



ISSUING ACTIVITY AND CURRENCY CIRCULATION



5 ISSUING ACTIVITY AND CURRENCY CIRCULATION

5.1 CUMULATIVE NET ISSUANCE OF EURO CASH AND SLOVAK KORUNA CASH IN CIRCULATION

In connection with the euro changeover in Slovakia, the compilation of monetary aggregates and counterparts of the M3 monetary aggregate underwent a change in regard to methodology and reporting. Since 1 January 2009, the M3 aggregate has represented Slovakia's national contribution to euro area M3, as published by the European Central Bank (ECB). A key part of the change was the approach to the calculation of the currency in circulation item, which includes the allocated share in the Eurosystem's production of euro banknotes.

Another change was in the reporting methodology for actual data on cash circulation in Slovakia. The indicator "currency in circulation" was replaced with the indicator "cumulative net issuance"¹¹, since euro banknotes and euro coins issued in other euro area countries are now also in circulation in the territory of Slovakia.

5.1.1 EURO BANKNOTES AND EURO COINS

The cumulative net issuance of euro cash increased continually, while the amount of Slovak koruna cash in circulation declined. The pace of growth in the cumulative net issuance of euro cash peaked at the end of the dual circulation period (16 January 2009), when the cumulative figure reached €2.47 billion. Compared with the amount of euro cash that had been frontloaded (€1.07 billion, comprising 51.1 million banknotes and 342.8 million euro coins), the cumulative net issuance of euro cash increased by more than 100% (by €1.4 billion). This relatively sharp rise in the value of the cumulative net issuance over a short period stemmed from a change in the breakdown of euro banknotes – there was an increasing proportion of the highest denomination banknotes, which had not been included in the frontloaded cash. By contrast, the total volume of euro coins issued during this period declined.

Once the dual circulation period had ended, the cumulative net issuance of euro cash increased at

a slower pace, and by the end of March its value stood at €2.94 billion. This figure, converted into Slovak koruna according to the conversion rate, was higher (at SKK 88.5 billion) than the value of Slovak currency in circulation as at 31 December 2008 (SKK 77.7 billion). Compared with the value of frontloaded euro, the value of this indicator rose by €1.87 billion.

Over the subsequent period, the monthly pace of growth in the cumulative net issuance gradually stabilised, except for a spike in December caused by higher demand for euro cash in the pre-Christmas period.

As at 31 December 2009, the cumulative net issuance had a total value of €4.63 billion (see Table 27). That figure equated to SKK 139.37 billion (based on the conversion rate), which approximately corresponds to the value of Slovak korunas in circulation as at 15 November 2006.

Of the total value of the cumulative net issuance, euro banknotes accounted for 98% and euro coins 1.97%, with euro collector coins making up the rest. The highest-value 500 euro banknote accounted for €1.4 billion of the overall value of the cumulative net issuance, securing the highest share despite its exclusion from the frontloaded currency. The 100 euro banknote and 50 euro banknote totalled €1.3 billion and €1.2 billion, respectively.

In the breakdown of the cumulative net issuance by number of banknotes and coins, euro banknotes constituted 19.46% of the total and euro coins 80.53%, with euro collector coins accounting for the rest (see Table 28). The euro banknote issued in the largest numbers was the € 50 note, which made up 32% of the total number of euro banknotes issued. The euro coins minted in the largest numbers were the lowest-value coins (the 1 cent, 2 cent and 5 cent coins), which represented 57% of the total number of euro coins issued.

Looking at how the cumulative net issuance of euro banknotes and euro coins has developed up to this point, it is clear that Slovakia, through Národná banka Slovenska, does not as yet show

¹¹ Cumulative net issuance as at a given date represents the difference between the volume (value) of euro cash put into circulation by Národná banka Slovenska and the volume (value) of euro cash returned from circulation by NBS in the period following the introduction of the euro in Slovakia, including the given date.



