



NATIONAL BANK OF SLOVAKIA

MONETARY SURVEY

JULY 1993

I. REAL ECONOMY



NATIONAL BANK OF SLOVAKIA

Indicators		7992	1993		
			1st Qtr	1st Half	July
GDP	Value (in Sk ^{2/} billions)	177.9	44.4	93.1	
	(at constant prices) Growth rate (%)	-7.0	-6.5	-6.2	
Output ^{1/}	Industrial production (%)	-13.7	-14.3	-15.2	-17.2
	Construction (%)	6.4	-21.1	-21.8	-23.6
Unemployment	Number (thous. of persons)	260.3	306.1	318.1	339.4
	Unemployment rate (%)	10.4	12.0	12.5	13.3
Foreign Trade	Exports (in Sk billions)	102.4	33.2	76.1	13.9
	Imports (in Sk billions)	100.7	33.1	75.6	12.3
	Balance (in Sk billions)	1.7	0.1	0.5	1.6

1/ Change compared with the corresponding period in 1992

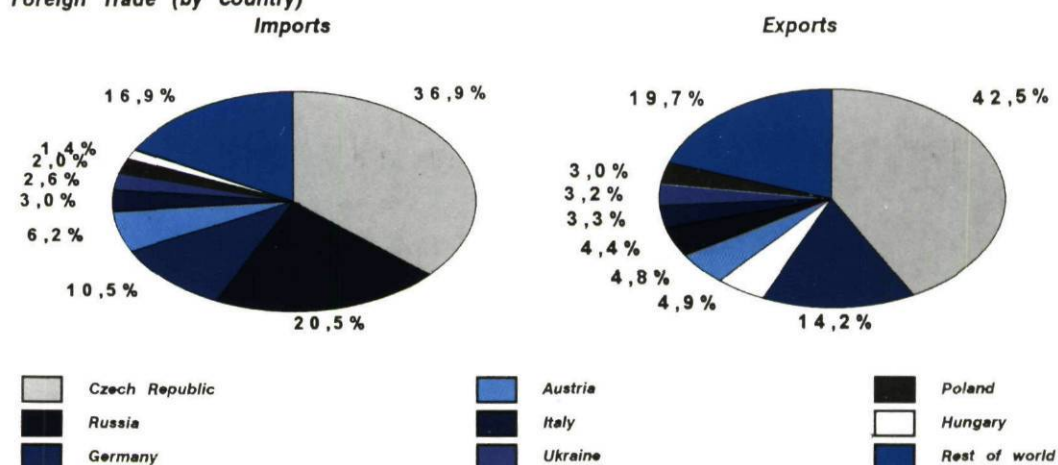
2/ Sk - abbreviation of the Slovak crown

In 1993, Slovakia's economic and monetary development has been influenced by some extraordinary factors including: the birth of the independent Slovak Republic, the dissolution of the monetary agreement with the Czech Republic, the introduction of the Slovak currency, and changes in the tax system.

Economic development in the first half of 1993, characterized by approximately a 6 % decline in GDP, a 12.5 % unemployment rate, and a 14.2 % rate of inflation, continued in July with a decline in industrial production and construction, and a further rise in the unemployment rate.

The share of the private sector in the gross domestic product has increased. This development is underscored by the private businesses that dominate in agriculture, trade, and construction.

Foreign Trade (by country)



In the first half of 1993, the total volume of industrial production in the Slovak Republic amounted to Sk 169.6 billion, representing a decrease of 18.2 % compared with the volume in the second half of 1992. The total volume of production dropped by 0.9 % between the second and the first quarters of 1993. In the first half of 1993, Slovakia's dominant industrial sectors were the following: power generation, gas and water supply (16.8 %), food processing (15.7 %), metal working (14.5 %), chemical industry (7.2 %), machine engineering and precision mechanics (7.1 %).

In the first half of 1993, the volume of construction work reached Sk 19.7 billion, declining by 21.8 % compared with the corresponding period in 1992. Within the construction industry, the share of new investment decreased, while the volume of maintenance and reconstruction work increased.

