



# EVALUATION OF THE FOREIGN DEBT OF THE SR AND DEBT SERVICING IN THE FIRST HALF OF 2003

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## Development of foreign debt

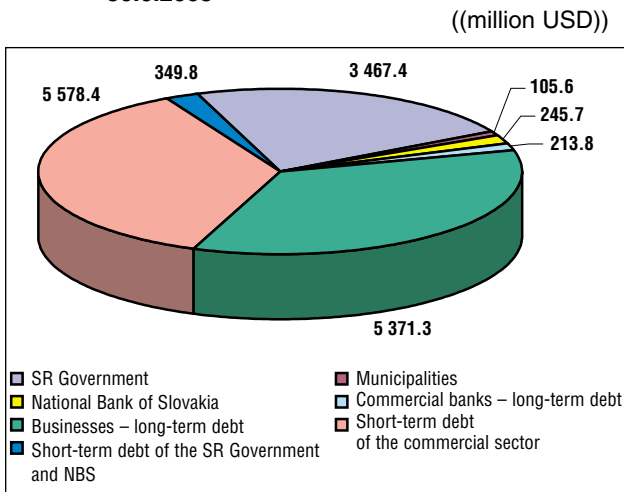
On 30 June 2003 the Slovak Republic reported a total gross foreign debt in the amount of USD 15.332 billion (graph no. 1), which, compared to the balance as at 1 January 2003, represents a growth of USD 2.2 billion. The growth in the total gross foreign debt of the SR resulted primarily from the development of the cross-over exchange rate, i.e. the strengthening of the EUR against the USD and short-term debt. The EUR/USD exchange rate at the close of 2003 was 1.042112, whereas as at 30 June 2003 it had been 1.143198.

The long-term foreign debt of the SR Government and NBS, including the foreign debt of government agencies and municipalities, as at 30 June 2003 stood at USD 3.818 billion, representing a rise of USD 78.5 million on 1 January 2003.

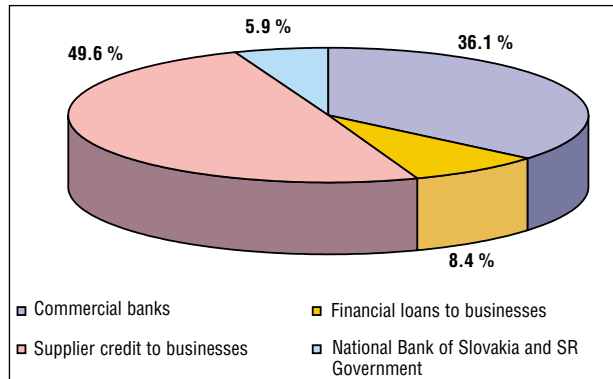
The total foreign debt of the commercial sector, i.e. commercial banks and businesses (including foreign debt liabilities in respect of non-residents in SKK) as at the end of the half year of 2003 reached USD 11.164 billion (at the close of 2002 it had stood at USD 9.448 billion).

Long-term foreign liabilities at the end of the half year of 2003 represented USD 9.404 billion (as at 1 January 2003 this figure had stood at USD 8.871 billion). The share of the total gross foreign debt of the SR per capita reached USD 2 850, while at the end of last year this figure had stood at USD 2 452.

**Graph 1 Total gross foreign debt of the SR as at 30.6.2003**



**Graph 2 Structure of short-term foreign debt of the SR as at 30.6.2003**



The total short-term foreign debt (graph no. 2) as at 30 June 2003 grew against 2002 from USD 4.237 billion to USD 5.928 billion. The official short-term foreign debt of the Government and NBS contributed to this increase by the amount of USD 350 million, the remainder representing foreign liabilities of the commercial sector. The share of the total short-term debt in the total gross foreign debt of the SR at the end of June 2003 stood at 38.67%, which against the share of 32.12% reported as at the end of 2002 represents an increase of 6.55%. The increase in the short-term foreign debt resulted partially from the short-term debt of commercial banks (an increase of USD 847.8 million), the short term debt of businesses (an increase of USD 494 million), as well as the short-term foreign debt of the Government and NBS. The short-term liabilities of the commercial sector represented an amount of USD 5.578 billion, of which commercial banks were indebted in the total sum of USD 2.137 billion (of which short term koruna liabilities represented the equivalent of USD 494 million) and businesses the amount of USD 3.441 billion. The prevailing part of businesses' short-term foreign liabilities, however, relates to liabilities ensuing from supplier credit (USD 2.941 billion). Foreign liabilities from financial loans represented of the total short-term liabilities of businesses in total USD 500 million.

An important aspect is the development of the indicator of foreign liabilities of the government denominated in SKK, representing purchases by foreign investors of government bonds (a component of the long-term foreign debt) and state treasury bills (short-term foreign liabilities) denominated in SKK. Foreign investors owned



the most of fixed income government securities denominated in SKK in the months January and May 2003. Foreign investors did not show any interest in purchasing state treasury bills in the first half of 2003.

The increase in the foreign debt balance reported at the close of the half year of 2003 was to a significant extent the result of exchange rate differences ensuing from the movement of the cross-over exchange rate between the EUR and the USD. A worsening occurred at the end of the half-year in the case of the ratio indicator of the share of short-term foreign debt in the total

short-term foreign debt at the level of 38.67% (a generally acceptable limit is deemed to be 30%); with regard to the structure of the Slovak short-term foreign debt, however, this excess cannot be considered dramatic.

### Foreign debt servicing

The total real foreign debt service of the SR Government and NBS (not including repo transactions by the NBS) for the 6 months of 2003 reached in total the equivalent of USD 1 352.4 million. The foreign liabilities of the NBS, including early repayment instalments of NBS liabilities from Two Step Loans I – III of the EXIM Bank of Japan and the early repayment of the liability to the European Investment Bank from the loan Apex Global Loan II, were settled in the total amount of USD 195.1 million (principal and interest). Foreign liabilities of the SR Government were settled in the amount of USD 1 157.3 million, of which repayments of principal represented USD 969.7 million.

In the framework of the state's foreign debt servicing approximately 84% of all the year's payable liabilities pursuant to the repayment schedule were settled in the first half of 2003. The largest repayments in the framework of the state's foreign debt servicing were Eurobonds of the SR Ministry of Finance issued in 1998 in the amounts of 1 billion DEM (EUR 512.3 million) and USD 300 million. A part of these liabilities of the SR Ministry of Finance was settled in May 2003 through the issuing of new bonds in the amount of EUR 500 million.

The total foreign debt servicing of the SR Government and NBS (the equivalent of USD 1 352.4 million) did not have any significant impact on the level of the SR's official foreign exchange reserves in the first half of 2003 (graph No. 3).

### Gross foreign debt of the SR as at 1 January 2003 and 30 June 2003

(in million USD)

	1. 1. 2003*	30. 6. 2003
Total foreign debt of the SR	13 107.3	15 332.0
Total long-term foreign debt	8 870.6	9 403.8
– of which		
official debt of the SR Government and NBS	3 633.2	3 818.7
government agencies	0.0	0.0
municipalities	107.0	105.6
Foreign debt of the commercial sector	5 130.4	5 585.1
– of which		
commercial banks	164.8	213.8
non-banking businesses	4 965.6	5 371.3
Total short-term foreign debt	4 236.7	5 928.2
– of which		
SR Government and NBS	0.0	349.8
commercial banks	1 289.6	2 137.3
non-banking businesses	2 947.1	3 441.1

\* new methodology

**Graph 3 Development of total foreign exchange reserves and gross foreign debt in the first half of 2003**

(in million USD)

