



NATIONAL BANK OF SLOVAKIA

**MONETARY SURVEY**

**FEBRUARY 1994**

## I. REAL ECONOMY



NATIONAL BANK OF SLOVAKIA

Indicators		1993					1994		
		1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	Jan.	Febr.
GDP (at constant prices)	Value (Sk <sup>2/</sup> billions)	41.6	84.9	44.9			42.4**		
	Growth rate (%) <sup>1/</sup>	-5.5	-5.3	-4.3			-1.4**		
Output <sup>1/</sup>	Industrial production (%)	-16.6	-15.2	-13.5	-12.6	-8.6	-9.7	4.5	3.2
	Construction (%)	-21.1	-21.8	-23.6	<b>-24.4</b>	-28.6	-27.8	-1.2	-14.9
Unemployment	Number (thous. of persons)	306.1	318.1	350.0	351.6	357.8	368.1	379.2	376.0
	Unemployment rate (%)	12.0	12.5	13.7	13.8	14.0	14.4	14.9	<b>14.8</b>
Foreign Trade <sup>3/</sup> (f.o.b.)	Exports (Sk billions)	19.0	41.4	66.2			92.3	8.7	
	Imports (Sk billions)	21.2	52.8	83.7			126.0	10.9	
	Balance (Sk billions)	-2.2	-11.4	-17.5			-33.7	-2.2	

1/ Change compared with the corresponding period of last year  
2/ Sk - abbreviation of the Slovak crown

3/ Cumulative values  
\*/ Data for the 4th Qtr

The February results of **industrial production** - in comparison with February 1993 and the previous month - can be characterized as follows:

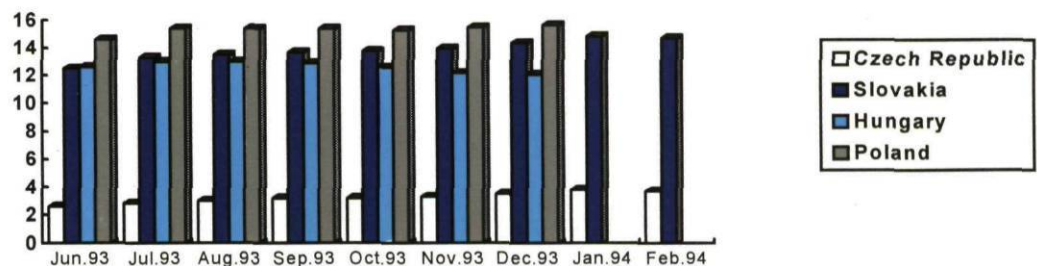
- the volume of industrial production reached Sk 29,849 million, exceeding the February 1993 figure by Sk 2,344 million (3.2%), but falling behind that of the previous month by Sk 51.0 million (2.3%);
- the average daily production (Sk 1,492 million) remained below the January level by Sk 3 million;
- the labour productivity per employee in industry fell by Sk 503 compared with the previous month's level; however, it exceeded the February 1993 figure by Sk 6,784 (7.8%);
- the volume of sales in February reached Sk 32,041 million, falling behind that of January by Sk 327 million; however, it exceeded the sales figure for February 1993 by Sk 3,886 million;
- the volume of export sales reached Sk 11,796 million, representing a Sk 1,704 million increase compared with the January figure and a growth of Sk 1,940 million in comparison with the sales volume in February 1993;
- the share of the private sector in the output of industrial production has continued to increase (from 18.8% in February 1993 and 20.3% in January 1994 to 21.7% in February 1994).

The output of the **construction industry** (Sk 2,351 million) fell again by Sk 112 million (6.4%) compared with that of January, and by Sk 377 million (14.9%) in comparison with the corresponding period of 1993;

- commensurate with the decline in the volume of construction work, the average daily output of the construction sector dropped by Sk 5 million compared with that of January, and by Sk 18 million in comparison with the figure for February 1993;
- the labour productivity per worker in the construction industry suffered a considerable decline (it dropped by Sk 1,151 compared with the previous month's figure, and by Sk 987 in comparison with that of February 1993);
- new domestic construction orders fell by Sk 135 million compared with the previous month; however, a Sk 109 million-increase was recorded in comparison with the February 1993 level;
- the volume of foreign construction orders increased by Sk 55 million compared with the previous month's figure; however, it remained behind the February 1993 figure by Sk 60 million;
- the share of the private sector in the output of the construction sector continued to grow, i.e. from 55% in February 1993, to 60.9% in January 1994, and 62.9% in February 1994.