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Table 27 Cumulative net issuance broken down into euro banknotes and euro coins (in EUR)

Nominal value	Cumulative net issuance		Share in %	
	As at 1.1.2009	As at 31.12.2009	1.1.2009	31.12.2009
€ 500	0.00	1,425,142,000.00	0.00	30.80
€ 200	0.00	202,402,600.00	0.00	4.37
€ 100	236,550,000.00	1,302,786,600.00	22.09	28.16
€ 50	254,950,000.00	1,175,497,700.00	23.81	25.41
€ 20	218,140,000.00	286,781,020.00	20.37	6.20
€ 10	154,920,000.00	105,448,040.00	14.47	2.28
€ 5	86,370,000.00	36,656,310.00	8.07	0.79
Total banknotes	950,930,000.00	4,534,714,270.00	88.80	98.02
€ 2	48,992,468.00	45,803,066.00	4.58	0.99
€ 1	33,007,202.00	20,744,075.00	3.08	0.45
50 cent	20,096,168.00	11,198,196.50	1.88	0.24
20 cent	9,148,867.20	5,930,908.80	0.85	0.13
10 cent	4,656,715.20	3,357,536.10	0.43	0.07
5 cent	2,452,173.00	1,898,383.15	0.23	0.04
2 cent	1,029,269.20	1,381,426.36	0.10	0.03
1 cent	522,484.60	642,031.80	0.05	0.01
Total coins	119,905,347.20	90,955,623.71	11.20	1.97
Collector coins	0.00	681,930.00	0.00	0.01
Total cash	1,070,835,347.20	4,626,351,823.71	100.00	100.00

Source: NBS.

the longer-term trend of a "recipient country" for any denomination of euro banknotes or euro coins.

The average value of the currency mark¹², calculated on the basis of the issued euro cash (including issued euro collector coins), represented €12.4. For euro banknotes, the average value of the currency mark was €62.4, and for euro coins, €0.3.

As at 31 December 2009, the number and value of euro banknotes per capita¹³ stood at, respectively, 13 and around €838, and the corresponding figures for euro coins were 56 and €16.8. The overall value of the cumulative net issuance per capita represented €854.8 (not including euro collector coins).

The most numerous denominations of euro banknotes were the 50 euro and 20 euro notes, of which there were, respectively, 4 and 3 per capita. As for euro coins, the most numerous

denominations were the two lowest-value coins (the 1 cent and 2 cent coins), whose combined total amounted to 25 per capita.

5.1.2 SLOVAK KORUNA CASH IN CIRCULATION

The decline in Slovak koruna cash in circulation, which had begun in the second half of 2008, accelerated and reached its peak pace during the dual circulation period, from 1 January to 16 January 2009.

During the first 16 days of 2009, the total value of Slovak koruna cash returned from circulation represented SKK 45.5 billion. After 16 January 2009, the decline in Slovak koruna cash in circulation slowed down, and over the rest of the year currency worth a further SKK 27.4 billion was returned. The total value of Slovak koruna cash returned from circulation in 2009 came to almost SKK 73 billion, which represented more than 111 million Slovak koruna banknotes and more than 232 million Slovak koruna circulation coins.

¹² Average value of the currency mark = cumulative net issuance by value / cumulative net issuance by number of banknotes and coins.

¹³ The population of Slovakia as at 31 December 2008 was 5.4 million, according to the Statistical Office of the Slovak Republic.

**Table 28 Cumulative net issuance broken down by number of euro banknotes and euro coins (pieces)**

Nominal value	Cumulative net issuance		Share in %	
	As at 1.1.2009	As at 31.12.2009	1.1.2009	31.12.2009
€ 500	0	2,850,284	0.00	0.76
€ 200	0	1,012,013	0.00	0.27
€ 100	2,365,500	13,027,866	0.60	3.49
€ 50	5,099,000	23,509,954	1.29	6.30
€ 20	10,907,000	14,339,051	2.77	3.84
€ 10	15,492,000	10,544,804	3.93	2.83
€ 5	17,274,000	7,331,262	4.39	1.96
Total banknotes	51,137,500	72,615,234	12.98	19.46
€ 2	24,496,234	22,901,533	6.22	6.14
€ 1	33,007,202	20,744,075	8.38	5.56
50 cent	40,192,336	22,396,393	10.20	6.00
20 cent	45,744,336	29,654,544	11.61	7.95
10 cent	46,567,152	33,575,361	11.82	9.00
5 cent	49,043,460	37,967,663	12.45	10.17
2 cent	51,463,460	69,071,318	13.07	18.51
1 cent	52,248,460	64,203,180	13.26	17.20
Total coins	342,762,640	300,514,067	87.02	80.53
Collector coins	0	45,763	0.00	0.01
Total cash	393,900,140	373,175,064	100.00	100.00

Source: NBS.