Retail trade turnover and sales at current prices totalled Sk 45.9 billion in the second quarter of 1993, increasing by 18.9 % compared with the first quarter. In the first half of 1993, the number of individuals employed in the Slovak economy dropped by 4.3 % compared with the corresponding period of 1992. This factor contributed considerably to the growth of the unemployment rate.

II. EXTERNAL ECONOMY



Indicators	1992	1993		
		1st Qrt	1st Half	July
Current Account ^{1/}				
Balance in convertible currencies (Sk bln)		-0.2	-0.4	1.1
Foreign Exchange Reserves ^{2/}				
Banking system (USD bln)		0.5	0.6	0.7
NBS (USD bln) ^{3/}		0.2	0.25	0.3
Gross External Debt (in USD billions) ^{2/}	2.3	2.4	2.3	
Average Exchange Rates ^{4/}				
SKK/USD	28.29	29.096	29.002	32.092
SKK/DEM	18.12	17.794	17.838	18.721

1/ Cumulative values, 2/ At the end of period, 3/ Including gold at a book value of 42,22 USD/oz., 4/ Exchange rate midpoint

The total (consolidated) balance of payments consist of the balance of payments in convertible currencies, non-convertible currencies, and the balance of payments with the Czech Republic.

From January to July 1993, the balance of payments in convertible currencies produced a deficit of Sk 1.9 billion as a result of the Sk 3.8 billion capital account deficit. The current account surplus of Sk 1.1 billion was due primarily to the balance of services.

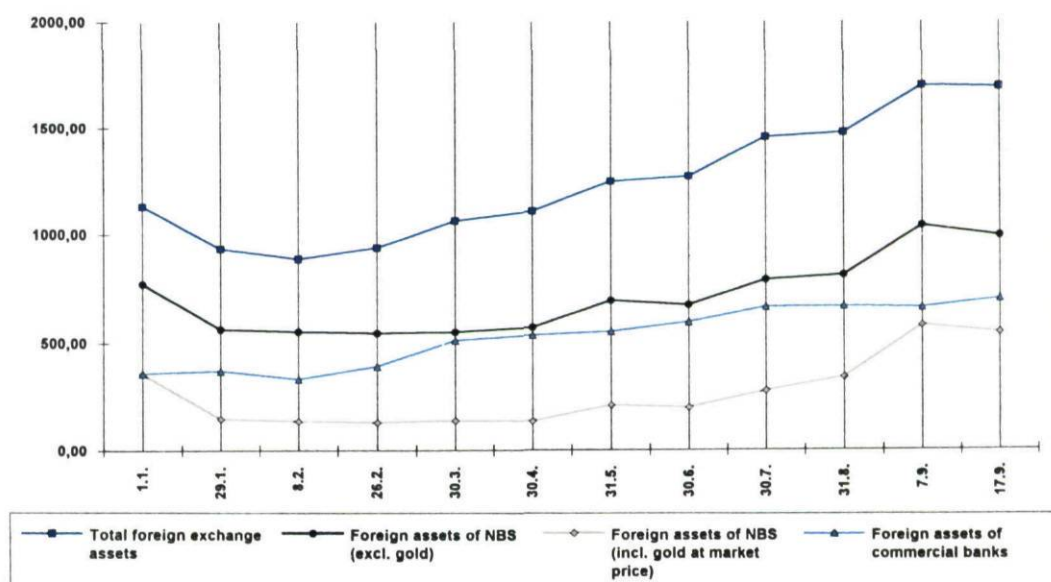
At the end of July 1993, the balance of payments in non-convertible currencies showed a surplus as a result of the Sk 0.3 billion surplus on capital account and the Sk 0.2 billion current account deficit.

The Slovak Republic's balance of payments with the Czech Republic reached a surplus of Sk 8.5 billion. This development is due primarily to the favourable balance of both the current account (Sk 5.1 billion) and the capital account (Sk 1.7 billion).

