

Table 1. Estonia: Quantitative Performance Criteria Under the 1997-98 Program 1/

	Performance Criteria	Outcome	
(In millions of kroons)			
I. Minimum level of general government balance (surplus:+,deficit:-):			
From January 1-December 31, 1997	280	1,326	
From January 1, 1998 to:			
March 31, 1998	300	197	
June 30, 1998	520	...	
September 30, 1998 2/	1,100	...	
December 31, 1998 2/	1,900	...	
(In millions of kroons)			
II. Minimum level of general government balances invested abroad in the Stabilization Reserve Fund for:			
December 31, 1997	700	700	
March 31, 1998	900	1,000	
June 30, 1998	1,100	...	
September 30, 1998 3/	1,800	...	
December 31, 1998 3/	2,800	...	
(In millions of deutsche marks)			
III. Minimum levels for net international reserves of the Bank of Estonia:			
September 30, 1997	197	197	
December 31, 1997	205	207	
March 31, 1998	210	234	
June 30, 1998	215	...	
September 30, 1998	225	...	
December 31, 1998	235	...	
IV. Ceilings on external short-, medium-, and long-term debt of general government, Bank of Estonia 4/			of which:
	Maturity of	Maturity of	Maturity of
	0-1 years 5/	over 1 year	1-5 years
	(In millions of U.S. dollars)		
Cumulative changes from September 30, 1997 to:			
December 31, 1997	0 (0)	40 (0)	20 (0)
March 31, 1998	0 (0)	70(16.4)	40(16.4)
June 30, 1998	0 (...)	100 (...)	70 (...)
September 30, 1998 6/	0 (...)	130 (...)	100 (...)
December 31, 1998 6/	0 (...)	150 (...)	130 (...)
V. The government will not accumulate external payments arrears during the period of the arrangement.	No external arrears accumulated.		
VI. The currency board is to be fully backed with foreign exchange at all times. 7/			

Sources: Estonian authorities; and Fund staff estimates.

1/ Definition of the concepts to be measured are included in the annex to the Memorandum of Economic Policies(EBS/97/202).

2/ Excludes privatization receipts from revenues.

3/ For September 30, 1998 and December 31, 1998, these amounts can include government balances in the SRF held at the BoE.

4/ Figures in parantheses show outcome.

5/ Except for normal import financing.

6/ For September 30, 1998 and December 31, 1998 debt ceilings have been changed so that the first column describes debt ceilings for debt with maturity 0-2 years; the second column describes debt ceilings for debt with maturity over 2 years; and the third column refers to debt with maturity between 2-5 years.

7/ The gross foreign reserves of the Bank of Estonia shall not fall below the currency board's liabilities.

Table 2. Estonia: Structural Benchmarks Under the 1997–98 Program

Measure	Period of Implementation
1. Introduce the system of voluntary contributions (third tier) into the pension scheme.	July 1, 1998
2. Implement measures related to commercial bank guarantees, foreign exchange positions, the loan loss classification system, and liquidity regulations as described in paragraph 15 of the Supplementary Memorandum of Economic Policies.	July 1, 1998
3. Introduce country and transfer risk components to capital adequacy calculations.	September 30, 1998
4. Subscribe to the Statistical Data Dissemination Standard.	September 30, 1998
5. Submit all parts of the new Securities Law to Parliament.	September 30, 1998
6. Establish an independent oversight committee for the SRF.	December 31, 1998
7. Transfer at least 35 percent of land to private ownership.	December 31, 1998
8. Implement necessary measures to ensure that consolidated data for general government are available on a monthly basis.	January 1, 1999
9. Transfer responsibility for collecting social taxes to the National Tax Board.	January 1, 1999
10. Implement first tier of the pension scheme.	January 1, 1999

