,527	1,523	1,535
Mining and quarrying	177	194	211	232	240	261	-	-	-	-	5	6	12	14
Manufacturing	16,983	17,573	18,011	18,466	18,730	19,104	84	110	175	215	11,327	11,030	11,126	11,069
Electricity, gas and water supply	137	144	157	169	173	185	-	-	2	3	-	3	-	-
Construction	9,734	10,381	10,916	11,307	11,484	11,762	35	46	61	83	9,786	9,528	9,404	9,361
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	79,176	80,861	81,765	82,954	83,191	83,026	81	123	179	231	20,583	20,094	20,135	19,981
Hotels and restaurants	5,131	5,346	5,596	5,839	6,000	6,210	8	9	15	22	11,967	11,817	12,295	12,167
Transport, storage and communication	7,885	8,199	8,446	8,640	8,791	8,952	11	16	25	39	10,324	9,927	9,687	9,536
Financial intermediation	1,084	1,286	1,398	1,466	1,505	1,545	6	19	29	47	471	461	446	454
Real estate, renting and business activities	17,081	17,737	18,303	18,843	19,277	19,909	30	49	64	66	8,020	7,934	8,222	8,277
Public administration and defense; social security	1,886	2,035	2,049	2,068	2,137	2,094	-	-	-	-	3,877	14	3	3
Education	2,418	2,510	2,657	2,738	2,781	2,827	4	6	6	1	22	34	51	52
Health and social work	1,995	2,071	2,184	2,296	2,381	2,506	3	3	4	5	4,428	5,148	5,661	5,706
Other community, social and personal service activities	23,897	25,714	27,875	29,697	31,480	33,291	10	15	18	17	6,908	6,847	7,103	7,224
Private household with employed persons	-	-	-	-	-	-	-	-	-	-	672	557	554	538
Extra-territorial organizations and bodies	56	65	64	61	59	58	-	-	-	-	1,303	-	-	-
Unknown	-	-	-	-	-	-	-	-	-	-	1,136	1,035	990	967

Source: Central Bureau of Statistics.

Table A19. Croatia: Budgetary Central Government Fiscal Operations by Economic Category, 1997-2001 1/  
(In percent of GDP)

	1997	1998	1999	2000	2001 Prel.
Revenue and grants	42.5	45.6	42.8	39.9	38.7
Current revenue	42.5	45.6	42.8	39.9	38.7
Tax revenue	40.3	43.5	40.7	37.9	36.9
Personal Income tax	3.3	3.6	3.2	2.6	2.0
Social Security contributions	14.6	14.2	13.8	13.0	12.9
Profits tax	1.4	1.8	1.7	1.1	1.2
Real Estate Transactions tax	0.2	0.2	0.2	0.2	0.2
Taxes on goods and services	16.6	20.4	18.5	18.3	18.1
Value-added taxes	0.0	14.7	13.9	13.6	13.5
Excises	4.4	4.3	4.3	4.6	4.5
Other taxes	12.2	1.4	0.3	0.1	0.1
Custom's duties	3.7	3.0	3.0	2.4	2.3
Other	0.4	0.3	0.3	0.3	0.3
Non-tax revenue	2.2	2.1	2.2	1.9	1.9
Capital revenue	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	44.5	48.7	50.2	45.5	44.2
Expenditure	44.0	47.9	49.1	44.8	43.7
Current expenditure	39.5	42.1	43.5	41.5	40.4
Expenditure on goods and services	21.1	23.5	22.1	21.0	18.3
Wages excl. employer's contributions	10.3	10.9	11.7	11.5	10.3
Other purchases of goods and services	10.8	12.6	10.4	9.5	7.9
Interest payments	1.6	1.5	1.6	1.8	1.9
Subsidies and other current transfers	16.7	17.0	19.8	18.6	20.2
Capital expenditure	4.6	5.8	5.6	3.3	3.3
Lending minus repayments	0.5	0.8	1.1	0.7	0.5
Overall balance	-2.0	-3.0	-7.4	-5.7	-5.4
Primary balance	-0.4	-1.5	-5.7	-3.8	-3.5
Current balance	3.0	3.6	-0.7	-1.6	-1.6

Sources: Ministry of Finance; and IMF staff estimates.

1/ Accrual basis. Inclusive of five former extrabudgetary funds (Pension fund, Health insurance fund, Employment fund, Water management fund, and Child benefit fund).



Table A20. Croatia: Budgetary Central Government Expenditure by Function, 1997-2001 1/  
(In percent of GDP)

	1997	1998	1999	2000	2001 Prel.
Total expenditure	44.0	46.0	48.3	48.4	44.6
General public services	1.8	2.7	1.9	2.5	2.3
Defense affairs	4.9	4.5	3.5	3.2	2.3
Public order and safety	3.0	2.7	2.7	2.8	2.4
Social spending	25.0	25.9	29.2	29.3	27.2
Education	2.9	3.0	3.5	3.7	3.6
Health	5.8	6.5	7.1	7.2	6.6
Social security and welfare	16.4	16.3	18.6	18.4	17.0
<i>Of which:</i>					
Sickness and maternity benefits	1.6	1.5	1.5	1.8	1.3
Unemployment benefits	0.4	0.3	0.4	0.4	0.4
Child benefits	0.8	0.7	0.8	0.8	1.4
Expenses for refugees and others affected by civil war	0.9	0.7	0.4	0.4	0.5
Pensions (retirement, invalid, veterans, widows)	10.7	11.2	12.8	12.4	13.3
Housing and community amenities	2.6	2.8	2.2	1.7	1.5
Recreation, culture, and religion	0.4	0.4	0.6	0.6	0.5
Fuel and energy	0.0	0.0	0.0	0.0	0.0
Agriculture, forestry, fishing, hunting	0.5	0.8	0.9	1.1	1.0
Mining, manufacturing, construction	0.6	0.5	0.5	0.4	0.3
Transport and communications	2.8	3.0	3.7	3.1	2.6
Other	0.5	0.4	0.4	0.5	0.9
Unclassified expenditure	2.0	2.5	2.5	2.2	3.5

Sources: Ministry of Finance and IMF staff estimates.

1/ Cash basis. Inclusive of five former extrabudgetary funds (Pension fund, Health insurance fund, Employment fund, Child benefit fund, and Water management fund).

Table A21. Croatia: Consolidated Central Government Fiscal Operations by Economic Category, 1997-2001 1/  
(In percent of GDP)

	1997	1998	1999	2000	2001 Prel.
Revenue and grants	42.5	45.6	43.0	40.1	39.4
Current revenue	42.5	45.6	43.0	40.1	39.4
Tax revenue	40.3	43.5	40.7	37.9	37.3
Personal Income tax	3.3	3.6	3.2	2.6	2.0
Social Security contributions	14.6	14.2	13.8	13.0	12.9
Profits tax	1.4	1.8	1.7	1.1	1.2
Real Estate Transactions tax	0.2	0.2	0.2	0.2	0.2
Taxes on goods and services	16.6	20.4	18.5	18.3	18.4
Value-added taxes	0.0	14.7	13.9	13.6	13.5
Excises	4.4	4.3	4.3	4.6	4.9
Other	12.2	1.4	0.3	0.1	0.1
Customs duties	3.7	3.0	3.0	2.4	2.3
Other	0.4	0.3	0.3	0.3	0.4
Non-tax revenue	2.2	2.1	2.4	2.1	2.1
Capital revenue	0.0	0.0	0.0	0.0	0.0
Grants	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	44.5	48.7	50.6	46.0	45.8
Expenditure	44.0	47.9	49.5	45.3	45.3
Current expenditure	39.5	42.1	43.9	41.9	40.9
Expenditure on goods and services	21.1	23.5	22.3	21.2	19.2
Wages excl. employer's contributions	10.3	10.9	11.7	11.5	10.4
Other purchases of goods and services	10.8	12.6	10.6	9.7	8.8
Interest payments	1.6	1.5	1.6	1.8	2.0
Subsidies and other current transfers	16.7	17.0	19.9	18.9	19.6
Capital expenditure	4.6	5.8	5.6	3.3	4.4
Lending minus repayments	0.5	0.8	1.1	0.7	0.5
Overall balance	-2.0	-3.0	-7.5	-5.9	-6.3
Primary balance	-0.4	-1.5	-5.9	-4.1	-4.3
Current balance	3.0	3.6	-0.9	-1.8	-1.5

Sources: Ministry of Finance; and IMF staff estimates

1/ Accrual basis. Inclusive of five former extrabudgetary funds (pension fund, health insurance fund, employment fund, water management fund, and child benefit fund), the agencies for highway (HAC) and road construction (HC), the privatization fund (HFP), and the bank rehabilitation and deposit insurance agencies (DAB).

Table A22. Croatia: Consolidated Central Government Expenditure by Function, 1997-2001 1/  
(In percent of GDP)

	1997	1998	1999	2000	2001 Prel.
Total expenditure	44.0	46.0	48.7	48.9	46.2
General public services	1.8	2.5	2.0	3.0	3.0
Defense affairs	4.9	4.6	3.5	3.2	2.3
Public order and safety	3.0	2.7	2.7	2.8	2.4
Social spending	25.0	25.9	29.2	29.3	27.2
Education	2.9	3.0	3.5	3.7	3.6
Health	5.8	6.5	7.1	7.2	6.6
Social security and welfare	16.4	16.3	18.6	18.4	17.0
Housing and community amenities	2.6	2.8	2.2	1.7	1.5
Recreation, culture, and religion	0.4	0.4	0.6	0.6	0.5
Fuel and energy	0.0	0.0	0.0	0.0	0.0
Agriculture, forestry, fishing, hunting	0.5	0.8	0.9	1.1	1.0
Mining, manufacturing, construction	0.6	0.5	0.5	0.4	0.3
Transport and communications	2.8	3.0	3.7	3.1	3.6
Other	0.5	0.4	0.4	0.5	0.9
Unclassified expenditure	2.0	2.5	3.0	3.3	3.5

Source: Ministry of Finance; and IMF staff estimates.