From January to July, Slovakia's consolidated balance of payments reached a surplus of Sk 6.6 billion as a result of the favourable development of the current account (Sk 6.0 billion), which was affected by the favourable services balance (Sk 10.7 billion). At the end of July, the deficit on short-term capital account was partly offset by the inflow of long-term capital, which decreased the capital account deficit to Sk 1.8 billion.

The total foreign exchange reserves of the National Bank of Slovakia (foreign exchange assets) increased by USD 92 million in July, reaching a level of USD 343.7 million at the end of the month. This growth was a result of factors such as the drawing of a Systemic Transformation Facility loan from the International Monetary Fund, the favourable balance of sales and purchases in the foreign exchange fixing, and debt servicing.

Foreign Exchange Assets of the Banking System (in USD millions)



III. MONETARY DEVELOPMENTS



NATIONAL BANK OF SLOVAKIA

Indicators	1992	1993		
		1st Qtr	1st Half	July
Inflation Rate	Monthly (%) ^{1/}			1.1
	Yearly (%) ^{2/}	10.4 ^{4/}	11.7	14.2
Money Supply M2 (%) ^{3/}		-3.5	1.03	1.04
Credits from Commercial Banks (%) ^{5/}		2.0	6.8	8.5
Deposits in Commercial Banks (%) ^{5/}		2.1	8.1	4.8
Discount Rate (%)	9.5	9.5	9.5	9.5
Lombard Rate (%)	14.0	14.0	14.0	14.0
Average Interbank Deposit Interest Rates (%)				
	7-day deposits	14.13	15.29	15.32
	14-day deposits	15.95	15.96	15.96
	1-month deposits	17.50	17.50	17.50

1/ At the end of period

2/ December 1992 = 100

3/ M2 = Currency, demand deposits, time and savings deposits, foreign currency deposits

4/ December 1991 = 100

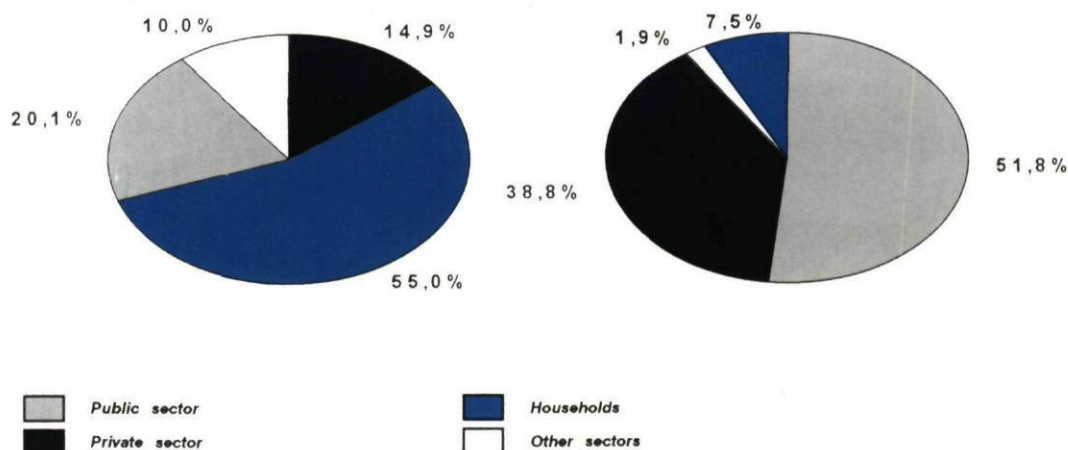
5/ January 1, 1993 = 100 (change)

The money supply (M2) of the Slovak economy increased by Sk 1.8 billion in July, reaching Sk 232.0 billion at the end of the month. The growth of the money supply was mainly a result of the Sk 3.0 billion increase in foreign currency deposits in commercial banks. Their considerable growth was also reflected in the general increase in quasi-money, which grew by Sk 3.7 billion, including some increase in time deposits in crowns. Contrary to the development of quasi-money, the second component of the money supply expressed by the monetary aggregate M1 fell by Sk 1.9 billion due mainly to the decrease in demand deposits.

