



NATIONAL BANK OF SLOVAKIA

MONETARY SURVEY
DECEMBER 1993

I. REAL ECONOMY



NÁRODNÁ BANKA SLOVENSKA

Indicators		1992	1993					
			1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.
GDP	Value (Sk ^{2/} billions)	177.9	41.6	84.9	44.0			42.2*/
	(at constant prices) Growth rate (%) ^{1/}	-7.0	-5.5	-5.3	-4.3			4.1*/
Output ^{1/}	Industrial production (%)	-13.7	-16.6	-15.2	-13.5	-12.6	-8.6	-7.9
	Construction (%)	6.4	-21.1	-21.8	-23.6	-24.4	-28.6	-23.8
Unemployment	Number (thous. of persons)	260.3	306.1	318.1	350.0	351.6	357.8	368.1
	Unemployment rate (%)	10.4	12.0	12.5	13.7	13.8	14.0	14.4
Foreign Trade	Exports (Sk billions)	102.4	33.2	76.1	46.9	15.6	15.6	
	Imports (Sk billions)	100.7	33.1	75.6	53.8	168	19.7	
	Balance (Sk billions)	1.7	0.1	0.5	-6.9	-1.2	-4.1	

1/Change compared with the corresponding period in 1992. 2/ Sk . abbreviation of the Slovak crown , */ Preliminary data for the 4th Qtr

The downward trend in consumer price **inflation**, which began in the 4th quarter of 1993, continued in December. The inflation rate increased by 0.6% compared with that of November and was 25.1% higher than the figure at the beginning of the year.

The trend in **consumer prices** for December can be characterized by a considerable levelling-off of the prices of public catering (a drop of 1.2 percentage points to 0.4%) and food (by 0.7 points to 0.3%), in addition to a drop in the rate of price increases in all basic categories below 1%. The general price level of industrial goods increased by 0.9% compared with the 1.3% growth in November.

The declining trend in the development of **industrial production** compared with the same periods of 1992 continued throughout December 1993. The volume of industrial production (Sk 30.4 billion) reached 92.1% of the volume in the corresponding month of 1992.

Compared with November, the volume of industrial production fell by Sk 2.3 billion, representing a Sk 107 thousand drop in the average daily production (Sk 1.380 billion) and a decrease of Sk 190 thousand compared with December 1992.

The share of the private sector in the output of industrial production increased by 0.3% compared with November, and grew by almost 5% in comparison with January 1993.

Compared with December 1992, the labour productivity per employee in industry (Sk 53,949) increased by Sk 2,093 (4%) as a result of the 18.8% increase in the general price level of industrial goods during this period. However, in comparison with 1993, the level of labour productivity fell by 6.3%.

The volume of sales (Sk 34.9 billion) increased by Sk 1,009 thousand (i.e. 2.9%) compared with the December 1992 figure.

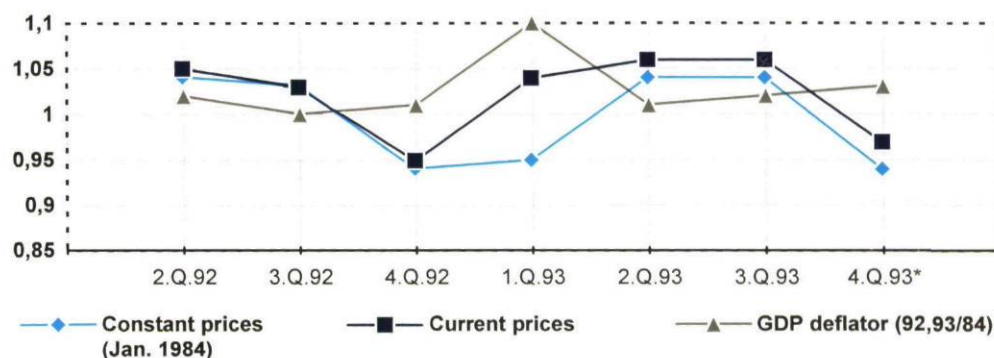
In December 1993, the volume of **construction work** (Sk 3,639 million) fell by Sk 312 million compared with that of the previous month, and by Sk 1,135 million (23.8%) in comparison with December 1992. The drop in the volume of production was caused by problems with both domestic and foreign construction orders. The former declined by Sk 784 million, while the latter decreased by Sk 185 million. The situation was also affected by the seasonal nature of building and construction work.

The share of the private sector in the volume of construction work continued to grow (by 8% compared with the December 1992 figure).