1/ Cash basis. Inclusive of five former extrabudgetary funds (pension fund, health insurance fund, employment fund, child benefit fund, and water management fund), the agencies for highway (HAC) and road construction (HC), the privatization fund (HFP), and the bank rehabilitation and deposit insurance agencies (DAB).

Table A23. Croatia: Consolidated General Government Fiscal Operations by Economic Category, 1997-2001 1/  
(In percent of GDP)

	1997	1998	1999	2000	2001 Prel.
Revenue and grants	47.7	51.1	48.0	44.8	43.1
Current revenue	47.7	50.9	47.9	44.7	43.1
Tax revenue	43.4	46.9	43.7	40.8	39.7
Personal Income tax	5.4	5.9	5.3	4.8	3.8
Social Security contributions	14.5	14.1	13.6	12.8	12.7
Profits tax	2.0	2.5	2.3	1.5	1.7
Real Estate Transactions tax	0.6	0.6	0.5	0.5	0.4
Taxes on goods and services	16.7	20.5	18.6	18.5	18.5
Value-added taxes	0.0	14.7	13.9	13.6	13.5
Excises	4.4	4.3	4.3	4.6	4.9
Other	12.3	1.5	0.4	0.2	0.2
Customs duties	3.7	3.0	3.0	2.4	2.3
Other	0.4	0.3	0.3	0.3	0.4
Non-tax revenue	4.3	4.0	4.2	3.9	3.3
Capital revenue	0.0	0.0	0.0	0.0	0.0
Grants	0.1	0.2	0.1	0.1	0.0
Expenditure and net lending	50.1	54.6	56.2	51.0	49.7
Expenditure	49.5	53.8	55.1	50.2	49.1
Current expenditure	42.9	45.8	47.6	45.5	43.6
Expenditure on goods and services	23.7	26.3	24.9	23.7	21.5
Wages excl. employer's contributions	11.2	11.9	12.7	12.5	11.3
Other purchases of goods and services	12.5	14.3	12.2	11.2	10.2
Interest payments	1.7	1.6	1.7	1.9	2.1
Subsidies and other current transfers	17.6	18.0	20.9	19.8	20.1
Capital expenditure	6.6	7.9	7.5	4.8	5.5
Lending minus repayments	0.5	0.9	1.1	0.8	0.6
Overall balance	-2.3	-3.5	-8.2	-6.3	-6.6
Primary balance	-0.7	-1.9	-6.4	-4.4	-4.5
Current balance	4.7	5.1	0.3	-0.8	-0.6

Sources: Ministry of Finance; and IMF staff estimates

1/ Accrual basis

Table A24. Croatia: Consolidated General Government Expenditure by Function, 1997-2001 1/  
(In percent of GDP)

	1997	1998	1999	2000	2001 Prel.
Total expenditure	49.5	51.8	54.2	53.9	50.0
General public services	2.9	3.7	3.2	4.0	3.5
Defense affairs	4.9	4.6	3.5	3.2	2.3
Public order and safety	3.0	2.7	2.8	2.8	2.5
Social spending	25.9	26.8	30.1	30.1	28.1
Education	3.5	3.7	4.2	4.3	4.2
Health	5.8	6.6	7.1	7.2	6.8
Social security and welfare	16.6	16.5	18.8	18.6	17.2
Housing and community amenities	4.3	4.3	3.5	2.9	2.5
Recreation, culture, and religion	1.2	1.2	1.5	1.3	1.1
Fuel and energy	0.0	0.0	0.0	0.0	0.0
Agriculture, forestry, fishing, hunting	0.5	0.8	0.9	1.1	1.0
Mining, manufacturing, construction	0.7	0.8	0.7	0.5	0.4
Transport and communications	3.4	3.8	4.5	3.8	4.0
Other	0.7	0.6	0.5	0.5	1.0
Unclassified expenditure	2.0	2.6	3.1	3.4	3.6

Source: Ministry of Finance.

1/ Cash basis

Table A25. Croatia: Outstanding Stock of Central Government Debt, 1997-2001  
(End of period)

	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
	(In millions of kuna)					(In percent of GDP)				
Total debt	36,285	47,567	60,944	76,471	86,641	29.3	34.6	42.7	48.5	51.3
Total public and publicly guaranteed domestic debt	16,294	16,862	19,721	25,449	33,145	13.2	12.3	13.8	16.2	19.6
Medium-Long Term Bonds	14,159	13,036	13,721	15,769	17,052	11.4	9.5	9.6	10.0	10.1
Short term debt	1,379	2,012	3,034	5,575	7,952	1.1	1.5	2.1	3.5	4.7
T-bills	450	566	777	2,565	4,892	0.4	0.4	0.5	1.6	2.9
Money Market Instruments	44	97	153	35	104	0.0	0.1	0.1	0.0	0.1
Loans from the banking sector	886	1,349	2,104	2,976	2,956	0.7	1.0	1.5	1.9	1.7
Croatian National Bank	0	0	24	0	0	0.0	0.0	0.0	0.0	0.0
Domestic money banks to central budget	814	884	1,337	1,848	1,152	0.7	0.6	0.9	1.2	0.7
Domestic money banks to extrabudgetary funds	71	465	742	1,128	1,803	0.1	0.3	0.5	0.7	1.1
Outstanding domestic financial guarantees	756	1,814	2,967	4,105	8,141	0.6	1.3	2.1	2.6	4.8
Total public and publicly guaranteed external debt	19,991	30,706	41,223	51,022	53,496	16.1	22.3	28.9	32.4	31.7
Central government external debt	18,315	21,050	29,963	38,647	41,280	14.8	15.3	21.0	24.5	24.4
Publicly guaranteed external debt	1,677	9,656	11,260	12,375	12,216	1.4	7.0	7.9	7.9	7.2
Arrears 1/	3,223	5,861	7,025	3,684	506	2.6	4.3	4.9	2.3	0.3
Total debt (inclusive of guarantees and arrears)	39,509	53,428	70,327	80,155	87,147	31.9	38.8	49.3	50.9	51.6
Direct debt (exclusive of guarantees but inclusive of arrears)	37,077	41,959	56,099	63,676	66,790	29.9	30.5	39.3	40.4	39.5
o/w interest bearing	33,853	36,098	49,074	59,991	66,284	27.3	26.2	34.4	38.1	39.2
"arccars"	3,223	5,861	7,025	3,684	506	2.6	4.3	4.9	2.3	0.3

Sources: CNB, Ministry of Finance; and IMF staff estimates.

1/ Health Fund outstanding liabilities and central budget arrears

Table A26. Croatia: Health Insurance, 1997-2001

(Number of persons insured; annual averages)

	1997	1998	1999	2000	2001
Total	4,634,142	4,075,226	4,167,592	4,186,723	4,217,444
Currently employed 1/	1,604,895	1,430,649	1,416,617	1,403,474	1,405,587
Pensioners	850,052	931,169	963,728	978,529	988,719
Unemployed persons	189,844	192,148	251,833	303,430	341,817
Family members	1,824,144	1,319,571	1,360,635	1,355,696	1,341,877
Refugees and displaced persons	80,585	28,243	21,577	16,552	11,890
Other	84,652	173,446	153,202	129,042	127,554

Sources: Central Bureau of Statistics; and Croatian Health Insurance Institute.

1/ Including active farmers.

Table A27: Croatia: Disability and Retirement Insurance, 1997-2001

	1997	1998	1999 1/	2000	2001
	(Number of persons)				
Retirement benefits	907,479	939,247	1,001,064	1,017,225	1,026,055
Disability pensions	207,858	212,753	248,017	252,983	256,157
Old-age pensions	467,363	487,431	508,569	526,780	537,451
Survivor pensions	202,866	212,709	218,008	223,761	227,474
Former republics of former Yugoslavia	29,392	26,354	26,470	13,701	4,973
Disability compensation (for bodily injury)	105,919	107,093	111,655	108,595	106,639
Disabled workers - retraining or additional training	651	444	...	...	...
Disabled workers - unemployment benefits (for 1999, benefits for Croatian defenders)	37,699	39,688	4,381	5,621	7,150
Compensation for less than full-time employment	12,028	6,876	...	...	...
Compensation for reduced pay on new job	25,823	23,103	...	...	...
	(Expenditures, in thousands of kunas)				
Total	15,448,078	16,535,589	19,046,509	20,225,124	22,967,095
Disability pensions	2,944,078	3,341,432	3,780,870	4,292,668	4,805,244
Old-age pensions	6,648,471	7,493,421	8,270,842	9,110,292	10,874,194
Survivor pensions	2,434,623	2,904,441	3,035,559	3,579,497	4,115,480
Supplement (100 kuna + 6%)	...	...	1,887,807	1,789,966	1,723,638
Compensation for bodily injury	82,959	81,431	90,281	93,553	124,357
Costs and compensations associated with retraining and additional training of disabled workers	640,939	789,832	404,663	410,882	452,805
Contributions to housing construction	1,721,989	344,452	...	...	...
Administrative costs	250,774	328,785	353,517	364,445	335,553
Other	724,245	1,251,782	1,222,970	583,821	535,824

Sources: Central Bureau of Statistics; and Croatian Pension Institute.

