

D. ISSUING ACTIVITY OF THE NBS AND CURRENCY IN CIRCULATION



1. ISSUES OF SLOVAK BANKNOTES AND COINS

With respect to currency circulation needs in the course of 1998, the National Bank of Slovakia provided for additional minting of coins at nominal values of 10 halier, 20 halier, and 50 halier. In addition to coins for currency circulation, the NBS issued six commemorative coins, including one gold and five silver. All the

As of 31 December 1998 the volume of currency in circulation was Sk 58.4 billion. A total of 103.1 million banknotes was in circulation; 704.8 million standard coins and 547.4 thousand commemorative coins.

In comparison with 1997 the total value of currency in circulation decreased by Sk 140.0 million (by 0.24%). This decrease was influenced by a higher rate of savings especially in foreign currencies, and a lower volume of

Commemorative coins issued by the NBS in 1998

Nominal value	Event commemorated	Number of coins issued		NBS Announcement
		total	thereof PROOF	
200 Sk	150th anniversary of the arrival of the first steam train in Slovakia	15,800	1,800	94/1998 Z.z.
200 Sk	150th anniversary of the establishment of the Slovak National Council and outbreak of the Slovak Uprising of 1848/1849	14,900	1,500	185/1998 Z.z.
200 Sk	UNESCO World Heritage – the Spiš Castle and the cultural monuments in its surroundings	15,000	1,500	219/1998 Z.z.
200 Sk	Centenary of the birth of Ján Smrek	13,400	1,500	299/1998 Z.z.
5,000 Sk	UNESCO World Heritage – the Spiš Castle and the cultural monuments in its surroundings	6,000	6,000	300/1998 Z.z.
500 Sk	Protection of nature and the landscape – Tatras National Park	13,400	1,400	338/1998 Z.z.

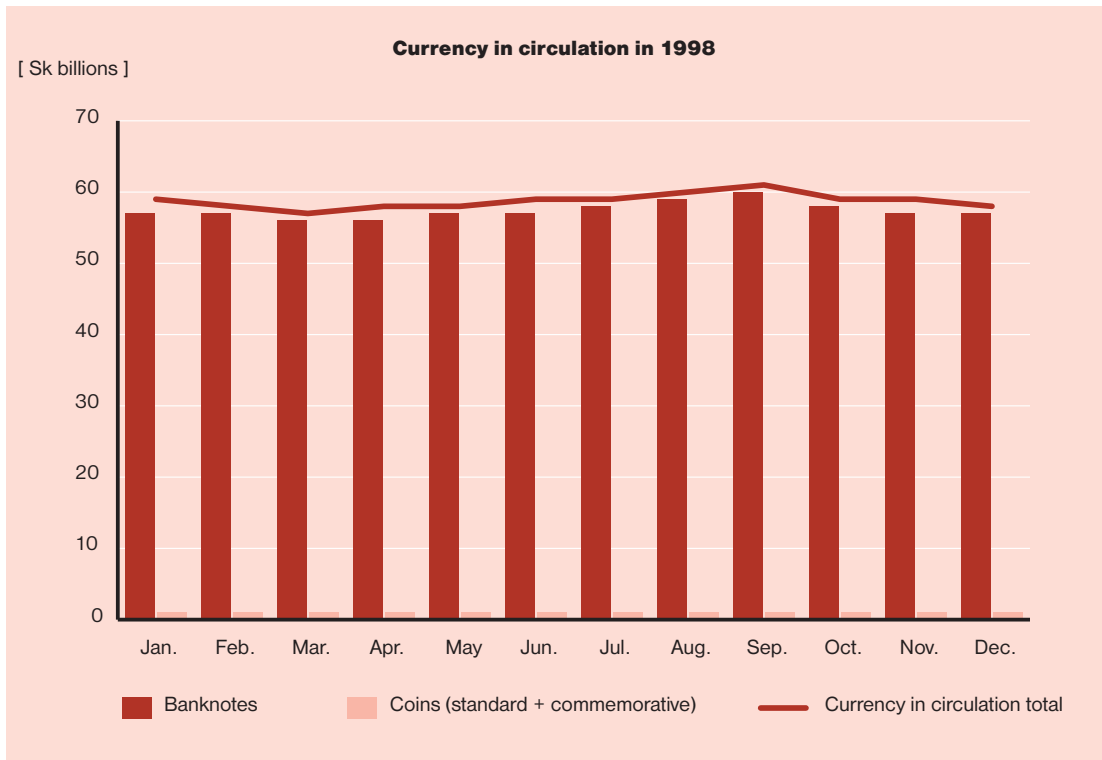
coins for circulation and the commemorative coins were struck at the mint in Kremnica.