Table 3. Estonia: Selected Macroeconomic Indicators, 1995-98

	1995	1996	1997		1998	
			Prog.	Est.	Prog.	Rev. Prog.
(Percentage changes, unless otherwise indicated)						
National income, prices, and wages						
GDP in constant prices	4.3	4.0	7.0	10.8	5.4	8.0
GDP, level in millions of U.S. dollars	3,601	4,350	4,423	4,719	4,960	5,504
CPI, period average	28.9	23.1	11.2	11.3	10.1	11.1
CPI, end of period	28.8	15.0	11.7	12.5	8.2	8.8
Real wage index 1/	100.0	101.8	107.1	109.2	...	...
Average monthly wage, level in kroons	2,375	2,985	3,399	3,560	...	...
External sector						
Exports 2/						
Value	14.6	4.9	3.3	2.3	3.5	2.7
Volume	22.4	-8.3	31.6	14.2	13.1	11.7
Imports 2/						
Value	13.7	10.7	-1.4	3.3	3.9	2.3
Volume	32.8	10.8	29.7	12.0	11.5	11.4
Terms of trade	0.8	-4.5	2.3	-0.9	-0.4	0.8
Money and credit						
Domestic credit to non-government	54.0	70.0	71.8	83.9	40.0	35.6
Base money	19.1	21.6	30.8	36.9	14.8	5.0
Broad money	31.3	36.8	48.8	40.3	16.1	18.8
(In percent of GDP)						
Domestic saving	17.6	15.4	19.5	18.6	18.0	18.8
Domestic investment	26.4	27.5	30.6	30.8	28.4	30.2
Net income and transfers from abroad	3.6	2.3	0.9	-0.7	1.3	0.7
External current account balance	-5.1	-9.7	-10.2	-12.9	-9.1	-10.6
General government						
Revenue 3/	39.9	39.0	39.2	38.9	39.4	38.2
Expenditure	40.8	40.5	39.4	37.1	38.4	35.8
Fiscal balance 3 /4/	-1.2	-1.5	0.0	2.0	1.1	2.5
Capital and financial account	7.2	12.5	11.7	17.4	11.6	11.9
Gross international reserves 5/	16.2	14.7	15.5	16.1	16.4	14.6
Gross international reserves, in months of imports	2.7	2.7	2.3	2.8	2.3	2.6
Total debt outstanding						
External						
Of which: Official	6.7	6.9	6.8	5.6	5.1	4.6
Private	...	17.2	...	38.6	...	35.0
Domestic						
Of which: Central Government	0.7	0.6	...	0.5	...	0.4
Private	17.0	22.8	...	33.5	...	37.8
Memorandum items:						
Exchange rate, kroon per U.S. dollar 6/	11.5	12.0	14.1	13.9	14.7	14.3
Real effective exchange rate (1995 = 100) 7/	100.0	108.0	111.0	111.0	...	...
Velocity of broad money, annual average	4.5	4.3	3.5	3.7	3.2	3.6
Money multiplier, end-period ratio	2.0	2.3	2.6	2.3	2.6	2.7

Sources: Estonian authorities; and Fund staff estimates.

1/ Average real wages deflated by the CPI; base 1995=100.

2/ Goods and nonfactor services, in U.S. dollars.

3/ Excluding privatization receipts.

4/ Including net lending, and as of 1996, the balances of Environment and Forestry Funds.

5/ Excludes foreign assets of the central government's Stabilization Reserve Fund.

6/ The Estonian kroon has been pegged to the deutsche mark at EEK 8=DM 1 since June 20, 1992.

7/ Trade-weighted, period average.

Table 4. Estonia: Macroeconomic Framework, 1995-1998

	1995	1996	1997		1998	
			Prog.	Est.	Prog.	Rev. Prog.
(In percent of GDP)						
Foreign Savings	-8.7	-12.0	-11.1	-12.2	-10.4	-11.3
Net income and transfers from abroad	3.6	2.3	0.9	-0.7	1.3	0.7
External current account balance 1/	-5.1	-9.7	-10.2	-12.9	-9.1	-10.6
Domestic Savings	17.6	15.4	19.5	18.6	18.0	18.8
Private	13.9	12.1	15.6	12.8	12.9	12.6
Public	3.7	3.4	3.9	5.8	5.1	6.2
Investment	26.4	27.5	30.6	30.8	28.4	30.2
Private	21.7	22.6	26.7	27.0	24.5	26.4
Public	4.6	4.9	3.9	3.9	3.9	3.8
(Change in percent)						
Base money	19.1	21.6	30.8	36.9	14.8	5.0
Broad money	31.3	36.8	48.8	40.3	16.1	18.8
(In percent of GDP)						
Memorandum items:						
Fiscal balance 2/	-1.2	-1.5	0.0	2.0	1.1	2.5
<i>Of which:</i> Net lending (-)	-0.4	-0.1	0.1	0.1	0.0	0.0
Revenues	39.9	39.0	39.2	38.9	39.4	38.2
Expenditures	40.8	40.5	39.4	37.1	38.3	35.8
Privatization receipts	...	...	0.5	0.5	0.7	0.7
Gross official reserves	16.2	14.7	15.5	16.1	16.4	14.6
Foreign direct investment	5.6	2.5	3.7	2.8	5.2	3.5
GDP growth (in percent)	4.3	4.0	7.0	10.8	5.4	8.0
CPI inflation (year-on-year)	28.9	23.1	11.2	11.3	10.1	11.1
GDP (in millions of kroons)	41,290	52,346	62,349	65,508	72,815	78,820

