



NATIONAL BANK OF SLOVAKIA

MONETARY SURVEY
JANUARY 1994

I. REALECONOMY

Indicators		1993						1994
		1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	Jan.
GDP	Value (Sk ^{2/} billions)	41.6	84.9	44.9			42.4*/	
	(at constant prices) Growth rate (%) ^{1/}	-5.5	-5.3	-4.3			-1.4*/	
Output ^{1/}	Industrial production (%)	-16.6	-15.2	-13.5	-12.6	-8.6	-9.7 ^{*/}	4.5
	Construction (%)	-21.1	-21.8	-23.6	-24.4	-28.6	-27.8 ^{*/}	-1.2
Unemployment	Number (thous. of persons)	306.1	318.1	350.0	351.6	357.8	368.1	379.2
	Unemployment rate (%)	12.0	12.5	13.7	13.8	14.0	14.4	14.9
Foreign Trade	Exports (Sk billions)	33.2	76.1	46.9	15.6	15.6		
	Imports (Sk billions)	33.1	75.6	53.8	16.8	19.7		
	Balance (Sk billions)	0.1	0.5	-6.9	-1.2	-4.1		

^{1/}Change compared with the corresponding period in the last year

^{2/}Sk - abbreviation of the Slovak crown

^{*/}Data for the 4th Qtr,

^{*/}Data updated by the Slovak Bureau of Statistics



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The **output of industrial production** in 1993 remained behind the corresponding periods of 1992. In January 1994, industrial production recorded a 4.5% growth compared with that of January 1993; however, it fell by 1.2% in comparison with the December 1993 figure.

The private sector had a 20.3% share in the total output of industrial production, which is 4.3% more than that of January 1993. The average daily production (Sk 1,495 million) increased by 8.6% compared with that of December 1993, and by 4.5% in comparison with the January 1993 figure.

Compared with January 1993, sales recorded a 17.7% increase, while the volume of exports grew by 24.7%. In comparison with December 1993, both indicators experienced a drop: total sales volume fell by 7.0%, that of exports by 21.7%.

The volume of **construction work** amounted to Sk 2,582 million, representing 70.5% of the December 1993 figure (a drop of 29.5%) and 98.8% of the volume recorded in January 1993 (a drop of 1.2%). The average daily output of the construction sector in January reached Sk 129 million, falling behind that of the previous month by Sk 36 million (22.4%), and by 1.2% compared with the figure in January 1993.

In January 1994, **consumer prices** increased by 1.4%. The price advance was partly a result of the increase in consumption tax (on hydrocarbon products, liquor, beer, tobacco products); however, commodities, such as wine, whose consumption tax was lowered did not experience a decline in price. The general price level was 16.4% above that of the corresponding period of last year.

In January 1994, the price level increased in all basic categories. The most rapid price increases were recorded in public catering (1.8%) and services (1.7%), while food prices experienced only a 1.2% increase. The general price level of industrial goods rose by 1.3%.

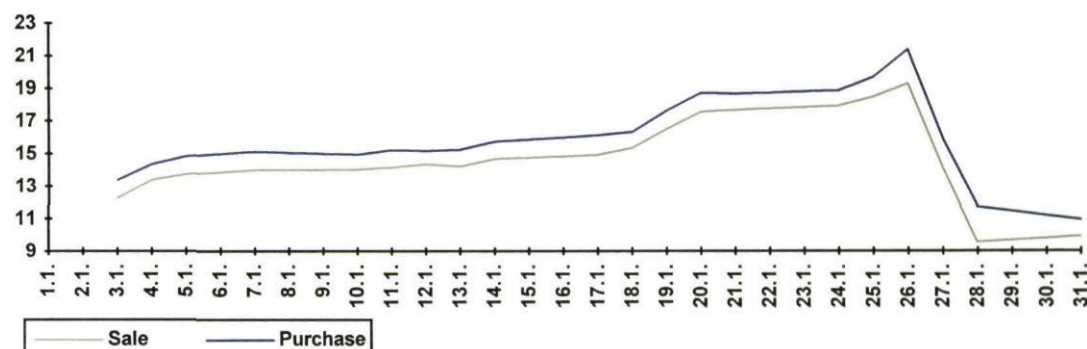
In January, the number of **registered unemployed** increased further by 11,1 thousand persons and totalled 379.2 thousand. The unemployment rate reached 14.9%. This development was a result of the significant rise in the numbers of newly registered unemployed and the drop in the number of recently employed. The increase in the number of vacancies was a positive development. The number of job applicants per vacancy was 46. An unfavourable development was the drop in the number of vacancies for public works and new job openings in public service.