In February, the rate of increase in price **inflation** slowed by 50%. The level of consumer prices rose by 0.7%, and was 2.1% above that of December 1993. The slowest price increases were again recorded in food prices, which rose by only 0.4% in February. The price level of industrial goods increased by 0.6%. The most rapid price rise (1.7%) was recorded in services. The general price level was 15.3% above that of the corresponding period of last year.

### Unemployment Rates by Country (in %)



In February, the number of **registered unemployed** dropped by more than 3.1 thousand and totalled 376 thousand, bringing the rate of unemployment down to 14.8%. The number of newly registered unemployed decreased by 12.6 thousand as a result of the stricter conditions for registration and receiving unemployment benefits. The number of jobless persons removed from the register of unemployed increased by 1.6 thousand and reached 23.9 thousand. The moderate decrease in the numbers of vacancies for public works and new job openings in public service continued. The number of enterprises with reduced worktime, which employed 4.5 thousand workers, increased considerably (to 60). Unemployment dropped in 26 and increased in 12 districts of Slovakia. The highest rate of unemployment was again reported in the District of Rimavská Sobota (26.7%) and the lowest in Bratislava (4.3%).

## II. EXTERNAL ECONOMY

Indicators	1993						1994	
	1stQtr	1stHalf	3rd Qtr	Oct.	Nov.	Dec	Jan.	Febr.
Current Account <sup>1/</sup> Balance in convertible currencies (Sk billions)	-0.9	-6.0	-6.7			-21.5 <sup>1/</sup>		
Foreign Exchange Reserves <sup>2/</sup> (USD millions)								
Banking system	797.5	870.0	1,324.1	1,337.1	1,333.9	1,420.5	1,334.1	1,392.0
Commercial banks	605.7	619.4	750.0	791.9	818.7	952.7	933.3	1,010.0
NBS <sup>3/</sup>	191.8	250.6	574.1	545.2	515.2	467.8	400.8	382.0
Gross Foreign Debt <sup>2/</sup> (USD billions)	2.4	2.3	3.0	3.0	3.0	3.0		
Average Exchange Rates <sup>4/</sup>								
SKK/USD	29.096	29.002	30.149	32.227	32.891	32.968	33.389	33.344
SKK/DEM	17.794	17.838	18.333	19.758	19.365	19.283	19.160	19.182

<sup>1/</sup> Cumulative values

<sup>4/</sup> Exchange rate midpoint

<sup>2/</sup> At the end of period

<sup>7/</sup> Preliminary data

<sup>3/</sup> Including gold at a book value of 42.22 USD/oz

Compared with the previous month, the **total foreign exchange reserves** of the National Bank of Slovakia dropped by USD 18.8 million, reaching a level of USD 422.7 million by end-February 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 by DEM 89.7 million (USD 51.5 million), which was transferred to the Czech National Bank at the beginning of February. Other factors contributing to the decline in foreign exchange reserves were the USD 14.5 million drop in the volume of currency swaps compared with last month's figure, the regular quarterly payment of fees to the IMF in the amount of USD 6.9 million, and the moderate debt service deficit of USD 0.35 million. In February, the foreign exchange reserves were favourably influenced by the USD 32.6 million sales and purchases deficit in the NBS foreign exchange fixing, and the USD 20 million-increase in the volume of accepted foreign currency deposits compared with the previous month's figure.