Sources: Estonian authorities; and Fund staff estimates.

1/ Program numbers for 1997 and 1998 adjusted on the basis of revised estimates (to exclude transit trade) by the Bank of Estonia.

2/ Excluding privatization receipts.

Table 5. Estonia: Summary of General Government Operations, 1995-98
(In millions of kroons)

	1995	1996	1997		1998		
			Prog.	Est.	Jan.-Mar.	Prog. 1/	Rev. Prog.
Total revenue 2/	16,467	20,431	24,467	25,478	6,220	28,549	30,086
Tax revenue	15,624	19,405	23,309	24,134	5,880	27,333	28,867
Direct taxes	9,840	11,862	14,251	14,473	3,940	16,668	17,609
Corporate profits tax	1,050	891	1,204	1,228	277	1,285	1,391
Personal income tax	3,593	4,352	5,338	5,240	1,492	6,334	6,593
Social security tax	2,917	3,844	4,522	4,637	1,265	5,336	5,660
Medical insurance tax	2,131	2,564	2,962	3,097	870	3,464	3,675
VAT	4,112	5,263	6,055	6,687	1,369	6,954	7,445
Excises	1,137	1,735	2,338	2,397	426	2,794	3,024
Other taxes (incl. on international trade)	534	546	665	577	145	917	789
Nontax revenue 2/	843	1,025	1,158	1,343	340	1,208	1,211
Total expenditure	16,833	21,219	24,589	24,290	6,105	27,746	28,207
Current expenditure	14,919	18,653	22,182	21,772	5,729	24,896	25,247
Expenditure on goods and services	10,053	12,456	14,576	14,623	3,658	17,213	17,354
Wages and salaries 3/	4,237	4,932	5,336	5,602	1,377	6,291	6,483
Other goods and services	5,816	7,524	9,240	9,021	2,281	10,922	10,871
Current transfers and subsidies	4,662	6,041	7,302	6,937	2,000	7,454	7,673
Subsidies	202	200	376	196	58	240	273
Transfers to households	4,460	5,841	6,921	6,728	1,942	7,214	7,400
Pensions	2,908	3,964	4,680	4,628	1,238	5,207	5,392
Family benefits	769	865	1,122	1,055	284	1,303	1,303
Sickness benefits	380	460	533	552	296	620	620
Unemployment benefits	28	73	94	62	14	84	84
Heating and housing allowance	226	28	...	...	...	...	...
Income maintenance 4/	98	450	422	431	110	...	...
Other	51	0	70	0	0	0	0
Other current expenditure	204	156	304	212	71	229	219
Capital expenditure	1,914	2,567	2,406	2,517	376	2,850	2,961
Env./Forestry Funds combined position	...	19	21	91	100	28	28
Financial surplus (+) / deficit (-)	-366	-770	-101	1,279	215	831	1,906
Net lending (-)	-146	-41	83	47	-18	-16	36
Overall surplus (+)/deficit (-) 2/	-512	-811	-18	1,326	197	815	1,942
Borrowing requirement	512	811	18	-1,326	-197	-815	-1,941
Domestic financing (net)	-148	297	225	-1,258	-215	-993	-1,807
Foreign financing (net)	660	514	-207	-68	17	177	-135
Memorandum items:							
Privatization receipts	0	0	296	296	0	500	500
Balance in Stabilization Reserve Fund 5/	...	...	700	700	1,000	1,900	2,800
Breakdown of general government surplus (+)/deficit (-) 6/							
Central government	-167	-118	538	1,320	-121	696	1,487
Local government	-558	-586	-406	-216	137	-207	-169
Extrabudgetary funds	212	-108	-150	221	181	327	624

Sources: Data provided by the Estonian authorities; and Fund staff estimates.