Unemployment rose in all regions, except the City of Bratislava. The 20% unemployment level was exceeded in 15 regions. The highest rate of unemployment was again reported in the districts of Rimavsk8 Sobota (26.6%), Spišská Nová Ves (24.1%), and Vranov nad Topľou (24.0%). The lowest unemployment rate was recorded in Bratislava (4.5%), the District of Trenčín (8.4%), and Kosice (10.2%).

A recent statistical survey of households has found that long-term unemployment (over 1 year) represented more than 30% of the total unemployment figure in the 4th quarter of 1993.

Interbank Money Market Interest Rates on Overnight Money (in %)

(January 1994)



II. EXTERNAL ECONOMY

Indicators	1993						1994
	1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	Jan.
Current Account ^{1/} Balance in convertible currencies(Sk billions)	-1.6	-3.6	-9.3	-15.0	-20,2 ^{2/}		
Foreign Exchange Reserves ^{2/} (USD millions)							
Banking system	797.5	870.0	1 324.1	1 337.1	1 333.9	1 420.5	1 368.8 ^{2/}
Commercial banks	605.7	619.4	750.0	791.9	818.7	952.7	927.3 ^{2/}
NBS ^{3/}	191.8	250.6	574.1	545.2	515.2	467.8	441.5 ^{2/}
Gross Foreign Debt ^{2/} (USD billions)	2.4	2.3	3.0	3.0	3.0	3.0	
Average Exchange Rates ^{4/}							
SKK/USD	29.096	29.002	30.149	32.227	32.891	32.968	33.389
SKK/DEM	17.794	17.838	18.333	19.758	19.365	19.283	19.160

^{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

^{*/} Preliminary data



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By end-November 1993, the **balance of payments in convertible currencies** reached a surplus of Sk 5.2 billion.

The deficit on current account (Sk -20.2 billion) can be attributed to the favourable balance of services (Sk 4.0 billion) and unrequited transfers (Sk 2.2 billion) on the one hand, and to the trade deficit (Sk -24.2 billion) and the income deficit (Sk -2.2 billion) on the other.

Over the eleven-month period of 1993, the capital and financial account yielded a surplus of Sk 4.4 billion as a result of the Sk 23.3 billion surplus on long-term capital account and the Sk 18.9 billion deficit on short-term capital account.

The current account of the **balance of payments in non-convertible currencies** showed a surplus of Sk 0.5 billion at end-November 1993. The volume of this surplus is due primarily to the favourable balances of trade (Sk 0,4 billion) and services (Sk 0.1 billion).

The balance on capital and financial account (Sk 221 million) reflects the inflow of long-term capital (Sk 48 million) and short-term capital (Sk 173 million).

Vis-a-vis the Czech Republic, Slovakia reported a surplus of Sk 5.5. billion on current account at end-November 1993. The volume of this surplus is mostly attributable to the favourable balances of trade (Sk 2.8 billion) and services (Sk 2.1 billion).

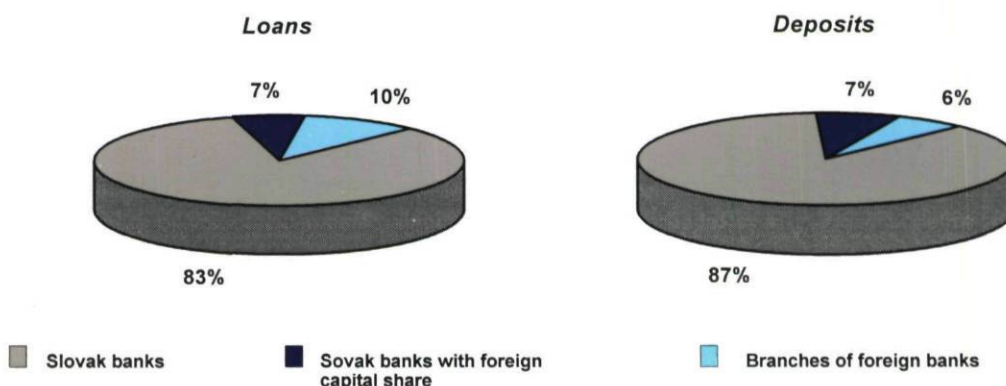
The Slovak Republic's **consolidated balance of payments** on current account (Sk -14.1 billion) was due primarily to the surplus balance of services (Sk 6.3 billion) and unrequited transfers (Sk 3.0 billion). The development of the current account was unfavourably influenced by the trade deficit (Sk -21.0 billion) and the income deficit (Sk -2.4 billion).