1/ Payment for disabled workers for December 1998 (payment in January 1999) and temporary benefits for Croatian defenders for 1999 are included.



Table A28. Croatia: Number of Beneficiaries and Pension Payments  
by the Croatian Pension Institute, 1997-2001

	1997	1998	1999	2000	2001
<b>Numbers of Beneficiaries (In units)</b>					
Total	907,420	938,648	1,001,064	1,017,225	1,026,055
Old age	467,363	487,432	508,569	526,780	537,451
Disability	207,859	212,753	248,017	252,983	256,157
Survivors	202,806	212,109	218,008	223,761	227,474
Other-other former SFRY republics 1/	29,392	26,354	26,470	13,701	4,973
<b>Total Pension Payments (In millions of kuna)</b>					
Total	12,290	14,034	15,427	17,169	19,866
Old age	6,648	7,493	8,271	9,110	10,874
Disability	2,944	3,341	3,781	4,293	4,805
Survivors	2,435	2,904	3,036	3,579	4,115
Other-other former SFRY republics 1/	263	294	339	187	72
<b>Annual Pension Benefits and Wages (In kuna)</b>					
Average net wage	28,571	32,180	36,660	39,912	42,492
Average pension	13,544	14,951	15,480	16,430	19,104
Old age	14,225	15,373	16,263	17,262	21,514
Disability	14,164	15,706	15,244	16,180	16,740
Survivors	12,005	13,693	13,924	14,779	16,394
Other-other former SFRY republics 1/	8,946	11,166	12,806	10,158	13,600
<b>Memorandum items:</b>					
Total active insured persons (end-of-period)	1,468,938	1,471,509	1,406,901	1,380,510	1,402,102
<i>of which</i> : Workers' Fund	1,270,226	1,282,576	1,239,200	...	...
Dependency ratio (insured/pensioners) 2/	1.4	1.4	1.4	1.4	1.4
Old-age dependency ratio 3/	2.7	2.7	2.7	2.6	2.6
Average replacement rate 4/	47.5	46.5	42.2	41.6	45.0
Old age replacement rate 5/	49.9	47.8	44.4	46.7	50.1

Sources: Croatian Pension Institute; and Central Bureau of Statistics.

1/ Before 1996 the number of beneficiaries from other former SFRY republics were not separately identified, and from May 2000, pensions for the beneficiaries from Bosnia and Herzegovina were not paid.

2/ Insured persons of the Workers' Fund only.

3/ Population between 20 and 59 years old over population aged 60 or more.

4/ Average pension divided by average net wage.

5/ Old age pension divided by average net wage.

Table A29. Croatia: Employment in Selected National Public Enterprises, 1997-2001

(End of year; in units)

	1997	1998	1999	2000	2001
HRVATSKA ELEKTROPRIVREDA (Electricity)	15,057	15,098	15,219	15,274	15,309
HRVATSKA VODE (Water Supply)	630	676	706	720	723
HRVATSKE CESTE (Road Construction)	3,816	...	...	...	...
HRVATSKA UPRAVA ZA CESTE 1/	...	1,075	1,044	1,190	...
HRVATSKE CESTE, d.o.o. (HC)	...	...	...	...	288
HRVATSKE AUTOCESTE, d.o.o. (HAC)	...	...	...	...	1,013
HRVATSKE ŽELJEZNICE (Railroads)	21,966	20,009	18,978	18,165	17,957
HPT (Post and telecommunications)	21,055	21,932	22,035	22,534	22,451
HP	...	...	11,503	11,660	11,428
HT	...	...	10,532	10,874	11,023
JADROLINIJA RIJEKA (Coastal navigation)	2,030	1,773	1,669	1,685	1,692
HRVATSKA RADIO - TELEVIZIJA (HRT) (Radio and TV)	3,369	3,440	3,531	3,506	3,450
HRVATSKE SUME (Forestry)	9,284	8,477	8,857	9,808	9,642
NARODNE NOVINE (Printing)	652	722	683	678	643
INA - INDUSTRIJA NAFTE (Oil refining and distribution)	13,974	13,916	13,539	13,379	13,210
Total	91,833	87,118	86,261	86,939	86,378

Sources: Financijska agencija (FINA), former ZAP; and individual enterprises.

1/ Split in two agencies (HC and HAC) in 2001.

Table A30. Croatia: Monetary Survey, 1996-2002 1/  
(In millions of kuna; end of period)

	1996	1997	1998	1999	2000	2001				2002
						Mar.	Jun.	Sep.	Dec.	Mar.
<b>Assets</b>										
1. Foreign assets (net)	11,741	16,913	12,713	16,656	29,017	31,118	30,362	34,431	48,661	42,714
2. Domestic credit	48,465	56,195	66,923	65,939	72,051	75,817	78,690	84,337	87,638	94,540
2.1. Claims on central government and funds (net) 2/	14,634	7,331	7,131	10,063	11,188	11,093	11,117	12,895	12,769	14,776
2.2. Claims on other nonfinancial domestic sectors	33,691	48,617	59,598	55,676	60,653	64,485	67,228	71,164	74,513	79,231
2.3. Claims on other banking institutions	0	0	0	45	48	77	97	71	74	70
2.4. Claims on other financial institutions	140	247	194	154	162	162	248	207	281	462
Total (1+2)	60,206	73,108	79,637	82,594	101,069	106,935	109,052	118,767	136,299	137,254
<b>Liabilities</b>										
1. Money	11,369	13,731	13,531	13,859	18,030	17,395	19,065	20,285	23,704	24,375
2. Savings and time deposits	3,387	5,599	5,684	5,398	7,651	8,951	8,920	8,879	10,213	10,627
3. Foreign currency deposits	21,817	31,278	37,971	36,966	46,902	50,706	51,210	58,662	71,837	70,939
4. Bonds and money market instruments	128	134	154	437	478	452	494	518	318	304
5. Restricted and blocked deposits	8,305	5,953	4,315	3,815	2,865	2,580	2,495	2,403	1,926	1,861
<i>Of which</i>										
Households' blocked f/c deposits	7,171	4,574	3,419	2,743	1,695	1,466	1,371	1,015	770	539
6. Other items (net)	15,199	16,412	17,981	22,120	25,143	26,850	26,867	28,021	28,301	29,148
Total (1+2+3+4+5+6)	60,206	73,108	79,637	82,594	101,069	106,935	109,052	118,767	136,299	137,254
<b>Memorandum items:</b>										
Broadest money (M4)	36,701	50,742	57,340	56,659	73,061	77,505	79,690	88,344	106,071	106,245

Source: Croatian National Bank.

1/ From 1999 onwards, excludes assets and liabilities of banks declared bankrupt in April 1999. Changes in the statistical reporting system introduced a break in the data in July 1999.

2/ Includes all central government agencies and funds, and the Croatian Bank for Reconstruction and Development (HBOR).

Table A31. Croatia: Monetary Authorities' Balance Sheet, 1996-2002  
(In millions of kuna; end of period)

	1996	1997	1998	1999	2000	2001				2000
						Mar.	June	Sept.	Dec.	Mar.
<b>Assets</b>										
1. Foreign assets 1/	12,819	16,006	17,593	23,136	28,747	30,652	32,844	36,352	39,309	41,502
2. Claims on central government and funds 2/	219	0	0	24	0	0	0	0	0	0
3. Claims on other nonfinancial domestic sectors 3/	1	24	1	277	290	275	270	264	229	128
4. Claims on banks	214	34	1,054	1,139	330	23	226	18	18	579
5. Claims on other financial institutions	0	1	2	3	4	5	6	7	8	9
Total (1+2+3+4+5)	13,253	16,063	18,647	24,575	29,367	30,950	33,339	36,634	39,557	42,209
<b>Liabilities</b>										
1. Reserve money	8,770	10,346	9,954	10,310	11,717	11,346	12,553	13,627	17,803	19,748
1.1. Currency outside banks	4,361	5,308	5,719	5,959	6,637	6,412	7,266	7,475	8,507	9,146
1.2. Banks' cash	152	217	251	382	532	374	486	436	539	891
1.3. Banks' deposits	4,257	4,822	3,980	3,960	4,541	4,546	4,777	5,698	8,742	9,707
1.4. Deposits of other banking institutions	0	0	2	9	8	5	10	5	15	4
1.5. Deposits of other domestic sectors	0	0	1	0	0	10	14	13	0	0
2. Restricted and blocked deposits	243	101	1,788	5,017	5,805	5,938	6,806	7,162	6,030	6,951
2.1. Statutory reserve in f/c	0	0	1,668	4,636	5,491	5,676	6,511	6,719	5,705	6,841
2.2. Restricted deposits 4/	79	101	119	381	315	261	295	443	325	110
2.3. Blocked f/c deposits	164	0	0	0	0	0	0	0	0	0
3. Foreign liabilities	1,160	1,471	1,465	1,671	1,631	1,335	1,347	1,487	1,597	1,996
4. Central government and funds' deposits	558	1,033	435	397	1,157	2,341	2,672	1,853	1,752	1,086
4.1. Demand deposits	425	806	390	394	1,009	1,340	1,712	1,758	1,752	1,086
4.2. Foreign currency deposits	0	148	0	0	0	768	741	0	0	0
4.3. CNB bills	133	79	45	3	149	233	219	95	0	0
5. CNB bills	666	722	2,243	2,887	4,207	4,518	4,268	6,531	6,372	6,052
o/w: CNB bills in f/c	0	0	1,412	1,635	1,813	1,937	1,110	3,078	2,913	2,026
6. Other items (net)	45	28	136	242	368	443	451	479	424	-426
Total (1+2+3+4+5-6)	13,253	16,063	18,647	24,575	29,367	30,950	33,339	36,634	39,557	42,209

Source: Croatian National Bank.