On July 31, 1993, loans in crowns totalled Sk 248.7 billion, which represents a Sk 12.7 billion increase since the beginning of the year. In July 1993, the amount of loans continued to grow by 1.4 % in state-owned enterprises and by 2.4 % in the private sector.

Volume of Crown Deposits at July 31, 1993

Volume of Crown Credits at July 31, 1993

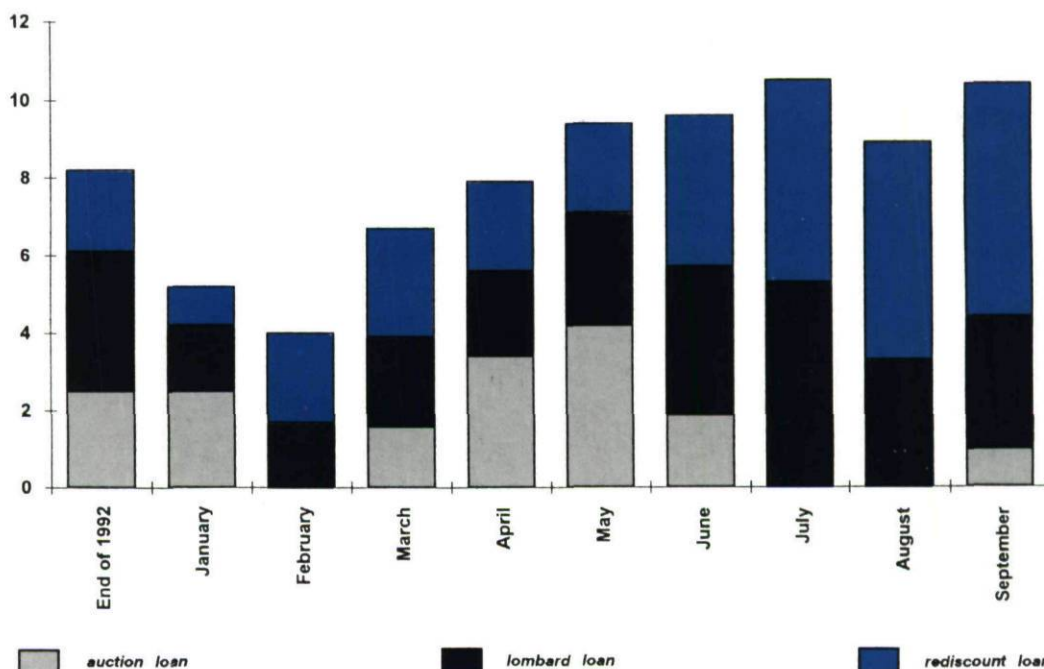


The primary crown deposits of non-bank entities in commercial banks, i.e. Sk 187.5 billion at the end of July, decreased in comparison with the previous month. This fall of deposits included declines in the public and household sectors in July, and the reduction of extra-budgetary resources of state and local bodies. These decreases in deposits were offset by an increase in the private and cooperative sectors only. Deposits totalled Sk 210.3 billion at the end of July.



NATIONAL BANK OF SLOVAKIA

Refinancing of the Banking System by the NBS (in Sk billions)



NBS refinancing funds were drawn by commercial banks in the form of lombard (collateral) and rediscount loans in two tranches. The total amount of refinance loans consisted of lombard (50.5 %) and rediscount loans (49.5 %), of which transactions in bills of exchange accounted for 42.3 %. The obligatory minimum reserves were set at Sk 12.6 billion for the whole banking sector on July 31, 1993

IV. GOVERNMENT SECTOR

Indicators	7992	1993		
		1st Qtr	1st Half	July
Budget Revenues ^{1/} (Sk billions)	115.9	23.0	64.4	79.2
Budget Expenditures ^{1/} (Sk billions)	123.8	34.0	79.2	93.3
State Budget Balance (Sk billions)	-7.9	-11.0	-14.8	-14.1
Net Position of the Government against the Banking System ^{2/} (Sk billions)	42.9	51.0	55.1	47.2

1/ Cumulative values

2) Without foreign credits

By the end of July, the state budget deficit reached Sk 14.1 billion. The deficit was caused by low budget revenues (- Sk 13.1 billion) and increased expenditures (+Sk 1.0 billion). Budget receipts were unfavourably influenced by the lower level of tax revenues and contributions to the social insurance fund. Despite restrictive measures, budgeted expenditures were exceeded, because of the payment of public compensatory allowances and interest paid on debt to the National Bank of Slovakia, neither of which was included in the 1993 budget.