1.1. Currency in Circulation

There were no substantial disruptions in money circulation in 1998, and for the first time in the history of the Slovak currency the total value of currency in circulation decreased year-on-year. There were no noteworthy changes in the composition of currency in circulation as to individual nominal values of banknotes and coins, in comparison with the previous year.

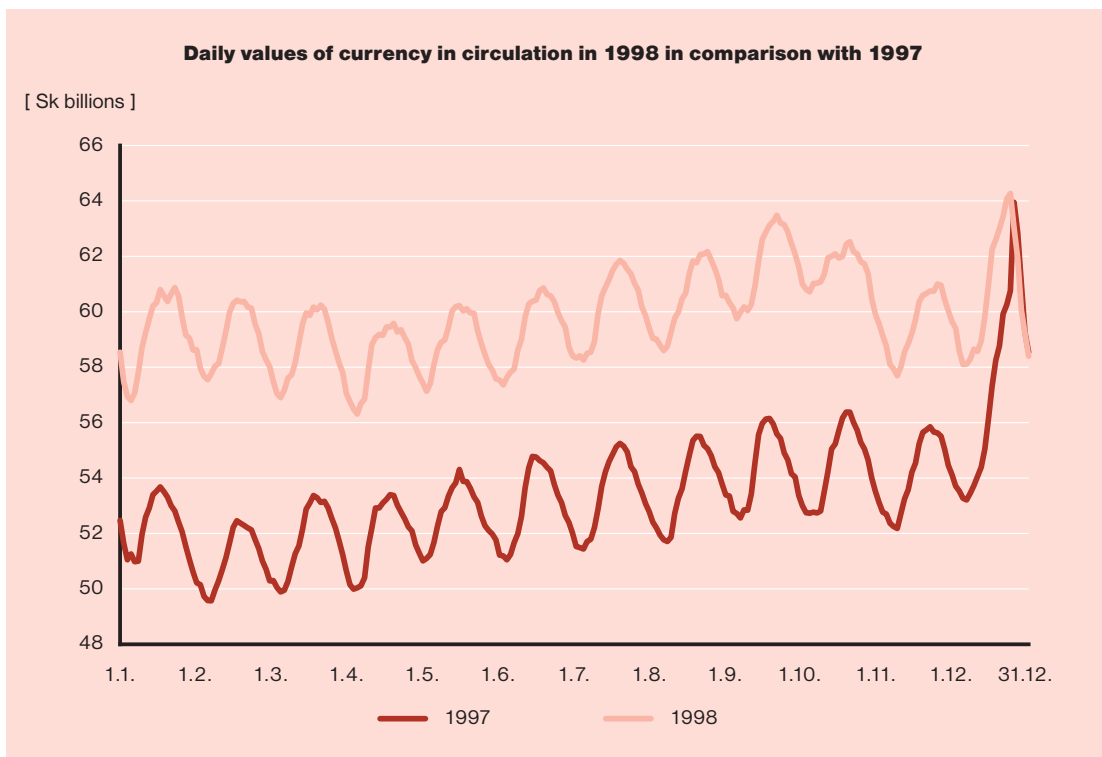
cash-in-hand in commercial banks (down from Sk 9.8 billion in 1997 to Sk 8.6 billion at the end of 1998), which was presumably a consequence of minimising the amount of cash in banks. The number of banknotes and coins in circulation increased by 81.1 million items (by 11.15%).