1/ Includes the reserve position in the IMF.

2/ Includes all central government agencies and funds, and the Croatian Bank for Reconstruction and Development (HBOR).

3/ From 1999 onwards, includes overdue claims on banks for which bankruptcy proceedings have been initiated.

4/ From 1999 onwards, includes deposits of banks for which bankruptcy proceedings were initiated.

Table A32. Croatia: Deposit Money Banks' Accounts, 1996-2002 1/  
(In millions of kuna; end of period)

	1996	1997	1998	1999	2000	2001				2002
						Mar.	June	Sep.	Dec.	Mar.
<b>Assets</b>										
1. Reserves	4,410	5,046	5,908	8,988	10,589	10,626	11,796	12,986	15,003	17,532
1.1. In f/c	4,410	5,046	4,240	4,353	5,098	4,949	5,286	6,266	9,306	10,702
1.1. In kuna	-	-	1,668	4,635	5,491	5,676	6,511	6,719	5,697	6,831
2. Foreign assets	12,550	16,186	12,763	12,400	19,710	20,417	18,258	20,644	32,808	26,352
3. Claims on central government 2/	16,693	15,239	14,864	16,264	19,076	19,676	19,314	20,305	20,156	21,753
3.1 Bonds arising from blocked f/c deposits	8,291	6,714	5,802	5,420	4,484	4,036	3,848	3,473	3,420	2,949
3.2 Big bonds	2,438	2,292	2,103	1,322	1,476	1,712	1,697	1,684	1,659	1,651
3.3 Other claims	5,964	6,233	6,959	9,523	13,116	13,928	13,769	15,149	15,077	17,153
4. Claims on other domestic sectors	33,690	48,592	59,597	55,400	60,364	64,210	66,959	70,900	74,284	79,103
4.1 Claims on local government	145	309	654	906	1,175	1,187	1,164	1,225	1,280	1,194
4.2 Claims on enterprises	26,929	35,487	41,225	35,244	35,891	37,893	38,973	40,623	42,882	45,346
4.3 Claims on households	6,615	12,796	17,717	19,250	23,298	25,130	26,822	29,053	30,122	32,563
5. Claims on other banking institutions	-	-	0	45	48	77	97	71	74	70
6. Claims on other financial institutions	140	247	194	154	162	162	248	207	281	462
Total (1+2+3+4+5+6)	67,483	85,309	93,326	93,251	109,949	115,167	116,672	125,113	142,606	145,273
<b>Liabilities</b>										
1. Demand deposits	7,007	8,424	7,809	7,891	11,386	10,969	11,775	12,792	15,181	15,225
2. Savings and time deposits	3,387	5,599	5,684	5,398	7,651	8,951	8,920	8,879	10,213	10,627
3. Foreign currency deposits	21,817	31,278	37,971	36,966	46,902	50,706	51,210	58,662	71,837	70,939
4. Bonds and money market instruments	128	134	154	437	478	452	494	518	318	304
5. Foreign liabilities	12,467	13,807	16,177	17,209	17,810	18,616	19,394	21,079	21,858	23,144
6. Central government and funds' deposits	1,721	6,875	7,298	5,829	6,730	6,242	5,525	5,558	5,635	5,891
7. Credit from central bank	268	34	1,049	1,139	329	23	226	17	17	579
8. Restricted and blocked deposits	8,224	5,852	4,196	3,434	2,550	2,319	2,200	1,960	1,601	1,751
<i>Of which: Households' blocked f/c deposits</i>	7,171	4,574	3,419	2,743	1,695	1,466	1,371	1,015	770	539
9. Capital accounts	15,441	17,027	19,786	21,975	24,953	25,329	24,667	25,448	25,455	25,694
10. Other items (net)	-2,977	-3,720	-6,797	-7,026	-8,839	-8,439	-7,738	-9,799	-9,508	-8,881
Total (1+2+3+4+5+6+7+8+9+10)	67,483	85,309	93,326	93,251	109,949	115,167	116,672	125,113	142,606	145,273

Source: Croatian National Bank.

1/ From 1999 onwards, excludes assets and liabilities of banks declared bankrupt in April 1999. Changes in the statistical reporting system introduced a break in the data in July 1999.

2/ Includes all central government agencies and funds, and the Croatian Bank for Reconstruction and Development (HBOR).

Table A33. Croatia: Deposit Rates of the Croatian National Bank, 1996-2002  
(In percent, annualized)

Year	Month	On Statutory Reserves with the CNB	On CNB Bills						
			On a Voluntary Basis			On a Voluntary Basis in f/c			
			35 days	70 days	105 days	62 days	91 days	182 days	364 days
1996	December	5.50	8.00	9.50	...	...	...	...	...
1997	December	4.50	8.00	9.00	10.00	...	...	...	...
1998	December	5.90	9.50	10.50	11.00	4.60	3.12	3.08	...
1999	December	5.90	10.50	11.55	12.50	4.83	3.56	...	...
2000	January	5.90	10.50	11.55	12.50	4.72	5.85	...	...
	February	5.90	10.50	11.55	12.50	4.09	3.79	6.13	...
	March	5.90	10.42	11.54	12.43	4.99	4.27	3.83	...
	April	5.90	9.79	11.00	12.30	4.53	6.11	...	...
	May	5.90	9.05	9.80	10.93	4.85	5.28	6.88	...
	June	5.90	7.96	8.97	10.00	5.54	5.26	6.73	7.00
	July	5.90	7.84	8.84	9.74	5.09	5.94	6.01	...
	August	5.90	6.85	7.81	9.12	6.00	5.05	...	...
	September	5.90	6.78	7.80	9.02	4.90	5.14	...	...
	October	5.90	6.70	7.37	7.79	5.93	6.19	...	...
	November	4.50	6.65	7.00	7.70	6.22	5.15	...	...
	December	4.50	6.65	7.00	7.70	5.51	4.83	...	...
2001	January	4.50	6.64	6.99	7.70	4.96	5.22	...	...
	February	4.50	6.63	6.90	...	4.95	5.18	...	...
	March	3.70	6.61	6.80	7.00	4.68	4.77	...	...
	April	3.70	6.36	6.73	6.95	4.52	4.38	...	...
	May	3.70	6.34	6.72	6.93	4.26	4.26	...	...
	June	3.70	5.48	5.87	6.30	3.98	4.17	...	...
	July	3.50	...	...	...	3.98	4.27	...	...
	August	3.50	4.06	4.80	5.34	3.91	4.12	...	...
	September	2.00	5.00	5.50	6.00	3.47	4.08	...	...
	October	2.00	4.99	5.92	6.16	3.05	3.09	...	...
	November	2.00	4.53	4.97	5.51	2.96	3.19	...	...
	December	2.00	3.36	4.26	4.85	2.62	3.06	...	...
2002	January	2.00	3.72	4.16	4.78	2.86	3.04	...	...
	February	2.00	3.41	4.05	4.37	2.53	3.10	...	...
	March	2.00	...	...	...	2.78	3.18	2.15	2.82

Source: Croatian National Bank.

Table A34. Croatia: Credit Rates of the Croatian National Bank, 1996-2002  
(In percent, annualized)

Month	CNB Discount Rate	On Lombard credits	On intervention credits	Intra-day refinance facility	On short-term liquidity credits	On inaccurately calculated statutory reserves	On arrears
1996 December	6.50	11.00	19.00	17.00	...	19.00	18.00
1997 December	5.90	9.50	19.00	17.00	...	19.00	18.00
1998 December	5.90	12.00	19.00	7.00	14.00	19.00	18.00
1999 December	7.90	13.00	19.00	...	14.00 <sup>1/</sup>	19.00	18.00
2000 January	7.90	13.00	19.00	...	14.00	19.00	18.00
February	7.90	13.00	19.00	...	14.00	19.00	18.00
March	7.90	13.00	19.00	...	14.00	19.00	18.00
April	5.90	12.00	18.00	...	13.00	18.00	18.00
May	5.90	12.00	18.00	...	13.00	18.00	18.00
June	5.90	12.00	18.00	...	13.00	18.00	18.00
July	5.90	12.00	18.00	...	13.00	18.00	18.00
August	5.90	12.00	18.00	...	13.00	18.00	18.00
September	5.90	12.00	18.00	...	13.00	18.00	18.00
October	5.90	12.00	18.00	...	13.00	18.00	18.00
November	5.90	12.00	18.00	...	13.00	18.00	18.00
December	5.90	12.00	18.00	...	13.00	18.00	18.00
2001 January	5.90	12.00	18.00	...	13.00	18.00	18.00
February	5.90	12.00	18.00	...	13.00	18.00	18.00
March	5.90	9.50	18.00	...	10.50	18.00	18.00
April	5.90	9.50	18.00	...	10.50	18.00	18.00
May	5.90	9.50	18.00	...	10.50	18.00	18.00
June	5.90	9.50	18.00	...	10.50	18.00	18.00
July	5.90	9.50	18.00	...	10.50	18.00	18.00
August	5.90	9.50	...	...	10.50	18.00	18.00
September	5.90	10.50	...	...	11.50	18.00	18.00
October	5.90	10.50	...	...	11.50	18.00	18.00
November	5.90	10.00	...	...	11.00	15.00	18.00
December	5.90	10.00	...	...	11.00	15.00	18.00
2002 January	5.90	10.00	...	...	11.00	15.00	18.00
February	5.90	10.00	...	...	11.00	15.00	18.00
March	5.90	10.00	...	...	11.00	15.00	18.00

Source: Croatian National Bank.