The surplus of the consolidated balance of payments on capital and financial account (Sk 2.4 billion) was a result of the favourable balance of the long-term capital and financial account and capital transfers (Sk 21.2 billion), and the deficit on short-term capital and financial account (Sk -18.8 billion).

Compared with the end of December 1993, the **total foreign exchange reserves** of the NBS dropped by Sk 26.3 million in January, reaching a level of USD 441.5 million by end-January 1994. This decline was due mostly to the fact that the limit of mutual payments with the Czech Republic in the clearing account had been exceeded, as a result of which USD 43.5 million had to be transferred to Czech National Bank. Another factor contributing to the decline in foreign exchange reserves was the USD 18.9 million sales and purchases deficit in the NBS foreign exchange fixing.

In January 1994, foreign exchange reserves were favourably influenced by the USD 20.4 million increase in the volume of currency swaps compared with last month's figure, gold swaps in the amount of USD 22.4 million, and the favourable balance of debt servicing in the amount of USD 8.8 million.

Banks' Shares in Average Weekly



III. MONETARY DEVELOPMENTS

Indicators	1993						1994
	1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	Jan.
Inflation Rate	Monthly (%) ^{1/}			1.4	1.1	0.6	1.4
	Yearly (%) ^{2/}	11.7	14.2	21.2	22.9	24.3	1.4
Money Supply M2 ^{3/} (%) ^{4/}		-3.3	0.4	3.4	4.2	6.5	16.4* ¹
Credits from Commercial Banks (%) ^{4/}		2.0	6.8	8.7	10.3	11.2	13.0* ¹
Deposits in Commercial Banks (%) ^{4/}		1.6	3.0	5.1	7.4	9.5	17.4* ¹
Discount Rate (%)		9.5	9.5	9.5	9.5	9.5	12.0 ^{5/}
Lombard Rate (%)		14.0	14.0	14.0	14.0	14.0	. 6 ¹
Average Interbank Deposit Interest Rates (%)							
	7-day deposits	14.14	16.44	18.29	17.27	16.10	15.05
	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 of the previous year • 100 (change)

^{5/} Since

Since 20 December 1993

20 December 1993. auction interest rate • 1%

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

¹ Preliminary data

^{4/} 1 January 1993 = 100 (chance)

The money supply of the Slovak economy expressed by the **monetary aggregate M2** decreased by Sk 2.5 billion in January 1994, representing a decline of 1% since end-December 1993. The development of M2 was different in terms of its main components. The money aggregate M1 (currency and demand deposits in crowns) dropped by Sk 6.9 billion, while quasi-money (time deposits and foreign currency deposits) increased by Sk 4.4 billion. The money supply stood at Sk 248.9 billion at the end of January.

The drop in the **monetary aggregate M1** was mainly a result of the Sk 8.0 billion decrease in the volume of demand deposits in customers' accounts and the Sk 1.1 billion increase in the amount of cash in circulation outside banks.

The 3.3% increase in **quasi-money** (Sk 4.4 billion) was a result of the 2.7 billion growth of time deposits and the Sk 1.7 billion increase in foreign currency deposits of Slovak residents (converted at the current rate of exchange).

The **primary crown deposits** of non-bank entities with financial institutions including the NBS reached Sk 201.8 billion, representing a decrease of Sk 7.1 billion (3.4%) compared with the December figure. This fall in deposits included declines in public enterprises (Sk 6.8 billion) as well as private companies (Sk 3.8 billion). These decreases in corporate deposits were offset by a Sk 4.9 billion increase in organizations not included in economic sectors and not registered (without identification numbers).

The extrabudgetary deposits of central and local government authorities fell by Sk 1.0 billion and totalled Sk 7.5 billion at end-January. The deposits of households and individuals dropped by Sk 0.4 billion and totalled Sk 113.3 billion at end-January, i.e. 56.1% of the total volume of deposits.

The volume of **foreign currency deposits** of resident and non-resident legal entities and private persons increased by Sk 1.5 billion, i.e. 5.0% compared with the December figure, and reached Sk 31.3 billion by end-January 1994.

At the end of January, the total volume of crown and foreign currency deposits was 2.3% (Sk 5.6 billion) less than it was at the end of 1993, as a result of a sharp drop in crown deposits.

On 31 January 1994, the volume of **crown loans** amounting to Sk 257.4 billion decreased by Sk 3.1 billion (1.2%) compared with the figure at end-December 1993.

The sharpest drop in crown loans, i.e. Sk 6.4 billion (4.3%), was recorded in the sector of public enterprises and organizations. These Sk 123.9 billion worth of loans represented 48.1% of the total volume of loans extended to the economy. Loans to households and individuals decreased by Sk 0.3 billion to Sk 18.3 billion, representing 7.1% of the total amount of loans in Slovak crowns.