In December, the number of registered unemployed increased by 10.3 thousand and totalled 368.1 thousand. The **rate of unemployment** stood at 14.4%. The number of new job openings dropped by 0.6 thousand, and the number of job applicants per one vacancy increased to 48.

Unemployment increased in most regions. The lowest unemployment rate was recorded in the City of Bratislava (4.5%), and in the districts of Trenčín (8.12%) and Kosice (10.0%). The highest rate of unemployment was again reported in the districts of Rimavská Sobota (26.4%), Spišská Nová Ves (23.3%), Michalovce (22.48%), and Vranov nad Topľou (22.63%).

Gross Domestic Product and Deflator



(* Estimated by the Bureau of Statistics of the SR)

II. EXTERNAL ECONOMY



NÁRODNÁ BANKA SLOVENSKA

Indicators	1992	1993					
		1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.
Current Account ^{1/} Balance in convertible currencies(Sk billions)		-1.6	-36	-9.3	-15.0		
Foreign Exchange Reserves ^{2/} (USD billions)		0.7	0.9	1.3	1.3	1.3	1.4
Banking system		0.5	0.6	0.7	0.8	0.8	0.9
Commercial banks		0.2	0.3	0.6	0.5	0.5	0.5
NBS ^{3/}							
Gross Foreign Debt ^{2/} (USD billions)	2.3	2.4	23	3.0	3.0	3.0	
Average Exchange Rates ^{4/}							
SKK/USD	28.29	29.096	29.002	30.149	32.227	32.891	32.968
SKK/DEM	18.12	17.794	17.838	18.333	19.758	19.365	19.283

^{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 balance of payments in convertible currencies reached a surplus of Sk 5.9 billion over the course of 10 months in 1993.

The deficit on current account (Sk 15.0 billion) can be attributed to the favourable balance of services (Sk 3.7 billion) and unrequited transfers (Sk 2.0 billion), to the trade deficit (Sk 19.0 billion), and the income deficit (Sk 1.7 billion).

During the ten-month period of 1993, the capital account reached a surplus of Sk 6.0 billion, which is a result of the surplus on long-term capital account (Sk 22.9 billion) and the deficit on short-term capital account (Sk 16.9 billion).

The current account of **(the balance of payments in non-convertible currencies)** reached a surplus of Sk 0.5 billion from January 1 to December 31, 1993. The volume of this surplus is mostly attributable to the surpluses of the balance of trade (Sk 0.4 billion) and services (Sk 0.1 billion).

The capital account balance (Sk 0.3 billion) reflects the inflow of short-term capital (Sk 0.3 billion) as well as long-term capital (Sk 0.05 billion).

On December 31, 1993, Slovakia's **balance of payments with the Czech Republic** reached a surplus of Sk 22.3 billion on current account. This development is primarily due to the favourable balance of trade (Sk 4.0 billion), services (Sk 1.9 billion), and unrequited transfers (Sk 16.4 billion).

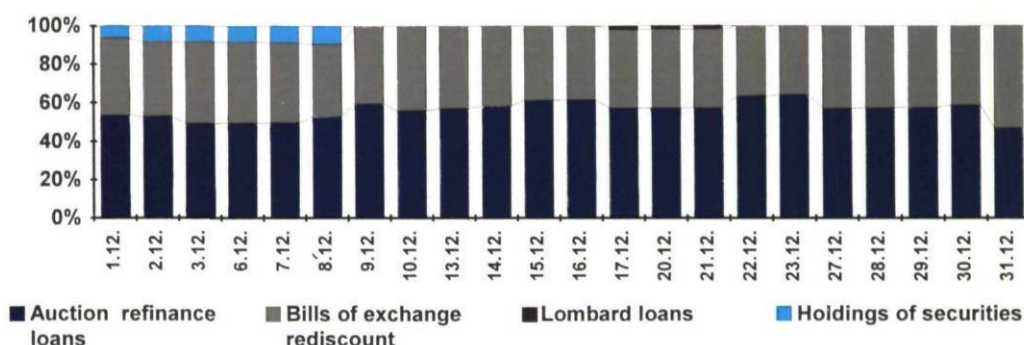
Vis-a-vis the Czech Republic, Slovakia reported a deficit of Sk 18.1 billion on capital account. The volume of this deficit is mostly attributable to the outflow of both long-term (Sk 17.5 billion) and short-term capital (Sk 0.6 billion).

By the end of October, the Slovak Republic's **overall consolidated balance of payments** reached a surplus of Sk 6.0 billion. The favourable development of the current account (Sk 7.7 billion) was due mostly to the surplus balance of services (Sk 5.6 billion) and unrequited transfers (Sk 18.5 billion). The trade deficit (Sk 14.6 billion) and the income deficit (Sk 1.8 billion) unfavourably influenced the consolidated balance of payments.