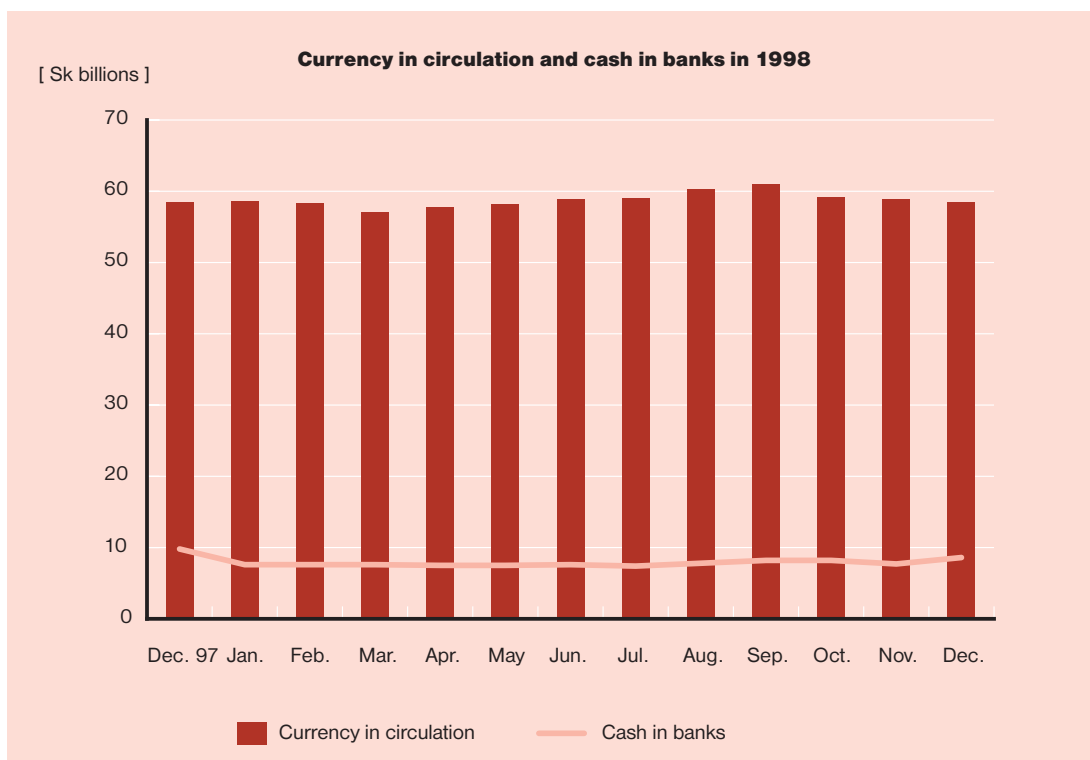
The development of currency in circulation throughout the year was without marked fluctuations. The maximum value of money in circulation at the end of a month was recorded for the first time in September 1998 at Sk 61.0 billion. The achieved volume was due to the time which elapses between cash withdrawals from commercial banks and the purchase of foreign



currency, in the light of pre-devaluation expectations. The development of notes and coins in circulation in 1998 is shown in the following diagram.

Daily development of the total value of currency in circulation in 1998 was similar to the development in 1997 (with a year-on-year increase of about Sk 6 billion) except for the





fourth quarter. The total value of currency in circulation fell in the fourth quarter due to cancellation of the fixed exchange rate regime and the growth of time deposits in foreign currencies and in Sk. A comparison of the daily value of currency in circulation in 1998 with that in 1997 is given in the diagram below.

Of the total volume of currency in circulation, cash in banks accounted for 13.6% on average in 1998. The development of currency in circulation with regard to structure is given in the above diagram.

1.2. Banknotes and Coins in Circulation in Proportion to Total Cash Supply

The number of banknotes and coins in circulation in 1998 increased by 81.1 million items. This increase was mainly due to the number of standard coins which increased by almost 79 million, so that the number of halier coins has almost doubled in comparison with other coins. The share of standard coins in the total number of banknotes and coins increased

slightly and reached 87.18%. The number of banknotes in circulation increased by a mere 2.08% and the decrease in the total value of currency in circulation was accompanied by a growth in the number of banknotes of lower nominal values. The share of banknotes in the total number of banknotes and coins fell slightly to 12.75%.

A comparison of the structure of currency in circulation by individual nominal values with regard to the number of items in 1997 and 1998, is given in the table on page 92.

The cumulative decrease in the total value of money in circulation of Sk 140 million was caused by a decrease in the value of banknotes in circulation of Sk 256.4 million and an increase in the total value of standard coins of Sk 69.3 million. The decline in the value of banknotes is to a large extent due to a decrease in the number of banknotes with a nominal value of 5,000 Sk, which was reflected in a slight reduction in the proportion of banknotes to the total value of the currency in circulation, which fell to 97.5%. The growth in the total value of

Currency in circulation in millions of items

Nominal value	Volume at 31.12.1997	Volume at 31.12.1998	Share in % at 31.12.1997	Share in % at 31.12.1998
Banknotes	101.00	103.10	13.89	12.75
5,000 Sk	3.74	3.63	0.51	0.45
1,000 Sk	29.69	30.44	4.08	3.76
500 Sk	8.86	8.13	1.22	1.01
200 Sk	6.38	4.71	0.88	0.58
100 Sk	21.42	24.02	2.95	2.97
50 Sk	10.62	10.84	1.46	1.34
20 Sk	20.29	21.33	2.79	2.64
Coins	625.89	704.83	86.05	87.18
10 Sk	53.56	56.80	7.36	7.03
5 Sk	35.76	37.45	4.92	4.63
2 Sk	57.94	62.34	7.97	7.71
1 Sk	82.07	88.54	11.28	10.95
0.50 Sk	51.82	51.47	7.13	6.37
0.50 II Sk	22.80	34.66	3.13	4.29
0.20 Sk	150.43	173.78	20.68	21.49
0.10 Sk	171.51	199.79	23.58	24.71
Commemorative coins	0.47	0.55	0.06	0.07
Total	727.36	808.48	100.00	100.00