Loans granted to private sector enterprises and organizations including cooperatives and small businesses recorded a monthly increase of Sk 1.1 billion. The amount of these loans reached Sk 102.1 billion, representing 39.7% of the total volume of crown loans. The volume of loans granted to cover the extrabudgetary expenditures of central and local government authorities grew by Sk 2.3 billion, reaching Sk 6.8 billion by end-January 1994.

The data on the daily foreign exchange position have confirmed that the volume of **foreign currency loans** increased by Sk 0.3 billion (3.5%), reaching Sk 8.8 billion by the end of January.

On 31 January 1994, the total volume of crown and foreign currency loans amounted to Sk 266.2 billion. After excluding the Sk 6.8 billion worth of loans to the government sector, the volume of loans granted to the corporate and household sectors totalled Sk 259.4 billion, representing a drop of Sk 5.1 billion (1.9%) compared with that of December 1993.

In January 1994, the SR Ministry of Finance floated four issues of Treasury bills. The volume of bills negotiable on the **money market** ranged from Sk 9.6 billion (when the first January issue worth Sk 2.0 billion was floated) to Sk 4.8 billion at the end of January.

In the course of January, the rules of trading in the Treasury bills market were changed for the NBS. The auction committee set up a fixed limit of Sk 1 billion for the holding of Treasury bills in the NBS portfolio. This considerably restricted the central bank's possibilities of trading in the



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secondary market. The absence of the NBS in the secondary market caused fluctuations in interbank money market interest rates.

The development of primary market interest rates showed an upward tendency from 15.05% per annum at the first issue up to 15.49% per annum at the last issue. At the end of January, approximately 17% of the total number of floated Treasury bills was held by non-bank entities.

In January, two issues of government bonds (numbers 006 and 007) continued to be sold on the **capital market**. The remaining bonds of the 006 issue worth Sk 32.0 million were all sold. Of the 007 issue, no bonds were sold in January.

According to preliminary data, the volume of loans extended to households and enterprises by commercial banks amounted to Sk 259.4 billion at end-January 1994. Compared with the initial figure on 1 January 1994, the volume of these loans dropped by Sk 5.2 billion, representing 2.0% of the initial volume.

The January growth in the amount of refinancing funds provided by the NBS for commercial banks was not commensurate with the decrease in the volume of loans (Sk 0.9 billion). In the evaluated period, this was partly due to the fact that the amount of required reserves to be held by commercial banks was increased by Sk 0.3 billion in January compared with the December 1993 figure.

In the system of refinancing, the measures applied during the last quarter of 1993 remained operative in January - support in the form of auction refinancing loans, regulation of bills of exchange deals, flexible rate of interest on Lombard loans (depending on the auction refinancing loan), Lombard loan with maturity reduced to the period between two auctions.

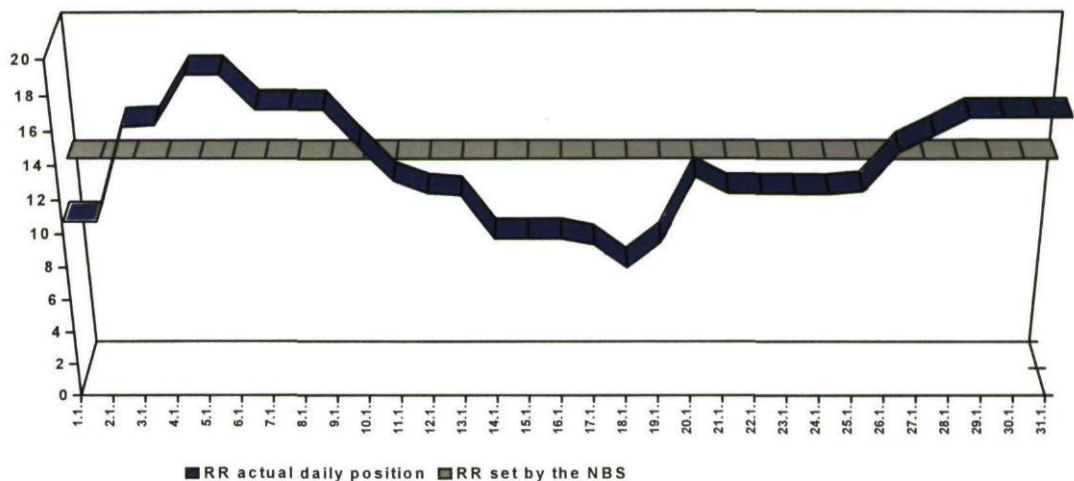
Auction refinancing loans had a dominant 61.6% share (Sk 4.5 billion) in the **total volume of refinancing** (Sk 7.3 billion at end-January 1994), while bills of exchange deals represented a 38.4% share (Sk 2.8 billion). Lombard loans were not drawn until the end of January.