1/ Based on state budget figures (incl. the Social and Medical Funds), the authorities' projections for government foreign borrowing and local government operations, and upward adjustments to revenues. Amortization (incl. of bonds to finance the purchase of Israeli arms) is deducted from, and repayments to MoF accounts by local governments are added to the state budget numbers.

2/ Excludes privatization receipts.

3/ Wages and salaries of a number of budgetary institutions are included under "other goods and services".

4/ As of 1998, included in transfers to and expenditures by local governments.

5/ Represents the sterilization of government savings, which include previously accumulated government deposits.

6/ Unconsolidated.

Table 6. Estonia: Summary of General Government Operations, 1995-98
(In percent of GDP)

	1995	1996	1997		1998		
			Prog.	Est.	Jan.-Mar.	Prog. 1/	Proj.
Total revenue 2/	39.9	39.0	39.2	38.9	38.2	39.4	38.2
Tax revenue	37.8	37.1	37.4	36.8	36.1	37.7	36.6
Direct taxes	23.8	22.7	22.9	22.1	24.2	23.0	22.3
Corporate profits tax	2.5	1.7	1.9	1.9	1.7	1.8	1.8
Personal income tax	8.7	8.3	8.6	8.0	9.2	8.7	8.4
Social security tax	7.1	7.3	7.3	7.1	7.8	7.4	7.2
Medical insurance tax	5.2	4.9	4.8	4.7	5.3	4.8	4.7
VAT	10.0	10.1	9.7	10.2	8.4	9.6	9.4
Excises	2.8	3.3	3.8	3.7	2.6	3.9	3.8
Other taxes (incl. on international trade)	1.3	1.0	1.1	0.9	0.9	1.3	1.0
Nontax revenue 2/	2.0	2.0	1.9	2.1	2.1	1.7	1.5
Total expenditure	40.8	40.5	39.4	37.1	37.5	38.4	35.8
Current expenditure	36.1	35.6	35.6	33.2	35.1	34.4	32.0
Expenditure on goods and services	24.3	23.8	23.4	22.3	22.4	23.8	22.0
Wages and salaries 3/	10.3	9.4	8.6	8.6	8.4	8.7	8.2
Other goods and services	14.1	14.4	14.8	13.8	14.0	15.1	13.8
Current transfers and subsidies	11.3	11.5	11.7	10.6	12.3	10.3	9.7
Subsidies	0.5	0.4	0.6	0.3	0.4	0.3	0.3
Transfers to households	10.8	11.2	11.1	10.3	11.9	10.0	9.4
Pensions	7.0	7.6	7.5	7.1	7.6	7.2	6.8
Family benefits	1.9	1.7	1.8	1.6	1.7	1.8	1.7
Sickness benefits	0.9	0.9	0.9	0.8	1.8	0.9	0.8
Unemployment benefits	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Heating & housing allowance	0.5	0.1	...	...	...	...	...
Income maintenance 4/	0.2	0.9	0.7	0.7	0.7	...	...
Other current expenditure	0.5	0.3	0.5	0.3	0.4	0.3	0.3
Capital expenditure	4.6	4.9	3.9	3.8	2.3	4.0	3.8
Env./Forestry Funds combined position	0.0	0.0	0.0	0.1	0.6	0.0	0.0
Financial surplus (+) / deficit (-)	-0.9	-1.5	-0.2	2.0	1.3	1.1	2.4
Net lending (-)	-0.4	-0.1	0.1	0.1	-0.1	0.0	0.0
Overall surplus (+)/deficit (-)	-1.2	-1.5	0.0	2.0	1.2	1.1	2.5
Borrowing requirement	1.2	1.5	0.0	-2.0	-1.2	-1.1	-2.5
Domestic financing (net)	-0.4	0.6	0.4	-1.9	-1.3	-1.3	-2.3
Foreign financing (net)	1.6	1.0	-0.3	-0.1	0.1	0.1	-0.2
Memorandum items:							
Privatization receipts	...	...	0.5	0.5	0.0	0.7	0.6
Balance in Stabilization Reserve Fund 5/	...	...	1.1	1.1	6.1	2.6	3.6
Breakdown of general government surplus (+)/deficit (-) 6/							
Central government	-0.4	-0.2	0.9	2.0	-0.7	1.0	1.9
Local government	-1.4	-1.1	-0.7	-0.3	0.8	-0.3	-0.2
Extrabudgetary funds	0.5	-0.2	-0.2	0.3	1.1	0.5	0.8

Sources: Data provided by the Estonian authorities; and Fund staff estimates.