## III. MONETARY DEVELOPMENTS

Indicators	1993						1994	
	1stQtr	1stHalf	3rd Qtr	Oct.	Nov.	Dec.	Jan.	Febr.
Inflation Rate								
Monthly (%) <sup>1/</sup>				1.4	1.1	0.6	1.4	0.7
Yearly (%) <sup>2/</sup>	11.7	14.2	21.2	22.9	24.3	25.1	1.4	2.1
Money Supply M2 <sup>3/</sup> (%) <sup>4/</sup>	-3.3	0.4	3.4	4.2	6.5	18.1	16.9	17.1
Credits from Commercial Banks (%) <sup>4/7/</sup>	2.0	6.8	8.7	10.3	11.2	13.6	-0.8	-1.3
Deposits at Commercial Banks (%) <sup>4/ 7/</sup>	1.6	3.0	5.1	7.4	9.5	18.6	-2.2	-2.6
Discount Rate (%)	9.5	9.5	9.5	9.5	9.5	12.0 <sup>5/</sup>	12.0	12.0
Lombard Rate (%) "	14.0	14.0	14.0	14.0	14.0	6/	6/	6/
Average Interbank Deposit Interest Rates (%)								
SKIBOR								
7-day deposits	14.14	16.44	18.29	17.27	16.10	15.05	16.57	18.63
14-day deposits	14.64	16.88	18.51	17.50	16.35	15.64	16.79	18.89
1-month deposits	15.35	17.44	18.82	18.07	16.52	16.22	17.27	19.12

<sup>1/</sup> End of period

<sup>2/</sup> December of the previous year = 100 (change)

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

<sup>4/</sup> 1 January 1993 = 100 (change)

<sup>5/</sup> Since 20 December 1993

<sup>6/</sup> Since 20 December 1993, auction interest rate ± 1%

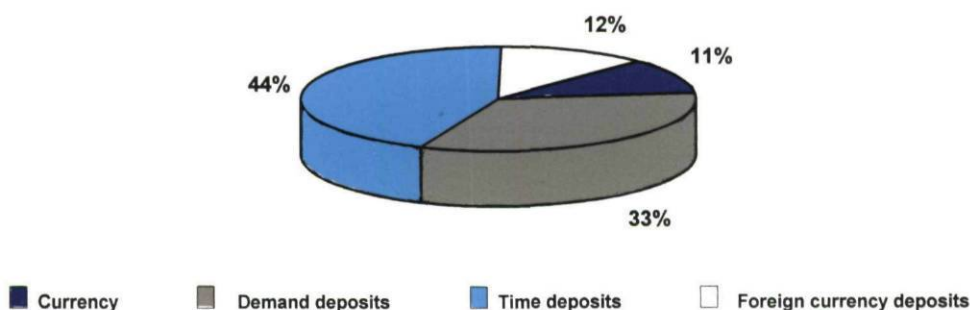
<sup>7/</sup> 31 December 1993 = 100 (change)

The money supply of the Slovak economy expressed by the **monetary aggregate M2** increased by Sk 0.5 billion (0.2%) in February. The **monetary aggregate M1** dropped by Sk 0.5 billion, while **quasi-money** increased by Sk 1.0 billion.

Within the framework of the monetary aggregate M1, the volume of demand deposits experienced a considerable decline (Sk 2.0 billion), while the amount of currency in circulation outside banks increased by Sk 1.5 billion. The increase in quasi-money was a result of the Sk 0.6 billion-growth in foreign currency deposits and the Sk 0.4 billion increase in time deposits in Slovak crowns. The **money supply** stood at Sk 251.2 billion at end-February 1994.

Structure of Monetary Aggregate M2

(February 1994)





NATIONAL BANK OF SLOVAKIA

In February, the **primary crown deposits** of non-bank entities financial institutions including the NBS reached Sk 200.3 billion, representing a decrease of Sk 1.5 billion (0.7%) compared with the January figure. This decline was due mainly to the Sk 2.3 billion fall in deposits of state enterprises. The deposits of households dropped by Sk 0.3 billion (0.3%) and totalled Sk 112.9 billion at end-February 1994. The volume of private sector deposits decreased by Sk 0.7 billion and amounted to Sk 31.6 billion at the end of February. These decreases in deposits were partly offset by the month-to-month increases in deposits of organizations not included in economic sectors and unincorporated organizations (in the amount of Sk 1.6 billion), as well as organizations under foreign control (in the amount of Sk 0.2 billion).

In comparison with February 1993, the volume of private sector deposits increased by Sk 10.6 billion (50.5%), while the deposits of households and individuals exceeded last year's level by Sk 4.1 billion (3.8%). Government sector deposits fell by Sk 10.1 billion (56.6%), those held by the public sector remained Sk 0.2 billion (0.6%) below the February 1993 level.

The volume of **foreign currency deposits** of resident and non-resident legal entities and private individuals increased by Sk 0.7 billion (2.2%) compared with the January figure, and reached Sk 32.0 billion by the end of February.