1/ From 1999 onwards, interest rates on short-term liquidity credits are set as follows: a) up to 3 months: 50 basis points above Lombard; b) more than 3 months: 100 basis points above Lombard.

Table A35. Croatia: Deposit Money Banks' Deposit Rates, 1996-2002 1/  
(Monthly weighted average; in percent, annualized)

	Interest Rates on Deposits in Kuna	Interest Rates on Deposits in Kuna Indexed to f/c	Interest Rates on Deposits in f/c
1996 Dec	4.15	9.46	5.09
1997 Dec	4.35	7.63	4.77
1998 Dec	4.11	7.47	3.98
1999 Dec	4.27	6.62	4.23
2000 Jan	4.32	4.02	4.18
Feb	4.27	6.19	3.95
Mar	4.10	6.81	3.96
Apr	4.03	6.36	3.81
May	3.91	6.00	3.83
Jun	3.59	6.75	3.83
Jul	3.34	6.40	3.78
Aug	3.42	6.43	3.77
Sept	3.47	6.67	3.59
Oct	3.48	5.77	3.53
Nov	3.57	5.64	3.51
Dec	3.40	5.54	3.47
2001 Jan	3.45	5.19	3.13
Feb	3.60	5.22	3.27
Mar	3.60	5.64	3.26
Apr	3.54	5.40	3.13
May	3.32	5.94	3.09
Jun	3.18	5.69	2.98
Jul	3.04	5.29	2.93
Aug	3.11	4.63	2.96
Sept	3.10	4.98	2.83
Oct	3.06	4.58	2.75
Nov	2.99	4.40	2.59
Dec	2.76	4.58	2.60
2002 Jan	2.48	3.00	2.72
Feb	2.32	3.32	2.62
Mar	2.02	2.80	2.62

Source: Croatian National Bank.

1/ From January 2002 onwards, includes saving banks.



Table A36. Croatia: Deposit Money Banks' Credit Rates, 1996-2002 1/  
(Monthly weighted average; in percent, annualized)

	Interest Rates on Credits in Kuna	Interest Rates on Credits in Kuna Indexed to f/c	Interest Rates on Credits in f/c
1996 Dec	18.46	18.97	19.28
1997 Dec	14.06	14.40	13.56
1998 Dec	16.06	13.04	6.95
1999 Dec	13.54	12.53	6.75
2000 Jan	15.32	12.76	6.65
Feb	11.67	12.85	6.63
Mar	12.94	12.17	6.93
Apr	14.59	12.28	5.32
May	12.52	12.18	6.98
Jun	13.48	11.69	7.26
Jul	11.46	11.30	5.72
Aug	9.90	11.21	6.03
Sept	10.73	11.64	6.53
Oct	10.92	11.60	6.23
Nov	10.90	11.34	6.57
Dec	10.45	10.74	7.70
2001 Jan	10.81	10.26	7.83
Feb	10.89	10.27	6.48
Mar	8.98	9.82	6.80
Apr	8.99	9.81	6.83
May	9.32	10.34	7.15
Jun	9.88	10.15	6.80
Jul	9.39	9.31	6.50
Aug	9.27	9.64	6.51
Sept	9.46	9.81	6.44
Oct	8.53	9.37	5.93
Nov	9.56	9.68	5.61
Dec	9.51	9.29	5.94
2002 Jan	15.28	9.58	8.26
Feb	14.57	9.29	7.76
Mar	13.73	9.21	6.20

Source: Croatian National Bank.

1/ From January 2002 onwards, includes savings banks and excludes interbank credits. The weighting methodology has also been changed.

Table A37. Croatia: Banking System by Ownership, 1997-2001  
(End of period; percentage of total)

	1997	1998	1999	2000	2001
<b>Assets</b>					
State banks	32.7	37.0	40.4	5.7	5.0
Private banks	67.3	63.0	59.6	94.3	95.0
Significant public stake 1/	9.2	6.1	5.2	2.6	1.7
Minor public participation	47.3	38.4	10.8	1.7	1.8
Majority foreign-owned	4.0	6.7	39.9	84.1	89.3
Other	6.8	11.9	3.6	6.0	2.2
Total	100.0	100.0	100.0	100.0	100.0
<b>Deposits</b>					
State banks	29.9	35.3	39.5	6.0	5.2
Private banks	70.1	64.7	60.5	94.0	94.8
Significant public stake 1/	8.9	5.4	5.7	2.5	1.8
Minor public participation	50.6	42.4	12.1	1.9	2.0
Majority foreign-owned	3.6	4.8	39.6	84.0	89.2
Other	7.0	12.0	3.1	5.7	1.8
Total	100.0	100.0	100.0	100.0	100.0
<b>Regulatory capital</b>					
State banks	26.3	36.4	37.0	3.8	5.1
Private banks	73.7	63.6	63.0	96.2	94.9
Significant public stake 1/	10.1	9.2	5.2	3.6	2.6
Minor public participation	43.5	33.9	12.8	2.4	1.8
Majority foreign-owned	7.7	13.8	38.5	78.6	84.4
Other	12.4	6.7	6.4	11.7	6.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Croatian National Bank.

1/ Public shareholding exceeding 20 percent.

Table A38. Croatia: Banking Sector Assets and Liabilities, 1995-2001  
(End of period; percent of GDP)

	1995	1996	1997	1998	1999	2000	2001			
							Mar.	Jun.	Sep.	Dec.
Total banking sector assets	63.7	62.5	68.9	67.1	65.5	69.8	68.2	69.0	74.0	84.4
Deposits	21.5	29.8	36.6	37.0	35.2	43.8	0.0	42.6	47.5	57.5
Of which: Foreign currency	14.3	20.2	25.3	27.3	25.9	31.7	30.0	30.3	34.7	42.5
Loans	28.7	27.9	36.6	40.5	37.7	37.6	37.5	38.9	41.7	43.2
Of which: To enterprises	22.9	21.4	25.3	26.3	22.0	20.1	20.2	20.7	21.7	22.7
To households	4.8	6.1	10.3	12.7	13.5	14.8	14.9	15.9	17.2	17.8
Memorandum items:										
GDP (HrK million)	98,382	107,981	123,811	137,604	142,469	157,511	168,973	168,973	168,973	168,972
Year-on-year inflation rate (percent)	3.7	3.5	3.8	5.4	4.4	7.4	6.0	4.9	3.8	2.6
Loans-over-deposit ratio (percent)	1.3	0.9	1.0	1.1	1.1	0.9	0.9	0.9	0.9	0.8

Source: Croatian National Bank.

Table A39. Croatia: Quality of Banks' Loan Portfolio, 1995-2001  
(In percent, end of period)

	1995	1996	1997	1998	1999	2000	2001
Risk classification							
A	86.8	88.7	89.0	84.2	85.5	87.6	90.3
B	5.6	4.1	5.3	5.3	4.2	3.0	2.5
C	4.2	4.2	3.1	4.2	3.5	2.5	2.1
D	1.8	1.7	0.9	1.9	3.2	3.1	2.3
E	1.6	1.3	1.7	4.4	3.6	3.9	2.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Of which: Nonperforming loans (Category C-E)	7.6	7.2	5.7	10.5	10.3	9.5	7.2

Source: Croatian National Bank.