Currency in circulation in Sk millions

Nominal value	Value at 31.12.1997	Value at 31.12.1998	Share in % at 31.12.1997	Share in % at 31.12.1998
Banknotes	57,201.09	56,944.64	97.71	97.50
5,000 Sk	18,728.37	18,131.54	31.99	31.05
1,000 Sk	29,689.77	30,435.86	50.71	52.11
500 Sk	4,427.76	4,063.71	7.56	6.96
200 Sk	1,276.39	941.79	2.18	1.61
100 Sk	2,142.12	2,403.16	3.66	4.11
50 Sk	530.88	541.95	0.91	0.93
20 Sk	405.81	426.63	0.69	0.73
Coins	996.93	1,066.22	1.70	1.83
10 Sk	535.63	567.96	0.91	0.97
5 Sk	178.80	187.24	0.31	0.32
2 Sk	115.88	124.67	0.20	0.21
1 Sk	82.07	88.54	0.14	0.15
0.50 Sk	25.91	25.74	0.04	0.04
0.50 II Sk	11.40	17.33	0.02	0.03
0.20 Sk	30.09	34.76	0.05	0.06
0.10 Sk	17.15	19.98	0.03	0.03
Commemorative coins	344.40	391.57	0.59	0.67
Total	58,542.42	58,402.43	100.00	100.00

coins in circulation was the result of an increase in the number of coins of all nominal values.

A comparison of the structure of currency in circulation by individual nominal values with regard to total value in 1997 and 1998, is given in the table on page 92.

The total value of currency in circulation per capita including commemorative coins amounted to Sk 10,829.30, whereof banknotes

represented Sk 10,559, standard coins Sk 197.70, and commemorative coins Sk 72.60, per capita. The total value of currency in circulation per capita fell by Sk 38.05 in comparison with 1997. The number of banknotes was 19 and the number of standard coins 131, per capita.

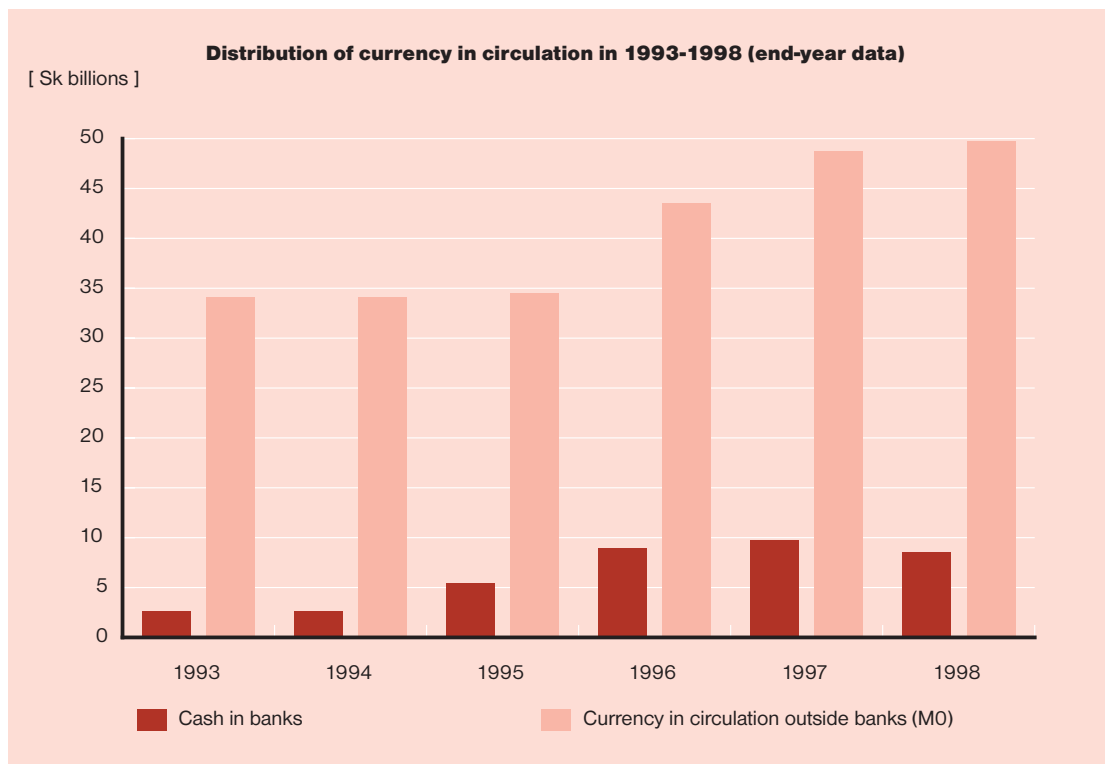
Average value of currency in circulation decreased slightly due to the increased share of smaller nominal value banknotes and coins. A comparison with 1997 is given in the following table.