As at 31 December 2009, the total value Slovak koruna cash in circulation was SKK 4.77 billion, including more than 20 million Slovak koruna banknotes worth SKK 3.3 billion and more than 396 million Slovak koruna circulation coins worth SKK 733.6 million. The Slovak koruna currency still in circulation also included 934,900 Slovak koruna commemorative coins with an overall nominal value of SKK 699.4 million. Of the total value of Slovak koruna cash in circulation, banknotes accounted for 69.9%, circulation coins 15.4%, and Slovak koruna commemorative coins 14.7%.

At the end of 2009, the most numerous Slovak koruna banknotes still in circulation were the 20 koruna note (10.6 million of them), the 100 koruna note (3.7 million) and the 50 koruna note (3.4 million). The most numerous Slovak koruna circulation coins were the lowest-value 50 halier coin (170.5 million), 1 koruna coin (103.3 million) and 2 koruna coin (65.4 million).

By the end of 2009, the value of Slovak koruna cash returned from circulation totalled SKK 72.9 billion, of which banknotes constituted 99% and circulation coins 1%. A total of 2,200 Slovak koruna commemorative coins worth SKK 1.1 million had also been returned from circulation.

As for the Slovak koruna currency returned to NBS from commercial banks in 2009, VÚB, a.s. returned the largest share of the total (36% – see Chart 43).

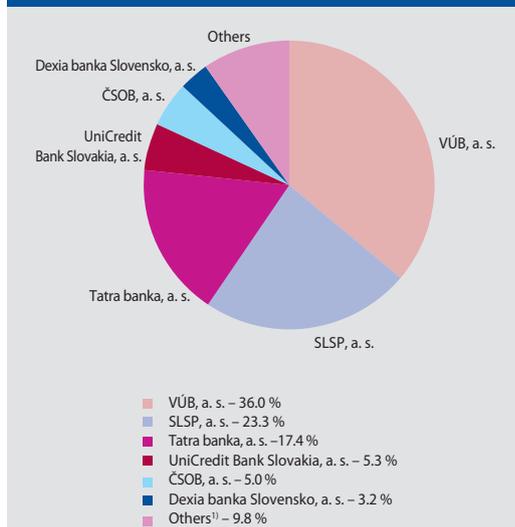
As measured by the number and value of banknotes and coins per capita in Slovakia the Slovak koruna cash still in circulation included 73 banknotes worth SKK 617 and 73 circulation coins worth SKK 136. The overall value of the Slovak koruna cash remaining in circulation represented SKK 883 per capita.

On a per capita basis, the most numerous Slovak koruna banknotes and coins still in circulation as at 31 December 2009 were the 20 koruna note



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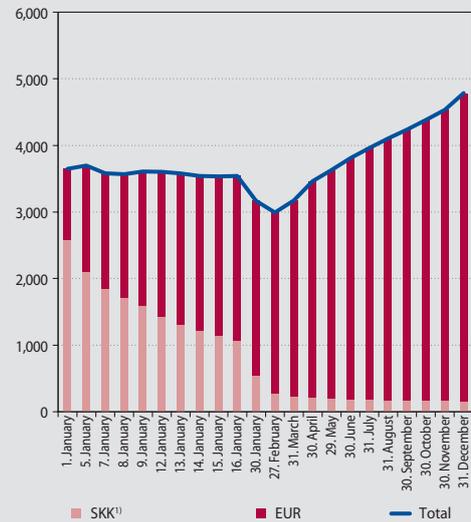
Chart 43 Slovak koruna cash returned to NBS from commercial banks in 2009 (%)



Source: NBS.

1) Among the other banks were included those that returned less than 3% of the total.

Chart 44 Cumulative net issuance of euro cash and Slovak koruna cash in circulation in 2009 (EUR billions)



Source: NBS.

1) In EUR.

and 50 halier coin, of which there were, respectively, 2 and 32 per capita.

5.2 DELIVERIES OF EURO BANKNOTES AND THE PRODUCTION OF EURO COINS

The introduction of the euro currency as from 1 January 2009 heralded major changes in the field of currency preparation and issuance. With Slovakia having joined the euro area, Národná banka Slovenska may, under separate regulations, issue euro banknotes and euro coins (including euro commemorative coins) that are legal tender in euro area countries as well as in participating third countries. Also under separate regulations, NBS may issue euro collector coins, which, unlike euro coins and euro commemorative coins, are legal tender only in the territory of Slovakia and are not destined for circulation. Euro collector coins must, however, be readily distinguishable from euro coins intended for circulation and their face values in euro or euro cents must be different from those of euro coins.