The development of interest rates on auction refinancing loans showed an upward tendency. The rates ranged from 16.5% to 24.1%. On average, 10 commercial banks were interested in obtaining funds through this form of refinancing, but only 3 to 5 banks were partially satisfied.

In **bills of exchange deals**, the promotion of exports and agricultural production became priorities for 1994. Bills of exchange deals for the support of privatization were stopped. Of the total volume of bills of exchange deals, rediscounting represented 46.4% (Sk 1.3 billion) and bills of exchange discounting for export promotion accounted for 53.6% (Sk 1.5 billion).

Redistributive loans were drawn by two banks in the total amount of Sk 33.6 billion by 31 January 1994.

Required Reserves (in Sk billions) (January 1994)



For January 1994, the average level of **required reserves** was set at Sk 12.8 billion, i.e. Sk 0.3 billion more than the December 1993 requirement. The reported amount of Sk 13.6 billion (a drop of Sk 0.1 billion compared with the initial volume) shows a 106.6% compliance with the volume of required reserves.

IV. GOVERNMENT SECTOR

Indicators		1993						1994
		1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	Jan.
Budget Revenues ^{1/}	(Sk billions)	23.0	64.4	104.6	115.2	129.7	144.5	7.1
Budget Expenditures ^{1/}	(Sk billions)	34.0	79.2	120.5	132.0	145.7	167.5	11.8
State Budget Balance	(Sk billions)	-11.0	-14.8	-15.9	-16.8	-16.0	-23.0	-4.7

Cumulative values



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In January 1994, the budget performance of the SR was unfavourably influenced by the advance payment of contributions to the national insurance fund in the amount of Sk 5.3 billion, and by the repayment of advance VAT collections for 1993. The total budget revenues (excluding the effects of clearing with the Czech Republic) reached Sk 7.1 billion (5.7% of the annual budget) by 31 January 1994, while the budget expenditures amounted to Sk 11.8 billion (8.5%).

The budget deficit of Sk 4.7 billion was fully covered by the issue and sale of Treasury bills, which were purchased by commercial banks and non-bank entities. The net position of the Government vis-a-vis the National Bank of Slovakia was neutral.

Having considered the influences of past periods (credits extended to cover the state budget deficits of 1991, 1992, and 1993, as well as the balance of the Government's financial assets and liabilities), the government sector shows a deficit of Sk 48.9 billion vis-a-vis the National Bank of Slovakia, and a Sk 9.4 billion deficit vis-a-vis the commercial banks. Compared with 1 January 1994, the internal indebtedness of the Government increased by Sk 4.8 billion, reaching Sk 58.3 billion by the end of January.

V. INFORMATION

On 28 February 1994, NBS Governor Vladimír Masár and Japan Exim Bank Executive Director Yukinori Ito signed a Y 4,290 million loan agreement in Tokyo. The loan is to be used for the support of small and medium-sized businesses in Slovakia, and will be drawn in two tranches. The NBS Governor also held talks on the possibilities of co-financing projects for the support of the Slovak Republic's balance of payments. The total volume of loans granted to Slovakia is expected to reach USD 270 million in 1994.

By ordinance of the Ministry of Finance effective 22 February 1994, the Slovak Republic introduced a 10% import tariff valid from 3 March 1994.

The prestigious Euromarket 1994 prize has been given to the Prvá stavebná sporiteľňa (The First Building Society) this year. The prize is awarded by the European Market Research Center - an international association established by the Belgian Royal Court. This joint stock company - the first of its kind in Central and Eastern Europe - was founded by the Slovenská štátna sporiteľňa (Slovak State Savings Bank) having a 35.0% capital share, together with Bausparkasse Schwäbisch Hall of Germany (32.5%), and the Austrian Reiffeisen Bausparkasse Wien (32.5%). The institution launched its activities at the end of 1992, and currently keeps 225,000 personal savings and loan accounts.

On 31 December 1993, the amount of foreign capital invested in enterprises all over Slovakia totalled Sk 10.8 billion (USD 366.2 million), representing an increase of Sk 664.6 million (62.8%) compared with the end-1992 figure. The structure of foreign capital by country remained unchanged in the course of 1993. At the end of the year, Austria had a 24.5% share, Germany 21.0%, the USA 12.9%, and the Czech Republic 11.2% in the total amount of foreign investment capital in Slovakia.

Published by
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