The deficit on capital account (Sk 11.8 billion) was a result of the surplus on long-term capital account (Sk 5.4 billion) and the deficit on short-term capital account (Sk 17.2 billion).

In comparison with the previous month, **the total foreign exchange reserves** of the NBS dropped by USD 47.4 million, reaching a level of USD 467.8 million by the end of December. This decline was due mostly to the USD 59.1 million deficit of the balance of sales and purchases in the NBS foreign exchange fixing. The volume of sales and purchases in the foreign exchange fixing increased as a result of the easing of conditions for the access of commercial banks to the foreign exchange fixing of the NBS. Other factors contributing to the decline in reserves were the USD 20 million drop in the volume of foreign currency swaps compared with last month's figure and the debt service expenditures in the amount of USD 7.4 million, which exceeded the revenues of the debt service by USD 0.6 million. The foreign exchange reserves were favourably influenced by gold swaps in the amount of USD 11 million in the evaluated month.

The Structure of NBS Refinancing (in %)



III. MONETARY DEVELOPMENTS



NÁRODNÁ BANKA SLOVENSKA

Indicators	1992	1993						
		1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	
Inflation Rate	Monthly (%) ^{1/}					1.4	1.1	0.6
	Yearly (%) ^{2/}	10.0 ^{3/}	11.7	14.2	21.2	22.9	24.3	25.1
Money Supply M2 ^{4/} (%) ^{5/}		-3.3	0.4	3.4	4.2	6.5	17.2 ^{7/}	
Credits from Commercial Banks (%) ^{5/}		2.0	6.8	8.7	10.3	11.2	13.7 ^{7/}	
Deposits in Commercial Banks (%) ^{5/}		1.6	3.0	5.1	7.4	9.5	18.3 ^{7/}	
Discount Rate (%)	9.5	9.5	9.5	9.5	9.5	9.5	12.0 ^{6/}	
Lombard Rate (%)	14.0	14.0	14.0	14.0	14.0	14.0	. ^{7/}	
Average Interbank Deposit Interest Rates (%)								
	7-day deposits		14.14	16.44	18.29	17.27	16.10	1505
	14-day deposits		14.64	16.88	18.51	17.50	16.35	15.64
	1-month deposits		15.35	17.44	18.82	18.07	16.52	16.22

^{1/} End of period

^{2/} December 1992 = 100 (change)

^{3/} December 1991 = 100 (change)

^{7/} Preliminary data

^{4/} M2 = Currency, demand deposits, time and savings deposits, foreign currency deposits

^{5/} January 1, 1993 = 100 (change)

^{6/} Since December 20, 1993

^{7/} Since December 20, 1993, auction interest rate + 1%

According to preliminary data, the money supply expressed by **the monetary aggregate M2** increased by Sk 19.7 billion. The growth of the money supply was mainly a result of the Sk 13.2 billion increase in the monetary aggregate M1 (currency and demand deposits in crowns) and the Sk 6,5 billion increase in quasi-money (time deposits and foreign currency deposits). The money supply stood at Sk 251.4 billion at the end of the month.

Within the framework of the **monetary aggregate M1**, the volume of currency in circulation increased by Sk 1.2 billion. This development was associated with the fact that the growth rate of cash disbursements of banks exceeded the increase in the volume of cash receipts by 3.2 percentage points. The fastest growth was recorded in demand deposits, which increased by Sk 12.0 billion (i.e. 14.9%) excluding the extrabudgetary resources of the government.

The increase in quasi-money was affected by the Sk 5.0 billion growth of time deposits and the Sk 1.5 billion increase in foreign currency deposits of residents (converted at the current rate of exchange).

According to the preliminary data reported by commercial banks and the NBS, **crowns loans** increased by Sk 5.8 billion (2.3%) compared with the previous month's figure. The total increase in crown loans amounted to Sk 24.6 billion, i.e. 10.4%. On December 31, 1993, the volume of crown loans totalled Sk 260.6 billion.

The most significant increase in crown loans in December (compared with November) was recorded in the government sector, which recorded an increase of Sk 3.5 billion. Loans extended to enterprises owned and controlled by the state recorded an Sk 3.0 billion increase, while loans granted to organizations not included in sectors and not registered (without identification numbers) increased by Sk 1.1 billion; furthermore, loans to population grew by Sk 0.6 billion. Loans extended to privately owned companies (including cooperatives) recorded a drop of Sk 2.4 billion.