During the period leading up to the euro change-over (in 2008), NBS borrowed from the Eurosys-

tem a total of 188 million euro banknotes, with an overall value of €7.1 billion, in order to meet cash circulation needs. NBS is required to return the borrowed euro banknotes to the Eurosystem in 2010. For the purpose of securing the best prices for the printing of euro banknotes, NBS has joined the JET (Joint European Tendering Group)¹⁴, a grouping of countries that procure the printing of euro banknotes through a joint tender.

Euro coins bearing the Slovak national side are produced by the state mint – Mincovňa Kremnica, š.p. In 2009, it minted 543.6 million such coins (see Table 29).

In accordance with its issuance plan for commemorative and collector coins in 2009, NBS issued two different commemorative coins, each with a nominal value of € 2 (see Table 30). The first, issued on 7 January 2009, was a coin commemorating the 10th anniversary of Economic and Monetary Union. Other euro area countries also issued commemorative coins to mark this occasion, the only differences between them being the name of the issuing country and the EMU acronym written in the language of the respective country. NBS issued another € 2 commemo-

¹⁴ The JET grouping includes the national central banks of the Cyprus, Luxembourg, Malta, Netherlands, Slovenia, Slovakia and Finland.

**Table 29 Euro coins with year mark 2009 minted in Slovakia**

Denomination	Number	Value (€)
€ 2	39,249,963	78,499,926.00
€ 1	46,859,975	46,859,975.00
50 cent	59,399,975	29,699,987.50
20 cent	66,602,325	13,320,465.00
10 cent	74,799,975	7,479,997.50
5 cent	84,957,325	4,247,866.25
2 cent	80,905,325	1,618,106.50
1 cent	90,828,325	908,283.25
Total coins	543,603,188	182,634,607.00
Collector coins	68,270	907,600.00

Source: NBS.

Note: The number and value of € 2 coins include € 2 commemorative coins.

Table 30 Commemorative euro coins issued by Národná banka Slovenska in 2009

Denomination	Subject of commemoration	Number of coins issued	Notification of coin issuance
€ 2	10th anniversary of Economic and Monetary Union	2,500,000	NBS Notification No. 494/2008 Coll., Official Journal of the EU 2008/C 315/04
€ 2	20th anniversary of the events of 17 November 1989	1,000,000	NBS Notification No. 254/2009 Coll., Official Journal of the EU 2009/C 196/07

Source: NBS.

Table 31 Collector coins issued by Národná banka Slovenska in 2009

Denomination	Subject of commemoration	Number of coins issued		Notification of coin issuance
		Total	of which: PROOF	
€ 10 ¹⁾	150th anniversary of the birth of Aurel Stodola	23,400	13,300	494/2008 Coll.
€ 20 ¹⁾	Protection of Nature and Landscape – Veľká Fatra National Park	22,500	12,600	177/2009 Coll.

Source: NBS.

1) Silver collector coin.

ative coin on 10 November 2009, to mark the 20th anniversary of the events of 17 November 1989.

In 2009, Národná banka Slovenska issued two collector coins minted from precious metals (Table 31). One of them, issued on 24 April 2009, was a € 10 silver coin commemorating the 150th an-

niversary of the birth of Aurel Stodola; the other, issued on 16 June, was a € 20 silver coin marking the Protection of Nature and Landscape – Veľká Fatra National Park.

Apart from these commemorative and collector coins, Mincovňa Kremnica on behalf of NBS produced 110,100 euro coins in each denomina-



tion that were minted in Proof-Like or Brilliant Uncirculated condition. The coins were used for five different annual collector sets that were sold by Mincovňa Kremnica. NBS arranged the sale of other numismatic products through domestic and foreign contractual partners.

5.3 PROCESSING OF EURO CASH AND SLOVAK KORUNA CASH

In 2009, NBS put 318.4 million euro banknotes into circulation and received 245.8 million euro banknotes from circulation. Of the total number of euro banknotes received, NBS processed more than 234 million (95%).

The average number of turnarounds¹⁵ of euro banknotes was four, which means that on an average of four times during the year each euro banknote was returned to NBS for processing (from commercial banks). The number of turnarounds of the three highest-value euro banknotes ranged from 1.3 to 2.6, while the figure for other denominations was more than twice as high (between 4.0 and 5.5).