Table A40. Croatia: Balance of Payments, 1994–2001 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999	2000	2001				2001
								q1	q2	q3	q4	
Current account	853	-1442	-1091	-2,325	-1,531	-1,390	-433	-611	-833	1,200	-379	-623
Merchandise trade balance	-1,142	-3,259	-3,623	-5,196	-4,147	-3,299	-3,204	-808	-1,284	-975	-944	-4,012
Exports f.o.b.	4,260	4,633	4,546	4,210	4,604	4,395	4,567	1,111	1,164	1,220	1,257	4,752
Imports f.o.b.	-5,402	-7,892	-8,169	-9,407	-8,752	-7,693	-7,771	-1,920	-2,448	-2,195	-2,201	-8,764
Services and income	1,469	1,016	1,510	2,002	1,911	1,276	1,888	-26	197	1,937	314	2,423
Transportation	321	314	310	283	228	84	179	45	38	50	35	169
Travel	1,405	927	1,504	1,993	2,133	1,742	2,190	81	392	1,981	275	2,729
Other services	-93	-197	-234	-251	-286	-201	-101	2	19	11	23	54
Compensation of employees	35	39	39	56	70	60	70	29	30	32	34	125
Interest income	-200	-67	-109	-78	-234	-410	-450	-183	-281	-136	-54	-653
Current transfers	526	802	1,022	869	706	632	883	223	254	238	251	966
Capital and Financial account	16	1,136	2,403	3,039	1,629	2,553	1,538	318	1,136	193	676	2,324
Capital account	0	0	16	21	19	25	21	3	119	4	6	133
Financial account	16	1,136	2,387	3,018	1,610	2,528	1,517	315	1,017	189	671	2,191
Direct investment	110	110	482	344	835	1,445	1,086	75	366	231	652	1,325
Portfolio investment	11	5	24	577	15	574	722	576	27	175	-61	716
Medium- and long-term loans	-145	-142	454	1,189	1,018	348	175	-14	23	33	-5	37
Assets					0	-75	8	-2	4	-9	1	-6
Liabilities	-145	-142	454	1,189	1,018	423	168	-12	19	41	-5	43
Disbursements	184	315	844	1,776	1,735	1,657	1,413	196	227	383	285	1,091
Amortization scheduled	-329	-457	-391	-587	-717	-1,234	-1,245	-208	-208	-341	-291	-1,048
Currency and deposits 2/	30	694	784	424	192	85	-1,053	47	353	-584	650	466
Short term capital flows (net) 2/ 3/	10	470	217	248	36	60	214	-59	-26	-9	-319	-412
Trade Credits 4/	0	0	426	236	-486	16	372	-310	274	342	-246	59
Net errors and omissions	-591	345	-899	-323	62	-752	-494	433	97	-976	89	-357
Overall balance	278	40	413	391	160	410	611	140	401	417	386	1,344
Financing	-278	-40	-413	-391	-160	-410	-611	-140	-401	-417	-386	-1,344
Gross reserves (= increase)	-743	-443	-533	-428	-152	-378	-582	-140	-387	-414	-372	-1,313
IMF (net purchases)	106	98	-4	37	-9	-31	-29	0	-14	-3	-14	-31
Exceptional financing	360	306	125	0	0	0	0	0	0	0	0	0
<b>Memorandum Items</b>												
Current account (in percent of GDP)	5.9	-7.7	-5.5	-11.6	-7.1	-6.9	-2.3	-3.0	-4.1	5.9	-1.9	-3.1
Gross official reserves	1,405	1,895	2,314	2,539	2,816	3,025	3,525	3,514	3,799	4,416	4,704	4,704
in months of following year's imports of goods and NFS	1.8	2.3	2.4	2.9	3.5	3.8	4.0	3.9	4.3	4.9	5.0	5.0
Net international reserves	1,286	1,674	2,105	2,306	2,581	2,807	3,325	3,314	3,612	4,233	4,535	4,535
in months of following year's imports of goods and NFS	1.7	2.0	2.2	2.6	3.2	3.5	3.7	3.7	4.0	4.7	4.9	4.9
Gross usable international reserves 5/	1,405	1,895	2,314	2,539	2,320	2,249	2,629	2,688	2,947	3,228	3,653	3,653
in months of following year's imports of goods and NFS 5/	1.8	2.3	2.4	2.9	2.8	2.8	3.0	3.0	3.3	3.6	3.9	3.9
Net usable international reserves	1,286	1,674	2,105	2,306	2,085	2,031	2,430	2,488	2,761	3,045	3,484	3,484
in months of following year's imports of goods and NFS	1.7	2.0	2.2	2.6	2.6	2.5	2.7	2.8	3.1	3.4	3.7	3.7
Outstanding debt 6/	3,282	3,921	4,611	6,420	8,708	8,937	10,101	10,138	10,115	10,282	9,930	10,493
of which: short-term debt 3/ 7/	37	208	355	441	468	473	676	713	625	615	298	298
External debt to GDP ratio 6/	22.5	20.8	23.2	31.9	40.3	44.5	53.1	52.8	52.0	52.0	49.1	51.9
Short-term debt in percent of gross international usable reserves 3/ 7/	35.2	31.6	40.7	45.6	75.1	83.5	75.2					60.4
Short-term debt and current account deficit net of FDI in percent of gross international usable reserves 3/ 7/ 8/	130.0	63.8	126.3	73.0	72.8	54.4	48.5					50.8
External debt service	-642	-698	-715	-890	-1,158	-1,821	-1,986	-595	-334	-564	-392	-1,885
External debt service to exports ratio	9.0	9.9	9.1	10.8	13.5	22.4	22.9	35.1	16.1	15.0	18.9	19.6
GDP (millions of U.S. dollars)	14,583	18,811	19,871	20,109	21,628	20,063	19,030	4,665	5,023	5,454	5,085	20,229
GDP (millions of Kuna)	87,441	98,383	107,980	123,812	137,604	142,700	157,510	38,666	42,652	45,509	42,146	168,973
<b>Exchange rates</b>												
Kuna per Euro (pa)			7.02	6.98	7.13	7.59	7.65	7.65	7.41	7.43	7.42	7.48
Kuna per US dollar (pa)	6.00	5.23	5.43	6.16	6.36	7.11	8.28	8.29	8.49	8.34	8.29	8.35

Sources: Croatian National Bank, World Economic Outlook, and staff estimates

1/ Based upon CNB balance of payments revisions of February 2002 and preliminary data for end-December, 2001.

2/ Estimates for Q1 2002 include the assumed change in resident deposits reflecting the introduction of the Euro.

3/ Data for short term commercial bank credits derived from the CNB foreign exchange department.

4/ Coverage only includes import trade credits with maturities of less than three months.

5/ Gross reserves adjusted downward by foreign currency reposit requirements held at the CNB, and by the amount of outstanding foreign currency CNB bills.

6/ Does not include debt that was excluded from the London Club agreement.

7/ Coverage is limited to short term debt contracts registered with the CNB.

8/ Short-term debt is presented on a remaining maturity basis.

Table A41: Croatia: Merchandise Exports and Imports, 1999-2002 1/  
(In millions of U.S. Dollars)

	Exports	Imports
1999	4,301	7,800
January	311	493
February	285	523
March	400	640
April	280	603
May	386	659
June	328	762
July	384	727
August	388	552
September	401	648
October	365	687
November	333	738
December	440	768
2000	4,432	7,887
January	274	370
February	397	594
March	398	696
April	333	563
May	387	672
June	377	775
July	386	728
August	374	599
September	401	702
October	385	706
November	407	711
December	313	770
2001	4,659	9,044
January	321	537
February	375	638
March	397	815
April	344	742
May	388	957
June	409	845
July	374	814
August	425	689
September	397	744
October	498	843
November	343	744
December	389	676
2002	1,028	2,095
January	314	595
February	316	712
March	398	788

Source: Central Bureau of Statistics (CBS).

1/ Data have not been revised in line with the 1998 balance of payments compilation methodology. They include trade with countries of the former SFRY. Monthly series for 1999 revised by CBS, but only on the level of totals. CBS reports on classification of countries are more aggregate than before and data on trade with former Yugoslavia are not available for all countries.

Table A42. Croatia: Composition of Exports (SITC), 1994-2001 1/  
(In millions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000	2001
Total	4,232	4,633	4,512	4,171	4,541	4,302	4,432	4659
Food products	369	395	411	385	385	291	273	322
Live animals	5	6	7	5	3	2	1	2
Meat and meat products	60	50	47	54	50	33	23	20
Fish and fish products	50	45	49	60	43	35	44	64
Grain and grain products	64	75	64	36	54	38	56	55
Fruit and vegetables	40	42	40	28	24	18	17	20
Coffee, tea, cocoa and spices	1	34	31	31	30	23	23	25
Livestock feed	21	15	15	21	23	14	9	14
Other food products	128	128	158	149	158	129	100	200
Beverages and tobacco	67	90	92	121	111	101	111	121
Raw materials, excluding fuels	214	251	247	261	231	243	251	241
Oil seeds, for planting and consumption	2	4	2	4	5	4	5	4
Raw rubber	0	0	0	0	0	0	0	0
Wood, framing lumber and cork	144	161	166	168	157	164	160	148
Textile fibers and waste material	6	7	3	2	3	3	3	2
Raw fertilizers and minerals	13	13	13	19	14	17	21	22
Metal ores and scrap	20	22	20	31	23	19	24	25
Other raw materials	29	44	43	37	29	35	38	40
Mineral fuels and lubricants	386	391	416	426	264	338	485	474
Petroleum and petroleum products	344	366	371	385	232	281	382	346
Gas, natural and industrial	16	22	28	40	30	41	100	120
Other fuels and lubricants	26	3	17	1	1	9	5	8
Animal and vegetable oil and fats	7	9	10	14	16	9	5	8
Chemical products	543	814	643	570	545	515	554	494
Organic chemicals	43	53	44	36	31	40	67	52
Paints, material for tanning and dyeing	14	18	23	24	20	17	15	17
Medical and pharmaceutical products	133	137	139	157	149	168	189	174
Synthetic fuels	86	112	118	87	76	73	84	69
Plastic, cellulose resins	177	361	209	171	176	136	122	102
Other chemical products	90	133	110	96	93	80	77	170
Products classified according to constituent material	654	670	594	589	584	573	669	664
Rubber products	13	9	9	8	9	7	6	5
Paper, cardboard and products thereof	98	107	62	72	63	64	85	78
Textile yarns, textiles and the like	129	124	110	91	89	82	87	85
Non-metal mineral products	126	126	135	133	131	153	169	183
Raw iron and steel	69	59	48	64	68	44	47	38
Non-ferrous metals	50	73	65	62	62	59	89	76
Other metal products	168	172	165	160	162	163	186	199
Machines and transport equipment	732	778	964	752	1380	1262	1195	1368
Special machines for specific industries	47	45	51	42	52	49	54	72
Metal-working tools	15	28	24	31	38	20	23	24
General-purpose industrial machines	42	52	54	59	55	55	69	61
Electrical machines, devices and tools	172	211	219	227	234	230	215	244
Other machines and transport equipment	456	442	616	393	1001	893	834	967
Miscellaneous ready-made products	1,257	1,233	1,133	1,049	1,023	966	887	967
Household furnishings	138	151	120	125	107	105	103	123
Clothing	629	673	633	555	556	524	469	490
Footwear	279	234	235	226	199	174	157	166
Scientific and monitoring instruments	17	28	22	23	26	28	31	49
Other ready-made products	194	147	123	120	135	134	127	139
Miscellaneous transactions and goods	3	2	2	2	3	5	0	0

Source: Central Bureau of Statistics.