The daily data on the foreign exchange position of commercial banks shows that the volume of **foreign currency loans** increased by only Sk 100 million in December compared with the previous month's figure. The total volume of these loans reached Sk 8.5 billion by the end of December.

By December 31, 1993, the total volume of crown and foreign currency loans extended to the enterprise and household sectors reached Sk 264.7 billion. After including the Sk 4.4 billion worth of crown loans granted to cover the extrabudgetary expenditures of the government sector, the overall volume of loans amounted to Sk 269.1 billion.

By the end of December, the volume of **crowns deposits** reached Sk 208.3 billion, representing an increase of Sk 16.1 billion (8.4%) compared with that of November. Almost a half of this increase consisted of the deposits of individuals and households (Sk 8.0 billion), mainly because of the accrued interest on savings deposits. The most significant increases were recorded by commercial banks in public sector deposits (Sk 5.6 billion), private sector deposits (Sk 1.8 billion), and in the deposits of organizations not included in sectors (Sk 2.0 billion). In the government sector, deposits experienced a drop of Sk 1.0 billion.

Compared with November, the volume of **foreign currency deposits** (of both residents and non-residents) recorded a month-to-month increase of 5.4% (Sk 1.5 billion), reaching Sk 29.5 billion by the end of December. The total volume of deposits in both crowns and foreign currencies reached Sk 237.8 billion by the end of the year.

Having completed the issue of **government treasury bills** on December 9, 1993, in accordance with Article 25 para. 2 of the NBS Act No. 566/92 Coll. of Laws, the National Bank of Slovakia stopped trading in the short-term securities market.

In December, two issues of state bonds (numbers 006 and 007) continued to be sold by repeated auctions. Bonds of the 006 issue worth Sk 145.5 million were sold, increasing the volume of bonds sold since the beginning of the sale to Sk 1,091.9 million, i.e. 97.1 % of the total volume of bond issues. Bonds of the 007 issue were sold in the amount of Sk 120.5 million, increasing the



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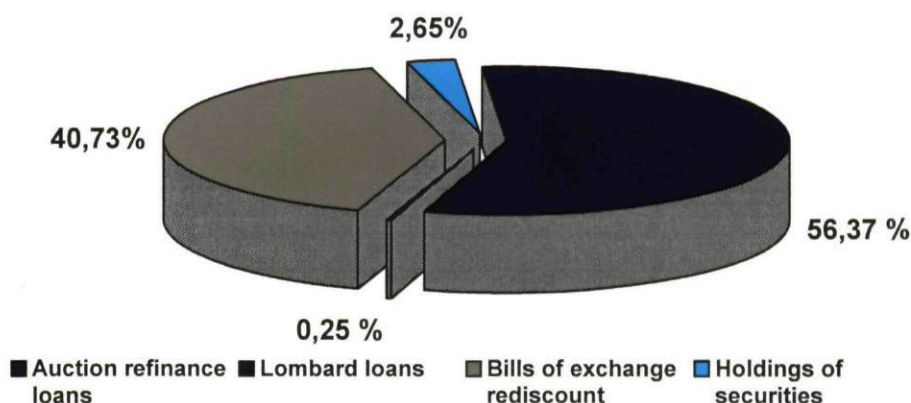
accumulated sales of bonds to Sk 651.6 million, i.e. 65.2% of the total volume of bonds.

The monetary policy of the NBS enabled commercial banks to extend Sk 265.0 billion worth of loans to enterprises and households by December 31, 1993. The commercial banks utilized 99.9% (Sk 264.7 billion) of this credit limit according to preliminary data. Compared with the initial figure, the index of growth reached 111.6%, while foreign currency loans increased at a faster rate (growth index 404.8%) than crown loans (index of growth 109.0%).

By the end of December, the NBS provided **refinancing funds** for commercial banks in the amount of Sk 6.4 billion, which represented the lowest monthly volume of refinancing recorded since the beginning of 1993. On December 31, 1993, the total volume of refinancing consisted of bills of exchange deals (53.1%) and auction refinance loans (46.9%) at a zero balance of lombard loans. The valuation of the average monthly volume of loans revealed different tendencies. According to this valuation, the volume of refinancing amounted to Sk 10.3 billion at the end of December. Auction refinance loans had the largest share (57.3%, i.e. Sk 5.9 billion) in the total volume of refinance loans, while bills of exchange deals represented 42.7% (Sk 4.4 billion).

The Structure of NBS Refinancing

(Average for December 1993)



Bills of exchange deals showed a favourable trend. There was a decline in both the bills of exchange rediscount (a drop of Sk 1.0 billion by December 31) and in the bills of exchange discount for export promotion (a drop of Sk 0,9 billion).