The turnaround period¹⁶ was three months, which means that every three months the overall volume of circulated euro banknotes was returned to NBS for processing.

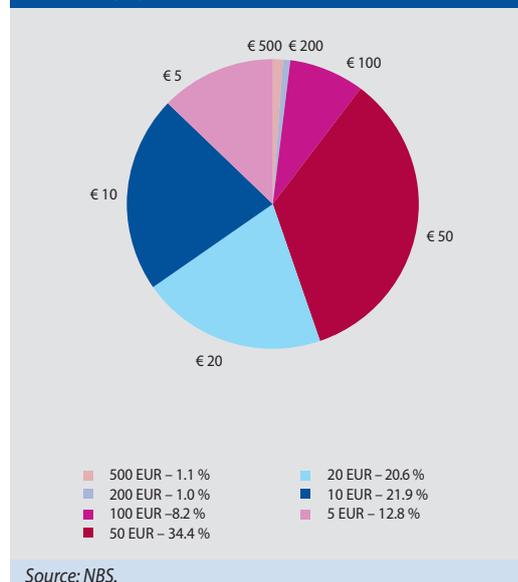
The most frequently processed euro banknote was the € 50 note, which is also the most used euro banknote in circulation. As at 31 December 2009, the € 50 banknote constituted 32.3% of the cumulative net issuance of euro banknotes (see Chart 45).

During the processing of euro banknotes in 2009, a total of 12.1 million banknotes were found to be unfit. The average unfit rate for euro banknotes was 5.18%. That this rate was one of the lowest among euro area countries was clearly influenced by the fact that more than half of the banknotes delivered to NBS were new. In Slovakia, as in other euro area countries, the unfit rate for higher-value euro banknotes was relatively low, while the lowest-value euro banknote (€ 5) had the highest unfit rate (13.8%).

As for euro coins, a total of 666.5 million were put into circulation in 2009 and more than 366 million were returned from circulation, of which 360.2 (98.3%) were processed over the course of the year. In all, 13,200 of the returned euro coins were found to be unfit. The average number of turnarounds of euro coins in 2009 was 1.3 and the average turnaround period was 9.3 months.

Taking place alongside the introduction of the new currency was the process of withdrawing the Slovak koruna currency from circulation. Národná banka Slovenska therefore received a large volume of Slovak koruna banknotes and coins that had to be stored, processed and destroyed. During the year, NBS processed 169.7 million Slovak koruna banknotes and 173 million Slovak koruna coins, and it destroyed 213.1 million Slovak koruna banknotes and 282.8 million Slovak koruna coins.

Chart 45 Euro banknotes processed in NBS in 2009 (%)



5.4 COUNTERFEIT BANKNOTES AND COINS SEIZED IN SLOVAK TERRITORY

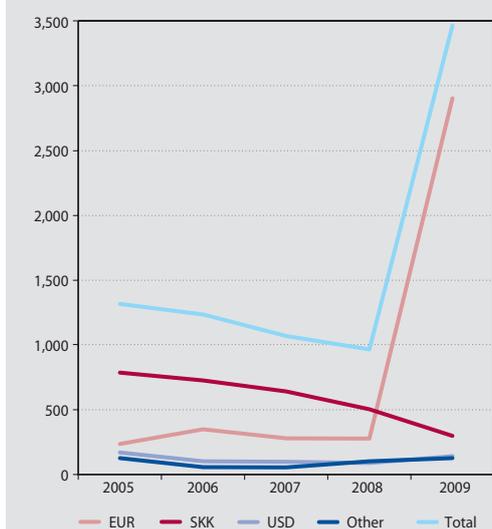
A total of 3,467 counterfeit banknotes and coins were seized in the territory of Slovakia in 2009 (see Chart 46). The total number of seized counterfeits increased by 2,503 (260%) in comparison with 2008, and it included 2,657 banknotes and 810 coins. There were more counterfeit seizures in 2009 than in any other year since Slovakia was established as an independent country in 1993. The rise was caused mainly by the introduction

¹⁵ The number of turnarounds of euro banknotes (euro coins) of a given nominal value (NV) for a given year = the number of euro banknotes (euro coins) of the given NV received during the given year / the average cumulative net issuance of euro banknotes (euro coins) of the given NV.