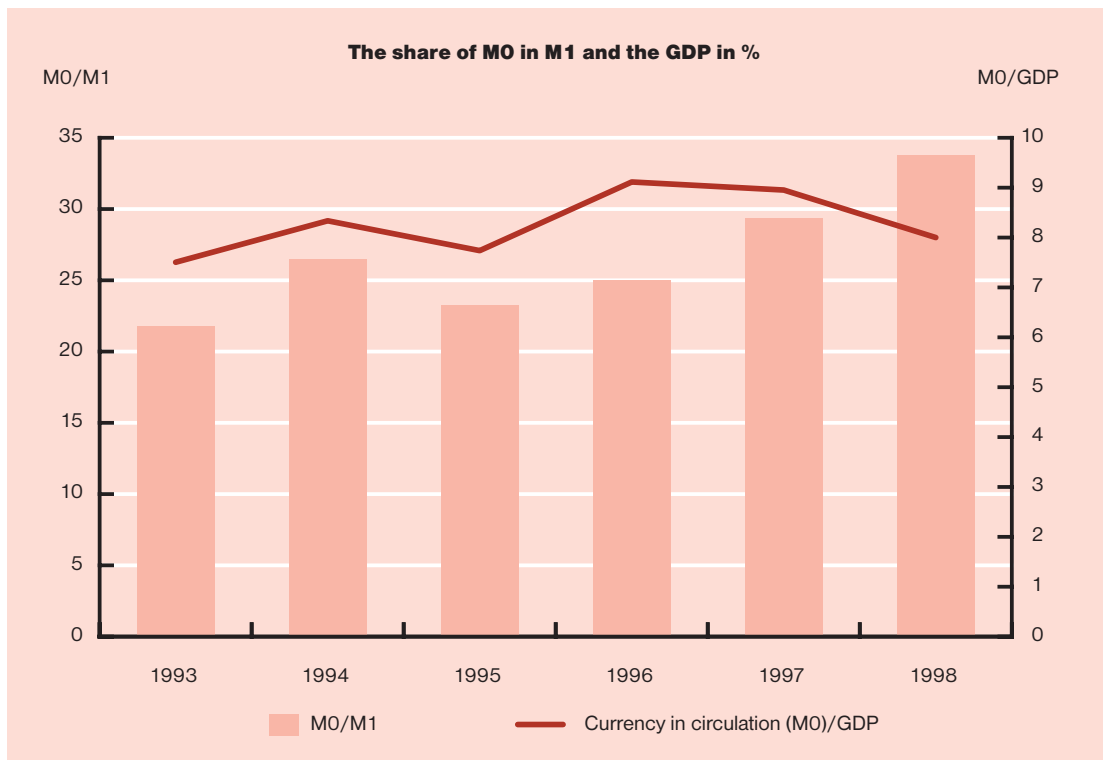
Average value of currency in circulation (Sk)

	1997	1998	Change
Currency in circulation including commemorative coins	80.5	72.2	-8.3
Banknotes	566.3	552.3	-14.0
Coins	1.6	1.5	-0.1