Lombard loans continued to be used as the primary means of refinancing the short-term balancing of the unfavourable liquidity of commercial banks. The lombard loan reached a zero balance by the end of the last two months of 1993.

Three auctions took place in December. The offered volume of **auction refinance loans** amounted to Sk 1.0 billion at each auction, while approximately 50% of the participating banks (8 to 13) were satisfied. The demand showed by commercial banks for Sk 4.7 to 6.6 billion exceeded the offer (15.7% to 21,5% of the demand was satisfied). As a result of this development, the interest rates increased and ranged from 16.6% to 18.6% in the evaluated month. The Dutch system was applied, in which the highest interest rates offered reached 19.9 to 24.5% at the individual auctions and were offered by a different commercial bank in each case.

Issue resources of a redistribution nature were provided in the amount of Sk 33.6 billion by December 31, 1993.

For the month of December, the average level of **required reserves** for the whole banking sector was set at Sk 12.5 billion. The actual reported average amount of Sk 13.7 billion shows a 109.4% compliance with the volume of required reserves

IV. GOVERNMENT SECTOR

Indicators	1992	1993					
		1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.
Budget Revenues ^{1/} (Sk billions)	115.9	23.0	64.4	104.6	115.2	129.7	144.5
Budget Expenditures ^{1/} (Sk billions)	123.8	34.0	79.2	120.5	132.0	145.7	167.5
State Budget Balance (Sk billions)	-7.9	-11.0	-14.8	-15.9	-16.8	-16.0	-23.0
Net Position of the Government vis-a-vis the Banking System ^{2/} (Sk billions)	42.9	51.0	55.1	49.5	50.1	51.1	-/

Cumulative values .

^{2/} Without foreign loans,

^{1/} Estimate: Sk 57 to 58 billion

In the last month of 1993, the state budget deficit increased. The budget revenues were Sk 1.6 billion higher than the aliquot monthly part of the annual budget. The budget expenditures were Sk 8.6 billion higher. As a result of this development, the budget deficit grew by Sk 7.0 billion compared with that of November.

On December 31, 1993, the state budget showed a deficit of Sk 23.0 billion, while the total budget revenues amounted to Sk 144.5 billion and the expenditures stood at Sk 167.5 billion.

This fact was reflected in the net position of the SR Government vis-a-vis the banking system. On December 31, 1993, according to preliminary data, the value of this indicator amounted to Sk 57 to 58 billion, representing an increase of Sk 6 to 7 billion compared with the November figure. Of this volume, Sk 44.8 billion was granted by the National Bank of Slovakia and an estimated Sk 12.2 to 13.2 billion by commercial banks.

V. INFORMATION



NÁRODNÁ BANKA SLOVENSKA

- On January 31, 1994, the Bank Board of the NBS approved measures concerning the business activities of banks and branches of foreign banks. The approved measures modify and tighten the existing conditions - a step, which is required by the current situation of the banking system, the division of the federation, and the development of the economy. The approved measures are based on international standards, but also take into account the current situation in the Slovak Republic. They are regulatory measures using primarily indirect instruments. The main objectives of these measures are the recovery of the banking system and the protection of the property of creditors from the consequences of losses on risky banking transactions.
- NBS Governor Vladimír Masár attended the regular meeting of central bank governors associated at the Bank for International Settlements (BIS) in Bazilej in Switzerland at the beginning of February.
- The European Bank for Reconstruction and Development released a DEM 15 million loan for the Slovak petrochemical industry. The loan will be used to finance the construction of special equipment for the manufacture of synthetic detergents. The project will be implemented by the Italian-Slovak joint venture Sloveca, owned and controlled by the Italian industrial group ENI and two Slovak state-owned companies. The new production line, which is to replace the obsolete one, will be environmentally friendly with 50% higher production capacity.
- IMF Executive Director Jacques de Groote paid a four-day farewell visit to Slovakia. He was accompanied by his successor Willy Kieskens, the new Executive Director of the International Monetary Fund.
- In the first week of February, NBS Governor Vladimír Masár and Vice-Governor Marian Tkáč paid an official visit to the Bank of France (Banque de France) and met Governor Jean-Claude Trichet. The top representatives of the NBS also met Jean-Louis Butsch, the General Manager of the Bank Committee of the Bank of France, and held talks with Charles Sposit, the President of the Association of French Banks (Société Interbancaire d'Etudes et de Services). They discussed the joint steps to be taken when establishing contacts between Slovak and French banks.

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