1/ Based on state budget figures (incl. the Social and Medical Funds), the authorities' projections for government foreign borrowing and local government operations, and upward adjustments to revenues. Amortization (incl. of bonds to finance the purchase of Israeli arms) is deducted from, and repayments to MoF accounts by local governments are added to the state budget numbers.

2/ Excludes privatization receipts.

3/ Wages and salaries of a number of budgetary institutions are included under "other goods and services".

4/ As of 1998, included in transfers to and expenditures by local governments.

5/ Represents the sterilization of government savings, which include previously accumulated government deposits.

6/ Unconsolidated.

Table 7. Estonia: Banking Survey, 1995-98

	1995	1996	1997	1998				
				March		June	Sept.	Dec.
				Prog.	Actual	Prog.	Rev.	Rev.
(In millions of kroons, end-of-period)								
Net foreign assets	7,629	7,159	8,804	9,249	9,357	9,474	8,790	8,500
<i>Of which:</i> Monetary authorities	5,546	6,945	10,104	9,841	9,033	10,173	10,669	11,130
Foreign assets 1/	10,383	11,967	18,978	...	19,252	...	...	...
<i>Of which:</i> Monetary authorities	6,685	7,958	10,902	10,400	9,788	10,664	11,093	11,500
Foreign liabilities	2,754	4,808	10,174	...	9,895	...	...	...
<i>Of which:</i> Monetary authorities	1,140	1,013	798	559	760	492	424	370
Net domestic assets	2,715	6,995	11,056	12,830	11,055	13,456	13,610	15,100
Domestic credit	5,301	10,506	19,603	...	20,821	...	24,910	27,300
<i>Of which:</i>								
Credit to non-government	7,020	11,935	21,946	22,969	23,101	25,019	27,153	29,763
<i>Of which:</i>								
Households & individuals	753	1,817	4,141	...	4,175	...	...	...
Enterprises	5,638	8,091	12,826	...	14,065	...	...	...
Non-bank financial institutions	629	2,026	4,980	...	4,860	...	...	...
Net credit to general government	-1,719	-1,429	-2,343	...	-2,280	...	-2,243	-2,463
Other items (net)	-2,586	-3,511	-8,548	...	-9,766	...	-11,300	-12,200
Broad money	10,344	14,154	19,860	22,080	20,392	22,929	22,400	23,600
(Change as a percent of broad money at beginning of period)								
Memorandum items:								
Net foreign assets	9.6	-4.5	2.8	1.3	2.8	1.0	-4.3	-3.3
Net domestic assets	21.7	41.4	4.8	3.6	0.0	2.8	13.2	10.9
Broad money	31.3	36.8	7.6	4.8	2.7	3.8	5.7	5.4
(Change, in percent) 2/								
Domestic credit	63.1	98.2	86.6	...	70.0	...	...	39.3
<i>Of which:</i> Non-government	54.0	70.0	83.9	67.4	68.4	54.7	37.9	35.6
(In percent of GDP)								
Domestic credit to non-government	17.0	22.8	33.5	...	...	...	...	37.8
(Ratios)								
Base money multiplier	2.0	2.3	2.3	2.6	2.7	2.6	2.7	2.7
Velocity (period average)	4.5	4.3	3.7	...	...	...	...	3.6
Broad money cover (in percent) 3/	100.4	84.5	95.6	...	94.4	...	...	...

Sources: Bank of Estonia; and Fund staff estimates.

1/ Excludes foreign assets of the central government's Stabilization Reserve Fund.

2/ Compared to same period previous year.

3/ Defined as ratio of foreign assets to broad money.