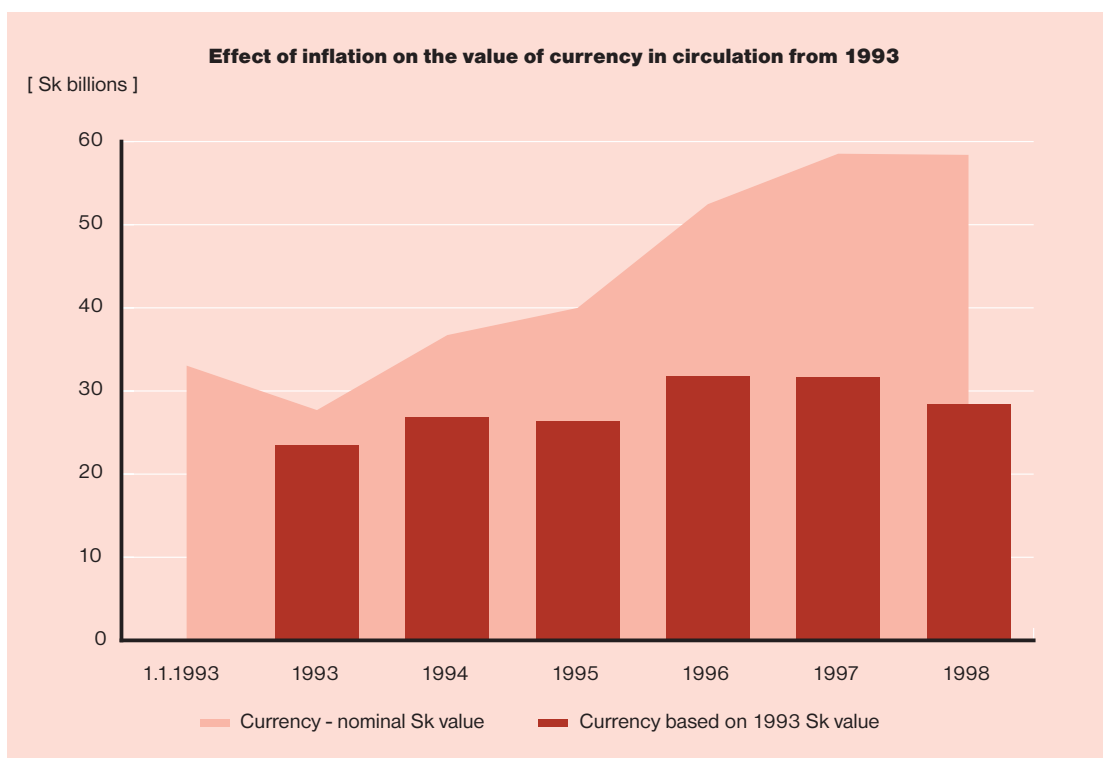
1.3. Relationship between Currency in Circulation and Selected Macroeconomic Indicators

The distribution of currency in circulation amongst commercial banks and the public since the establishment of the Slovak currency is shown in the following diagram.





Since initial growth in 1996, the amount of currency in circulation outside banks continues to grow. Currency-in-circulation in banks has decreased or remained steady, due to minimising the volume of cash kept in banks. The volume of



From the macroeconomic point of view, the share of M0 (cash outside banks) in the M1 monetary aggregate is unusual, as is also the proportion of M0 to the Gross Domestic Product (GDP).

The relatively high share of M0 in the M1 aggregate at 20-35% in the period from 1993 to 1998, indicates a lower proportion of non-cash transactions in Slovakia compared with countries of the European Union.

The proportion of currency in circulation to the GDP in the period from 1993 to 1998 remained almost unchanged at 7 to 9%, which is typical for countries of the European Union.

The effect of inflation on the value of currency in circulation since the establishment of the Slovak currency until 1998, is shown in the following diagram.

Currency in circulation in nominal Sk has increased steadily since 1993, while the value of currency in circulation based on 1993 value (with adjustment for inflation from 1993) is changing only slightly.

2. COUNTERFEIT MONEY SEIZED IN THE SLOVAK REPUBLIC

2.1. Slovak Currency Counterfeits

In 1998, 556 items of counterfeit Slovak currency were seized in Slovakia. The highest number was recorded in Bratislava, where in 56 separate instances, 160 counterfeit items were seized.

The number of seized counterfeit Slovak currency banknotes and coins compared with 1997, increased more than threefold, including a significant, quadruple increase in the number of 1,000 Sk banknotes seized.