¹⁶ Turnaround period in months = 1 / number of turnarounds * 12.

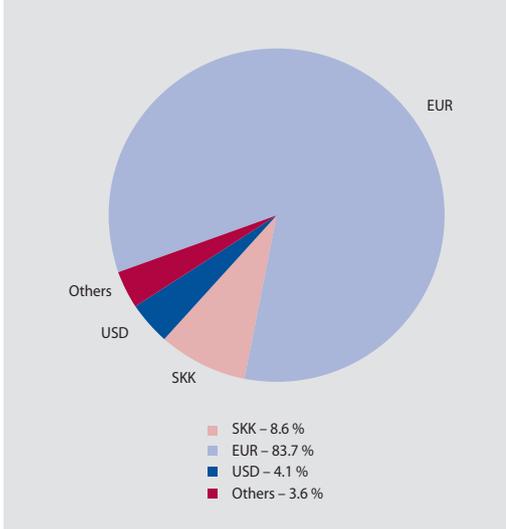


Chart 46 Number of counterfeits seized



Source: NBS.

Chart 47 Breakdown of counterfeits seized in 2009 (%)



Source: NBS.

of the euro – the legal tender of Slovakia as from 1 January 2009 – one consequence of which was that many counterfeits produced abroad became distributed in Slovakia. Almost 42% of the counterfeit seizures took place in Bratislava region. Counterfeits seized from currency in circulation by banks, branches of foreign banks, non-banking entities and security services accounted for 88% of total seizures.

Euro counterfeits constituted the vast majority (83.7%) of the total number of seized counterfeits, and the number of euro counterfeits was more than eleven times higher than in 2008. Koruna counterfeits accounted for 8.6% of the total, US dollar counterfeits 4.1%, and counterfeits of other currencies 3.6% (see Chart 47).

Neither the number of counterfeit seizures in 2009, nor the technical level of their production, posed a serious risk to the security and smooth operation of cash circulation in Slovakia.

5.4.1 EURO COUNTERFEITS

A total of 2,093 counterfeit euro banknotes were seized in Slovak territory in 2009, and 40% of them were seized in the first quarter of the year (see Table 32). The general quality of the counterfeits showed an improvement on the previous year. In addition to counterfeit banknotes, eight altered banknotes comprising different parts of banknotes of the same denomination were also seized in 2009. A new trend that emerged in the first year of the euro's circulation in Slovakia was the large number

Table 32 Number of euro counterfeits seized

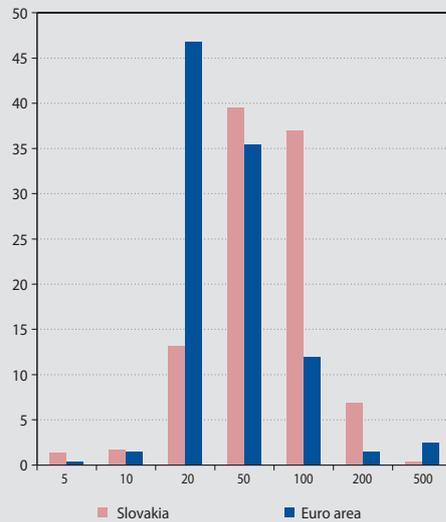
Year	Denomination										P ¹⁾	Total
	€ 0.50	€ 1	€ 2	€ 5	€ 10	€ 20	€ 50	€ 100	€ 200	€ 500		
2005	0	0	8	0	0	13	114	26	37	34	2	234
2006	0	0	3	1	4	6	69	217	38	10	0	348
2007	0	4	8	0	2	10	59	99	90	6	0	278
2008	0	2	15	0	4	9	65	70	106	4	0	258
2009	37	109	664	29	37	274	827	775	144	7	0	2,903

Source: NBS.

1) Imitations, altered and modified banknotes and coins.



Chart 48 Counterfeit euro banknotes seized in Slovakia and in the euro area by denomination (%)



Source: NBS.

Of every million euro banknotes in circulation in Slovakia, 29 were counterfeits, while in the euro area as a whole, 70 were counterfeits. As for the number of counterfeit euro coins per million circulation coins, the ratio in Slovakia was similar to that in the euro area as whole, i.e. 2.7 compared with 1.8. The likelihood of natural or legal persons coming into contact with a counterfeit banknote or coin in circulation currency is very low.