1/ Data have not been revised in line with the 1998 balance of payments compilation methodology.

Table A43. Croatia: Composition of Imports (SITC), 1994-2001 1/  
(In millions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Total</b>	<b>5,229</b>	<b>7,510</b>	<b>7,788</b>	<b>9,104</b>	<b>8,383</b>	<b>7,799</b>	<b>7,887</b>	<b>9044</b>
Food products	498	780	767	832	675	560	556	691
Live animals	18	27	46	66	40	30	46	33
Meat and meat products	76	114	98	118	82	53	58	65
Fish and fish products	19	23	28	30	30	29	33	57
Grain and grain products	39	45	57	86	62	53	45	85
Fruit and vegetables	131	222	194	178	151	134	124	149
Coffee, tea, cocoa and spices	52	98	89	110	96	83	71	68
Livestock feed	34	38	53	56	56	47	45	62
Other food products	129	213	202	187	158	131	179	234
Beverages and tobacco	62	66	58	57	66	60	68	73
Raw materials, excluding fuels	151	198	220	274	223	172	187	214
Oil seeds, for planting and consumption	12	13	14	37	32	14	11	22
Raw rubber	4	8	6	6	4	4	5	6
Wood, framing lumber and cork	19	27	52	65	56	41	38	48
Textile fibers and waste material	28	32	30	35	21	17	24	28
Raw fertilizers and minerals	38	51	56	56	53	42	44	42
Metal ores and scrap	7	3	7	15	11	8	8	8
Other raw materials	43	64	55	60	45	46	57	60
Mineral fuels and lubricants	589	871	857	850	596	859	1,145	1174
Petroleum and petroleum products	436	736	707	672	394	673	857	835
Gas, natural and industrial	95	34	107	124	126	111	162	207
Other fuels and lubricants	58	101	43	54	77	75	126	132
Animal and vegetable oil and fats	12	25	38	27	39	23	17	21
Chemical products	541	810	848	965	981	938	1,005	1038
Organic chemicals	81	114	118	123	103	119	150	154
Paints, material for tanning and dyeing	46	68	71	74	70	71	65	77
Medical and pharmaceutical products	99	177	188	185	200	212	231	237
Synthetic fuels	15	22	20	28	24	24	30	33
Plastic, cellulose resins	70	77	73	123	175	133	144	105
Other chemical products	230	352	378	431	410	379	385	432
Products classified according to constituent material	801	1,304	1,384	1,515	1,398	1,253	1,390	1785
Rubber products	53	86	88	92	83	78	70	80
Paper, cardboard and products thereof	134	236	249	251	242	231	233	261
Textile yarns, textiles and the like	149	210	203	212	194	160	249	355
Non-metal mineral products	77	124	142	188	173	147	143	178
Raw iron and steel	142	243	257	285	247	211	244	316
Non-ferrous metals	81	137	133	140	124	132	131	155
Other metal products	165	268	312	346	336	294	320	440
Machines and transport equipment	1,367	2,009	2,129	3,062	2,952	2,706	2,568	3005
Special machines for specific industries	176	281	318	381	324	249	250	286
Metal-working tools	24	28	31	44	30	29	31	61
General-purpose industrial machines	217	330	370	455	393	369	303	399
Electrical machines, devices and tools	241	376	399	427	380	341	326	427
Other machines and transport equipment	709	994	1,011	1,755	1,825	1,718	1,658	1832
Miscellaneous ready-made products	776	1,013	1,117	1,178	1,068	927	947	1043
Household furnishings	54	93	92	121	126	109	114	145
Clothing	231	271	286	270	257	215	279	258
Footwear	202	214	240	246	208	182	137	110
Scientific and monitoring instruments	79	113	132	141	107	96	87	117
Other ready-made products	210	322	367	399	370	325	330	413
Miscellaneous transactions and goods	431	433	370	345	385	276	3	0

Source: Central Bureau of Statistics.

1/ Data have not been revised in line with the 1998 balance of payments compilation methodology.



Table A44. Croatia: Exports by Destination, 1994-2001 1/  
(In millions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000	2001
Total	4,260	4,633	4,512	4,171	4,541	4,302	4,432	4,666
Developed countries	2,729	2,862	2,478	2,272	2,381	2,448	2,663	2,879
EU countries	2,531	2,672	2,303	2,074	2,161	2,110	2,416	2,526
Austria	149	200	198	223	247	276	292	268
Belgium	38	43	41	38	40	31	43	42
Denmark	10	7	4	6	5	7	10	11
France	111	110	84	80	102	108	126	163
Italy	910	1,098	949	787	802	775	989	1,105
Netherlands	94	80	69	62	53	50	50	47
Germany	941	997	839	746	767	676	632	690
Sweden	164	14	13	16	19	22	36	28
Great Britain	68	57	70	67	71	80	76	67
Other	46	65	35	49	54	85	162	105
EFTA countries	65	59	41	49	80	148	44	49
Norway	4	5	3	4	36	113	4	6
Switzerland	60	52	37	41	41	34	38	42
Other	1	2	1	4	3	2	2	2
Other developed countries	133	131	135	149	140	189	203	303
Australia	5	6	4	5	7		4	4
Japan	1	1	2	6	7	6	15	36
Canada	5	7	8	9	8		10	9
U.S.A.	88	83	89	97	89	87	90	107
Turkey	14	5	13	9	8		38	9
Other	20	30	19	23	21	96	45	138
Developing countries	1,531	1,770	2,034	1,899	2,160	1,855	1,769	1,787
Countries of former SFRY	967	1,061	1,219	1,253	1,167	...	...	...
Bosnia and Herzegovina	338	383	549	649	654	546	495	561
FYR of Macedonia	73	70	59	77	64	...	59	52
Slovenia	556	608	611	506	432	454	480	426
Yugoslavia	...	...	...	...	...	...	107	149
Other and unclassified	...	...	0	21	17	27	...	...
Countries of the former USSR	176	185	172	198	201	86	75	113
Other developing European countries	192	229	191	223	247	235	563	644
Czech Republic	34	36	40	46	39	31	29	34
Hungary	68	71	55	49	52	40	60	57
Poland	45	49	56	47	46	40	22	20
Slovakia	16	21	22	22	22	13	13	15
Other	29	52	17	59	88	113	...	...
Developing Middle East countries	14	39	64	11	79	104	38	48
Developing Asian countries	28	60	54	30	21	26	13	42
Developing countries of North Africa	22	33	39	29	50	32	...	...
Developing other African countries	71	115	270	130	343	185	262	168
Developing countries in the Americas	61	48	24	24	51	86	46	17
Developing countries of Oceania	0	0	0	0	0	0	0	0

Source: Central Bureau of Statistics and the Fund staff estimates.

1/ Data have not been revised in line with the 1998 balance of payments compilation methodology.

2/ Countries of the former USSR includes 14 countries. It does not include Belarus.

3/ Developing Middle East countries refer to the OPEC countries excluding Indonesia and Venezuela.

Table A45. Croatia: Imports by Origin, 1994-2001 1/  
(In millions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000	2001
Total	5,229	7,510	7,788	9,104	8,383	7,799	7,887	9,044
Developed countries	3,525	5,300	5,262	6,261	5,823	5,199	5,104	5,875
EU countries	3,096	4,664	4,625	5,412	4,980	4,415	4,368	5,061
Austria	353	575	597	709	612	558	529	631
Belgium	55	85	100	96	110	114	115	128
Denmark	31	51	48	62	61	65	63	73
France	116	188	199	293	401	393	436	398
Italy	994	1,366	1,421	1,705	1,500	1,240	1,311	1,524
Netherlands	115	174	176	170	161	142	130	164
Germany	1,110	1,509	1,602	1,841	1,616	1,441	1,298	1,547
Sweden	81	148	117	147	109	116	112	110
Great Britain	179	455	225	189	176	187	180	226
Other	62	113	139	200	234	159	195	259
EFTA countries	112	219	179	244	231	201	186	193
Norway	8	44	27	21	39	34	31	39
Switzerland	101	169	144	213	181	158	151	150
Other	3	6	8	10	11	9	4	5
Other developed countries	317	417	457	605	612	583	550	621
Australia	5	9	17	12	11	...	8	13
Japan	54	80	104	139	146	138	135	144
Canada	19	12	17	49	18	...	36	13
U.S.A.	172	201	213	266	278	241	239	297
Turkey	16	28	27	31	26	...	23	42
Other	50	88	79	108	133	204	110	112
Developing countries	1,705	2,210	2,526	2,844	2,560	2,560	2,782	3,169
Countries of former SFRY	572	850	866	942	953	...	...	...
Bosnia and Herzegovina	4	8	63	137	156	117	82	127
FYR of Macedonia	27	36	34	42	56	...	55	63
Slovenia	541	805	769	756	722	616	627	712
Other and unclassified	...	...	...	7	19	24	...	...
Countries of the former USSR	254	224	253	498	407	711	672	654
Other developing European countries	210	473	571	640	572	511	892	933
Czech Republic	92	147	207	208	181	149	179	209
Hungary	100	158	193	239	212	174	184	238
Poland	38	45	50	59	63	73	94	176
Slovakia	53	78	84	81	65	47	61	51
Other	27	45	38	53	50	68	...	...
Developing Middle East countries	16	44	106	186	85	92	261	185
Developing Asian countries	364	213	301	213	217	241	303	470
Developing countries of North Africa	91	236	269	169	106	61	...	...
Developing other African countries	15	24	17	21	64	22	62	45
Developing countries in the Americas	81	145	143	174	155	152	94	116
Developing countries of Oceania	0	0	0	0	0	0	0	0

Source: Central Bureau of Statistics.