In most cases, the counterfeit notes were made by ink-jet printing. In one instance police seized 102 counterfeit notes produced by computer and a colour ink-jet printer, and none of the notes had any simulated protective features. Since June 1998, another type of counterfeit notes made by ink-jet printer has appeared in circulation, which features silver

Number of Sk counterfeits seized in 1994 - 1998 (in pcs)

Nominal value	5,000	1,000	500	200	100	50	20	10	5	Total	Value (Sk)
1994	-	3	5	-	1	2	-	60	-	71	6,300
1995	-	18	3	-	3	3	-	-	-	27	19,950
1996	4	98	40	1	26	3	-	-	1	173	140,955
1997	5	108	39	-	19	-	2	5	-	178	154,490
1998	26	439	20	16	32	13	10	-	-	556	586,250
Total	35	666	107	17	81	21	12	65	1	1,005	907,945

Structure of seized Sk counterfeits according to degree of danger

Danger degree	1		2		3		4		5		N ^{1/}		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	0	0	0	0	0	0	66	93.0	5	7.0	0	0	71	100
1995	0	0	0	0	3	11.1	3	11.1	21	77.8	0	0	27	100
1996	0	0	0	0	1	0.4	161	62.4	11	4.3	85	32.9	258	100
1997	0	0	0	0	2	0.6	162	46.7	14	4.0	169	48.7	347	100
1998	0	0	0	0	0	0	477	85.8	79	14.2	0	0	556	100

^{1/} Not included in danger degree categories are imitations of standard Slovak coins with parameters similar to genuine coins that were used in gambling machines.

Number of US counterfeits seized in 1994 - 1998 (in pcs)

Nominal value	1	5	10	20	50	100	Altered	Total	Value in Sk
1994	2	1	1	118	73	1,499	15	1,709	4,899,918.20
1995	2	1	3	146	69	1,768	9	1,998	5,434,989.20
1996	0	0	5	24	73	719	58	879	2,518,748.10
1997	0	0	1	20	30	346	34	431	1,283,908.50
1998	2	0	0	14	10	318	20	364	1,199,401.00
Total	6	2	10	322	255	4,650	136	5,381	15,336,965.00

Structure of seized US counterfeits according to degree of danger

Danger	1		2		3		4		5		N ^{1/}		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	116	6.8	49	2.9	1,424	83.3	100	5.8	5	0.3	15	0.9	1,709	100
1995	95	4.7	25	1.2	1,857	93.1	10	0.5	2	0.1	9	0.4	1,998	100
1996	91	10.4	8	0.9	704	80.1	17	1.9	1	0.1	58	6.6	879	100
1997	73	17.0	5	1.2	301	69.8	17	3.9	1	0.2	34	7.9	431	100
1998	39	10.7	3	0.8	281	77.2	18	5.0	3	0.8	20	5.5	364	100

^{1/} Not included in danger degree categories are altered banknotes, where a genuine banknote of a lower nominal value is altered to a note of a higher nominal value.

paint imitation of security band windows on the face of the note. The quality of the seized notes was poor, and no attempt to imitate safety features had been made, but the colours matched the colours of genuine banknotes quite well.

2.2. Foreign Currency Counterfeits

In 1998, a total of 364 counterfeit US notes were seized in Slovakia and 6,790 counterfeit banknotes in other foreign currencies.

Number of seized counterfeit notes of other currencies from 1994 to 1998 (in pcs)

Currency	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other	Total	Value in Sk
1994	463	110	48	6	12	0	1,074	25	1,738	2,020,377.60
1995	311	60	32	18	1	447	73	1	943	1,648,431.40
1996	237	66	22	8	1	9	0	1	344	914,937.60
1997	543	99	101	16	7,731	22	5,211	8	13,731	26,608,951.70
1998	70	460	226	16	5	9	5,991	13	6,790	6,300,277.00
Total	1,624	795	429	64	7,750	487	12,349	48	23,546	37,492,975.30