Table 8. Estonia: Monetary Authorities, 1995-98 1/
(In millions of kroons, end-of-period)

	1995	1996	1997	1998				
				March		June	Sept.	Dec.
				Prog.	Actual	Prog.	Rev. Prog.	Rev. Prog.
Net foreign assets	5,546	6,945	10,104	9,841	9,033	10,173	10,669	11,130
Foreign assets 2/	6,685	7,958	10,902	10,400	9,787	10,664	11,093	11,500
<i>Of which:</i>								
Currency board cover 3/	5,125	6,196	8,881	8,440	7,597	8,715	8,310	8,950
Foreign liabilities	1,140	1,013	798	559	760	492	424	370
Net domestic assets	-455	-754	-1,630	-1,441	-1,438	-1,509	-2,369	-2,230
Net claims on Government	3	3	-1	...	-2	...	...	...
Claims on financial institutions	73	48	23	...	25	...	...	...
Claims on non-financial public enterprises	1	0	0	...	0	...	...	...
Claims on private sector	15	19	26	...	27	...	...	...
Other	-546	-823	-1,678	...	-1,489	...	...	...
Base money	5,091	6,191	8,474	8,400	7,590	8,664	8,300	8,900
Currency issue	4,337	4,987	5,439	...	5,260	...	...	...
Deposits of commercial banks	720	1,202	3,035	...	2,330	...	...	...
Certificates of deposits	34	2	0	...	0	...	...	...
Memorandum items:								
Gross international reserves (in millions of US\$) 2/	583	640	760	718	662	746	779	804
Net international reserves (in millions of DM) 4/	99	144	207	210	234	215	225	235
Net international reserves (in millions of US\$) 4/	69	93	116	114	127	117	126	132

Sources: Data provided by the Estonian authorities; and Fund staff estimates.

1/ Comprises the Bank of Estonia and the External Financing Board.

2/ Excludes foreign assets of the central government's Stabilization Reserve Fund.

3/ Currency board cover is equivalent to the sum of base money and kroon liabilities of the Bank of Estonia in its correspondent accounts.

4/ Program definition.

Table 9. Estonia: Summary Balance of Payments, 1995-98

	1995	1996	1997		1998	
			Prog. 1/ Est.	Est.	Prog. 1/ Prog.	Rev. Prog.
(In millions of U.S. dollars)						
Current account	-185	-423	-450	-610	-452	-582
Trade balance	-692	-1,044	-1,179	-1,185	-1,356	-1,373
Exports	1,861	1,788	2,451	2,090	2,970	2,416
Imports	-2,553	-2,832	-3,630	-3,275	-4,326	-3,789
Services	378	518	689	608	839	750
Receipts	876	1,108	1,359	1,317	1,543	1,533
Transportation	374	441	...	658	...	803
Travel	357	484	...	473	...	526
Other	145	183	...	185	...	204
Payments	-498	-590	-670	-709	-704	-783
Transportation	-222	-267	...	-332	...	-357
Travel	-90	-101	...	-115	...	-127
Other	-185	-222	...	-256	...	-300
Income 2/	3	2	-80	-148	-67	-99
Transfers	126	100	120	115	132	140
Capital and financial account	259	545	517	821	577	656
Direct investment	202	110	164	132	260	192
Portfolio investment 3/	-16	145	160	263	130	169
Other long-term	48	161	100	275	94	204
Short-term	27	147	121	173	111	110
Capital transfers	-1	-1	-1	0	0	0
Monetary authorities	-1	-18	-27	-22	-18	-19
Errors and omissions	32	-21	39	-32	0	-26
Change in official reserves 4/	-106	-101	-106	-179	-125	-44
(Units as indicated)						
Memorandum items:						
Exchange rate (kroon/US\$)	11.5	12.0	14.1	13.9	14.7	14.3
GDP (US\$ million)	3,601	4,350	4,423	4,719	4,960	5,504
Trade balance/GDP (in percent)	-19.2	-24.0	-26.6	-25.1	-27.3	-24.9
Current account/GDP (in percent)	-5.1	-9.7	-10.2	-12.9	-9.1	-10.6
Gross international reserves (US\$ mil.) 4/	583	640	687	760	812	804
In months of imports	2.7	2.7	2.3	2.8	2.3	2.6

Sources: Bank of Estonia; and Fund staff estimates.

1/ Adjusted program numbers based on revised estimates (excluding transit trade) by the Bank of Estonia.

2/ Includes interest income and, from 1997, reinvested profits.

3/ Government investments in the SRF are included here.

4/ Excludes foreign assets of the central government's Stabilization Reserve Fund.