In the euro area as a whole, counterfeits of € 20, € 50 and € 100 banknotes constituted 94.2% of all the counterfeit euro banknotes seized, and counterfeit € 20 banknotes accounted for almost one in every two of the total. In Slovakia, the breakdown of counterfeits was different (see Chart 48), with counterfeit € 50 and € 100 banknotes making up, respectively, 39.5% and 37% of the total number of counterfeit euro banknotes seized in the country.

counterfeit euro coins that were seized –810 in total. Most of these coins were barely distinguishable from legal coins in terms of their magnetic properties, conductivity and design, and they therefore represent a high risk to currency circulation. The trend of rising numbers of euro counterfeit seizures and improvements in the quality of counterfeits can be expected to continue in the years ahead.

In the euro area as a whole, a total of 1,190,524 euro counterfeits were seized in 2009, with banknotes accounting for 87% of that figure. There were fewer euro counterfeits seized in Slovakia than in any other euro area country, and those seized in Slovakia represented 0.24% of all the euro counterfeits seized in the euro area.

The number of euro counterfeits seized in the euro area represented 3 per 1,000 inhabitants, while in Slovakia, the ratio was 0.4.

5.4.2 SLOVAK KORUNA COUNTERFEITS

Owing to the introduction of the euro into cash circulation, the number of Slovak koruna counterfeits fell sharply in 2009. A total of 297 counterfeit koruna banknotes were seized (see Table 33), and 232 of them were seized in January. In other months of the year there were only a few counterfeit seizures. The number of counterfeits seized in Bratislava region alone represented 228 or 77% of the total.

5.4.3 US DOLLAR COUNTERFEITS

The total number of US dollar counterfeits seized in Slovakia in 2009 was 141, representing a rise of 62% in comparison with 2008 (see Table 34).

Table 33 Number of Slovak koruna counterfeits seized

Year	Denomination										P ¹⁾	Total
	Sk 0.50	Sk 5	Sk 10	Sk 20	Sk 50	Sk 100	Sk 200	Sk 500	Sk 1000	Sk 5000		
2005	0	0	0	28	48	87	103	151	337	23	7	784
2006	1	0	0	6	22	56	96	138	346	28	33	726
2007	0	0	25	7	23	31	66	151	304	32	0	639
2008	0	0	1	6	22	28	26	189	211	18	1	502
2009	0	0	0	7	10	8	21	182	50	19	0	297

Source: NBS.

1) Imitations, altered or modified bank notes and coins.

**Table 34 Number of US dollar counterfeits seized**

Year	Denomination							P ¹⁾	Total
	USD 1	USD 5	USD 10	USD 20	USD 50	USD 100	USD 1000		
2005	0	0	1	1	3	163	0	3	171
2006	2	1	0	0	3	94	1	0	101
2007	0	0	0	2	3	92	0	0	97
2008	0	0	0	1	6	74	0	6	87
2009	0	0	0	0	2	138	0	1	141

Source: NBS.
1) Imitations.

Table 35 Number of seized counterfeits of other foreign currencies

Currency/ Year	GBP	CZK	CAD	PLN	CHF	HUF	AUD	NOK	Kčs	Others ¹⁾	Total
2005	82	21	3	1	1	18	0	0	0	1	127
2006	39	9	0	2	0	7	1	0	0	0	58
2007	34	6	0	2	0	3	0	0	7	0	52
2008	88	4	0	2	1	3	0	2	0	0	100
2009	60	10	2	1	0	53	0	0	0	0	126

Source: NBS.

1) Currencies replaced by the euro.

Note: GBP – British pound; CZK – Czech koruna; CAD – Canadian dollar; PLN – Polish zloty; CHF – Swiss franc; HUF – Hungarian forint; AUD – Australian dollar; NOK – Norwegian krone; CSK – Czechoslovak koruna.

Counterfeits of the 100 dollar banknote were again the most common by far, constituting 98% of the total.

5.4.4 COUNTERFEITS OF OTHER FOREIGN CURRENCY

As for counterfeits of other foreign currencies, a total of 126 were seized in 2009, representing

a moderate rise in comparison with the previous year (see Table 35). Counterfeit British pounds accounted for the largest share (60) of these counterfeits and they included 59 counterfeits of the 20 pound banknote. Hungarian forint counterfeits numbered 53, including 47 counterfeits of the 10,000 forint note.