At the end of July 1993, the net position of the central government vis-a-vis the banking system, excluding foreign credits (in the IMF methodology), amounted to Sk 47.2 billion, of which Sk 36.4 billion vis-a-vis the NBS and Sk 10.8 billion vis-a-vis commercial banks.

V. INFORMATION



NATIONAL BANK OF SLOVAKIA

- At its meeting on September 7, 1993, the Slovak Government approved the objectives and principles of the Slovak Republic's budgetary policy for 1994. The general principles for the year 1994 are the following:
 - to cover common expenses from state resources, mainly tax revenues, and to use extra-budgetary resources for development promotion,
 - to improve the efficiency of the tax control system with the aim of strengthening tax and financial discipline in the country,
 - to set up the state budget as restrictive, while maintaining budgetary outlays resulting from generally binding legal regulations,
 - to create conditions for the inflow of foreign capital by increasing the amount of state guarantees, the limits of which will be laid down in the design of the state budget,
 - to revalue and rationalize the creation and function of state funds which are supported by the national budget,
 - to introduce standardized approaches to the financing of the public sector,
 - to explore the possibility of subsidizing expenditures in order to achieve higher incomes,
 - to decentralize the management of tax revenues in order to increase the economic independence of regions and districts.
- On September 7, 1993, the National Bank of Slovakia completed its first bond issue on the international capital market in the value of USD 240 million. The bonds were placed with institutional investors in Europe and Asia in two tranches with maturities of 5 and 7 years. The bond placement was organized by Nomura International PLC. The proceeds of the bond issue will be used to strengthen the foreign exchange reserves of the National Bank of Slovakia.
- Foreign investment capital in the Slovak economy amounted to Sk 9.2 billion (USD 320.4 million) at the end of June 1993. It increased by 20.3 % as compared to the first quarter of the year.
- The Japanese company Yazaki, the largest manufacturer of automobile components and electrical devices, has formed a joint venture with Tesla Prievidza. The newly-established company will begin exporting its products to 10 various automobile companies (Toyota, Ford, Fiat, Volvo) to Western Europe, countries of the former Soviet Union, and Turkey.
- In July 1993, the private sector consisted of 22,643 entrepreneurial entities. Compared with the June 1993 figure, the number of private businesses grew by 2.9 %. Domestic enterprises accounted for 81.9 %, while the number of companies with foreign share capital increased by 4.7 % compared with the June figure and currently makes up 18.1 of the private sector. In July the number of foreign enterprises increased by 6.4 %, that of multinational organizations by 3.9 %. In 1993, the number of companies with foreign capital share increased to 4,103, i.e. by 46.4 %.
- The negotiations of the IMF and the World Bank with representatives of the National Bank of Slovakia and the Ministry of Finance resulted in the preparation of the drawing of the 3rd tranche of an IBRD Structural Adjustment Loan in the amount of USD 39,763,157.87.
- In September 1993, a delegation of Slovak bankers led by NBS Governor Vladimír Masár paid an official visit to the Bank of Canada, the Canadian Treasury Department, and the printing house B A Banknote, where the new Slovak banknotes were printed.
- At the end of July 1993, there were 16 commercial banks operating in the Slovak Republic, and one bank was preparing to start its activities. Czech banks have 8 branches in Slovakia. There are 7 representative offices of foreign banks and a branch office of a Dutch bank in Slovakia.

Published by
The National Bank of Slovakia
Štúrova 2, 818 54 Bratislava

Contact:
Public Relations Department
Tel.: 364 349, 210 34 05, 210 34 14
Fax: 210 34 12