Structure of seized counterfeits of other currencies by danger degree

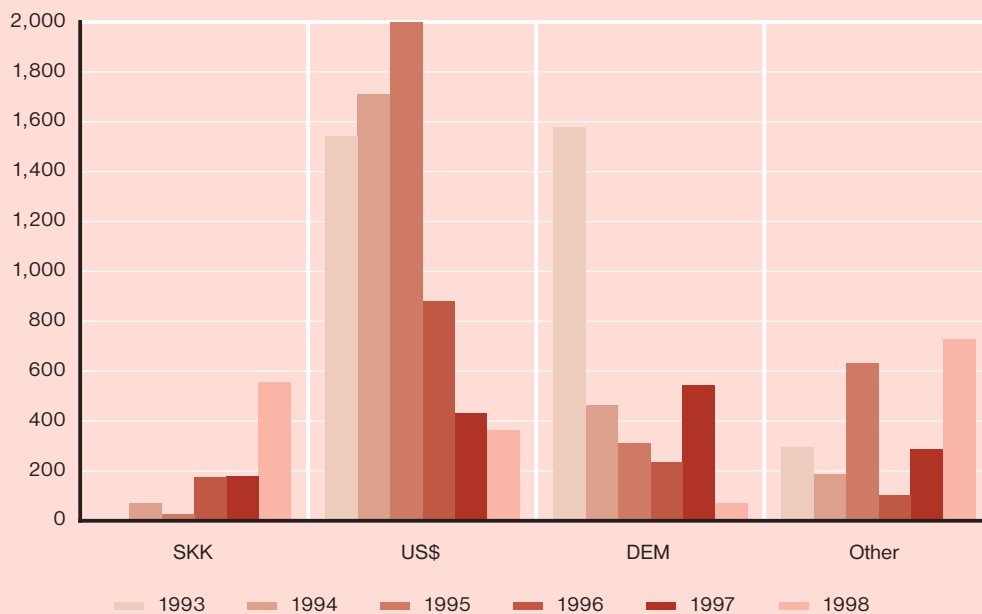
Danger	1		2		3		4		5		N ^{1/}		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	0	0	9	0.5	1,711	98.4	1	0.1	0	0	17	1.0	1,738	100
1995	0	0	14	1.5	921	97.7	1	0.1	2	0.2	5	0.5	943	100
1996	3	0.9	13	3.8	321	93.3	3	0.9	0	0	4	1.1	344	100
1997	6	0.1	502	3.6	13,199	96.1	11	0.1	12	0.1	1	0	13,731	100
1998	0	0	450	6.6	6,319	93.1	16	0.2	4	0.1	1	0	6,790	100

^{1/} Not included in danger level categories are simple imitations, altered banknotes, and test printouts.

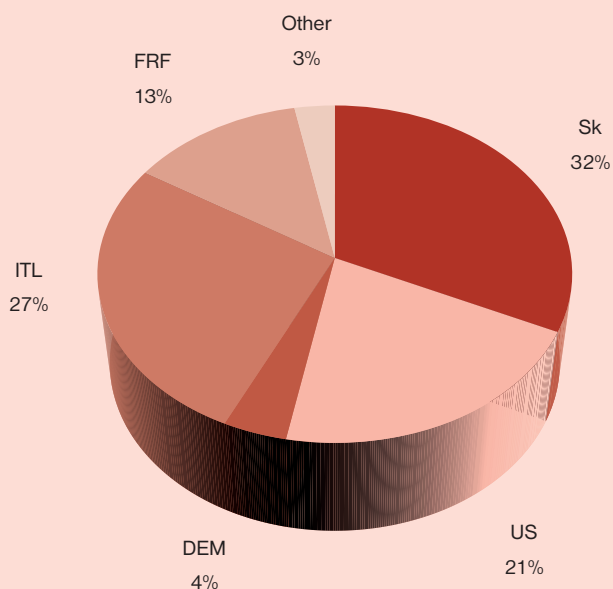
The structure of counterfeit banknotes of currencies included in the exchange rate list of the NBS changed in comparison with 1997. The

number of counterfeit US notes remained at the level of 1997, the number of counterfeit DEM notes fell (8 times), but the number of counterfeit

Development of the number of seized counterfeits since 1993



Structure of counterfeits seized in 1998



ITL notes increased (5 times) and FRF notes (2 times).

The new series of US banknotes at nominal values of 100, 50, and 20 dollars reflects the effort of the United States to protect its currency against forgery methods which use modern copying equipment. Despite this fact, counterfeit US 100 notes of the new issue seized in the Slovak Republic were in the danger degree 2 category, i.e. dangerous, and had on the face side a quite good imitation of the optical variable device inside the lower right value numeral 100.

The overall trend in the number of seized counterfeit banknotes in circulation since 1993 is given in the diagram on page 97.

Unlike in previous years when US or DEM notes accounted for the majority of seized counterfeit banknotes in circulation in Slovakia (1994-1996) and (1993 and 1997), respectively, in 1998 Sk notes accounted for the largest share of seized counterfeit notes (32 percent).

For every seized and registered counterfeit note in 1998, an expert evaluation was made for the law enforcement authorities. Elaborate analyses were performed, mainly the analyses of banknotes suspected from being covered with security were carried out in co-operation with the Forensic Institute of the Police Corps.

2.3. Expert Analysis of Damaged Slovak Currency

In 1998, the NBS received from 95 applicants damaged banknotes and coins with a request to conduct an expert assessment and provide a replacement. These were applications where damage was the result of natural causes or other unforeseeable circumstances, and where no other financial institution could have provided a replacement. The nominal value of submitted damaged banknotes and coins was Sk 10,037,088.80 and the National Bank of Slovakia paid in compensation Sk 9,970,079.30 for them, equivalent to 99.33% of the nominal value.