1/ Data have not been revised in line with the 1998 balance of payments compilation methodology.

Table A46. Croatia: Exchange Rates and International Reserves, 1999-2002

	HRK/US\$		HRK/100DM		Real Effective Exchange Rate (1995=100) 1/	Foreign Exchange Reserves of the CNB (In millions of U.S. dollars; c.o.p.)
	c.o.p.	p.a.	c.o.p.	p.a.		
1996 January	5.5	5.4	370.8	370.5	98.4	1,845.2
February	5.4	5.4	369.1	370.1	98.4	1,883.6
March	5.5	5.5	370.0	369.6	97.7	1,890.8
April	5.6	5.5	365.5	368.8	98.7	1,876.3
May	5.6	5.6	360.9	363.6	98.1	1,919.2
June	5.4	5.5	357.6	359.1	99.3	2,019.1
July	5.3	5.4	355.7	356.1	100.3	2,216.3
August	5.3	5.3	355.1	354.7	101.0	2,331.1
September	5.4	5.3	356.2	355.6	100.2	2,295.1
October	5.4	5.4	356.6	356.3	99.7	2,312.5
November	5.5	5.4	356.2	356.5	100.5	2,292.5
December	5.5	5.5	356.2	356.0	99.7	2,314.0
1997 January	5.85	5.68	356.3	356.2	100.1	2,173.1
February	6.04	5.96	357.3	356.7	99.6	2,177.8
March	5.99	6.06	357.5	357.3	112.0	2,252.4
April	6.20	6.11	358.0	357.5	99.1	2,208.1
May	6.08	6.09	356.8	357.3	98.8	2,271.9
June	6.17	6.16	357.0	356.8	98.9	2,326.5
July	6.56	6.37	356.6	356.9	98.0	2,326.2
August	6.38	6.55	355.1	355.9	98.8	2,442.4
September	6.24	6.34	354.5	354.7	99.6	2,487.8
October	6.06	6.22	352.6	353.4	100.1	2,527.1
November	6.23	6.10	352.7	352.4	100.7	2,515.6
December	6.30	6.25	351.1	352.1	101.3	2,539.0
1998 January	6.42	6.37	351.7	351.5	103.6	2,404.1
February	6.38	6.38	352.8	351.9	103.4	2,424.6
March	6.49	6.44	352.2	352.9	103.0	2,457.6
April	6.43	6.47	357.6	355.8	101.9	2,481.2
May	6.47	6.39	363.0	360.1	101.0	2,538.6
June	6.60	6.51	364.1	363.4	100.1	2,550.0
July	6.41	6.54	362.6	363.6	99.7	2,597.5
August	6.44	6.44	360.2	360.3	100.9	2,745.2
September	6.17	6.22	368.4	364.7	100.6	2,757.3
October	6.17	6.08	373.6	371.5	98.5	2,696.9
November	6.36	6.27	373.6	373.4	98.1	2,674.7
December	6.25	6.24	374.0	373.9	99.2	2,815.6
1999 January	6.48	6.32	377.7	375.3	98.2	2,610.1
February	6.87	6.67	386.9	382.6	97.5	2,396.3
March	7.09	6.98	388.4	388.6	98.3	2,450.8
April	7.16	7.09	388.1	388.5	98.4	2,413.1
May	7.26	7.14	388.2	388.1	97.0	2,583.9
June	7.34	7.31	388.4	388.3	97.0	2,610.1
July	7.10	7.35	388.1	388.3	97.3	2,755.0
August	7.26	7.14	388.0	387.9	97.4	2,847.4
September	7.25	7.25	390.2	389.4	97.2	2,815.8
October	7.32	7.13	390.7	390.5	97.0	2,993.2
November	7.57	7.39	391.6	390.8	96.3	2,826.0
December	7.65	7.57	392.6	392.0	95.9	3,025.0
2000 January	7.84	7.59	394.7	393.9	96.0	2,853.1
February	7.98	7.84	395.3	395.2	95.8	2,807.9
March	8.08	8.01	395.1	395.4	96.2	2,925.1
April	8.49	8.16	394.2	395.0	96.6	2,940.7
May	8.29	8.51	392.9	393.5	96.9	3,100.8
June	8.05	8.08	390.6	391.5	99.2	3,236.8
July	8.20	8.08	388.6	389.1	100.2	3,511.3
August	8.51	8.35	386.5	387.3	100.5	3,424.9
September	8.53	8.64	384.0	385.0	101.4	3,378.7
October	8.89	8.78	385.3	384.6	101.8	3,374.6
November	8.77	8.83	386.9	386.2	101.1	3,336.9
December	8.16	8.46	388.5	387.9	101.1	3,524.8
2001 January	8.38	8.09	392.5	388.9	101.1	3,394.1
February	8.42	8.35	393.9	393.5	99.7	3,466.8
March	8.72	8.44	392.7	393.3	99.8	3,514.1
April	8.36	8.53	384.8	389.6	101.9	3,635.9
May	8.50	8.41	372.1	376.8	105.2	3,695.1
June	8.65	8.54	374.3	373.1	105.4	3,798.5
July	8.22	8.38	367.4	368.1	106.0	4,175.8
August	8.37	8.21	389.1	377.2	104.8	4,101.3
September	8.23	8.25	385.6	384.3	102.7	4,416.3
October	8.22	8.25	379.9	382.2	103.1	4,504.8
November	8.36	8.33	380.0	378.8	103.9	4,614.9
December	8.36	8.29	376.8	377.9	103.8	4,704.2
2002 January	8.74	8.45	n.a.	n.a.	103.2	4,734.4
February	8.60	8.63	n.a.	n.a.	101.9	4,750.0
March	8.49	8.45	n.a.	n.a.	103.5	4,886.0

Source: Croatian National Bank.

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

Table A47. Croatia: External Debt, 1994-2001 1/  
(In millions of U.S. dollars, unless otherwise stated)

	1994	1995	1996	1997	1998	1999	2000	2001			
								Mar.	Jun.	Sep.	Dec.
1. Portfolio Investments	993	1,000	1,462	1,955	2,058	2,571	3,180	3,603	3,579	3,873	3,738
Bonds	993	1,000	1,462	1,955	2,049	2,554	3,170	3,589	3,543	3,836	3,711
Of which: London Club	993	1,000	1,462	1,428	1,405	1,381	1,255	1,181	1,181	1,106	1,106
Money Market Instruments	0	0	0	0	9	17	9	14	36	36	27
2. Other Investments	2,027	2,809	3,845	5,497	7,528	7,301	7,823	7,682	7,708	7,887	7,413
2.1 Currency and Deposits	198	473	499	790	615	538	433	510	557	555	634
2.2 Long Term	1,778	2,111	2,935	4,168	6,249	6,222	6,725	6,485	6,432	6,683	6,537
A) Public Creditors	1,202	1,340	1,890	1,867	2,197	2,162	2,254	2,152	2,100	2,205	2,230
1. International financial organizations	404	494	673	851	1,039	1,014	1,115	1,084	1,069	1,138	1,167
a) IMF	126	223	208	232	234	197	159	152	136	138	122
b) IBRD	71	60	188	295	344	395	413	418	413	430	469
c) IFC	2	3	0	0	31	29	72	69	79	87	86
d) EBRD	0	16	108	171	251	219	297	276	281	302	319
e) EUROFIMA	48	39	33	43	73	78	86	81	78	86	83
f) EIB	146	144	131	108	105	81	66	66	59	59	52
g) CEB	10	10	4	2	1	15	24	23	22	35	36
2. Governments and Government Agencies	798	847	1,217	1,016	1,158	1,149	1,139	1,068	1,031	1,068	1,063
a) Paris Club	710	751	1,014	853	885	771	686	641	626	635	619
b) Other	89	96	202	164	273	378	453	427	405	432	444
B) Private Creditors	576	771	1,045	2,301	4,052	4,060	4,471	4,333	4,332	4,478	4,307
1. Banks	386	487	736	1,833	3,258	3,312	3,351	3,269	3,294	3,465	3,326
Of which: Guaranteed by government agencies	302	297	192	167	214	331	608	596	580	618	599
2. Other Sectors	190	285	309	468	795	748	1,119	1,064	1,038	1,013	981
Of which: Guaranteed by government agencies	30	38	22	18	29	18	14	12	11	11	10
2.3 Short Term	51	225	411	539	664	541	665	688	718	650	242
A) Public Creditors	0	0	0	0	0	0	0	0	0	0	0
B) Private Creditors	51	225	411	539	664	541	665	688	718	650	242
1. Banks	16	136	279	370	381	246	487	431	412	401	72
Of which: Guaranteed by government agencies	0	0	0	0	0	0	0	0	0	0	0
2. Other Sectors	35	89	133	168	283	295	178	257	306	249	170
Of which: Guaranteed by government agencies	0	0	0	0	0	0	0	0	0	0	0
Total (1+2)	3,020	3,809	5,308	7,452	9,586	9,872	11,002	11,286	11,286	11,760	11,151

Sources: Croatian National Bank; and Fund staff estimates.

1/ Excludes nonreported principal payments. Includes short-term credits and currency and deposits.