At end-February 1994, the total volume of crown and foreign currency deposits fell below the January level by Sk 0.8 billion (0.3%), as a result of a decline in crown deposits. The total volume of deposits amounted to Sk 232.3 billion.

By 28 February 1994, the volume of **crown loans and advances** reached Sk 255.7 billion, representing a decrease of Sk 2.1 billion (0.8%) compared with the volume at end-January 1994.

The sharpest monthly drop in crown loans, i.e. Sk 2.9 billion (42.6%), was recorded in the government sector. The private sector only experienced a negligible change (Sk +0.1 billion) in comparison with the previous month. The volume of loans extended to households and individuals (Sk 18.0 billion) decreased by Sk 0.3 billion compared with the January figure. The fall in crown loans and advances was partly offset by the Sk 1.1 billion (0.9%) increase in bank lending to the public sector. The volume of **foreign currency loans** recorded a monthly increase of Sk 0.7 billion, and totalled Sk 9.7 billion at the end of February. By end-February 1994, the total volume of **crown and foreign currency loans** reached Sk 265.4 billion. After excluding the Sk 3.9 billion worth of loans extended to the government sector, the volume of loans in crowns and foreign currencies extended to the corporate and household sectors amounted to Sk 261.5 billion.

The credit limit on bank lending to enterprises and households for the first quarter of 1994 was set at Sk 256.3 billion, which represents a Sk 8.3 billion cut compared with the initial credit limit of 1 January 1993 (index 96.9%). According to the preliminary results of 28 February 1994, the financial intermediaries granted credit to companies and households in the total amount of Sk 261.1 billion, a figure that exceeds the global credit limit set for the whole banking system by Sk 4.8 billion (1.9%). This development poses a risk that the credit limit set for the first quarter of 1994 may be exceeded, because the volume of loans issued in February increased by Sk 1.6 billion compared with the January figure.

All forms of refinancing provided for commercial banks were considerably restricted in February. The total volume of **refinancing loans** offered by the NBS dropped by Sk 3.9 billion compared with the previous month, and reached Sk 3.4 billion by 28 February 1994. The total amount of refinancing consisted of auction refinance loans (50%, i.e. Sk 1.7 billion) and bills of exchange deals (50%). Lombard loans were not drawn in the course of February.

The average volume of **auction refinance loans** offered for auction in February decreased by Sk 0.9 billion (from Sk 1.5 billion in January). On average, the demand shown by commercial banks exceeded the offer by 75%. The average rate of interest on auction refinancing loans has stood at 17.3% since the beginning of the year. In February, 10 to 12 banks showed interest in obtaining refinancing funds, yet a maximum of 5 banks could be satisfied.

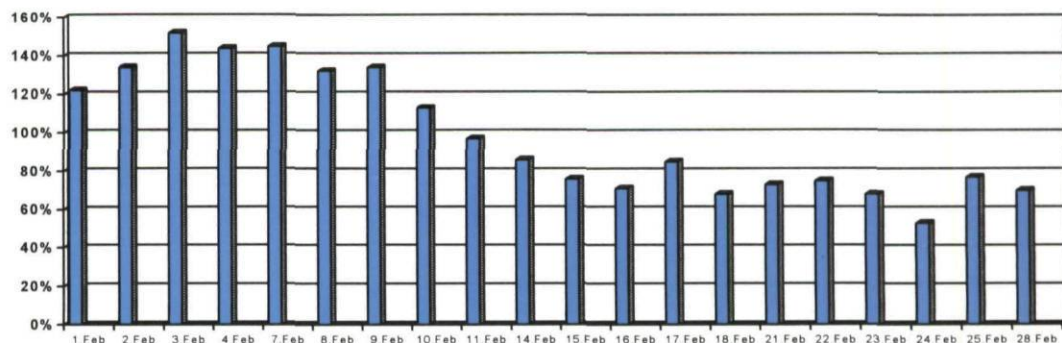
The restrictions on bills of exchange deals led to the suspension of NBS bills of exchange purchases with effect from 11 February 1994. From this day, only repurchase transactions were realized, as a result of which the volume of bills of exchange deals dropped by Sk 0.9 billion compared with the previous month's figure. The amounts of bills of exchange for export promotion and bills of exchange rediscounted recorded a similar decline. The volume of bills of exchange deals for the support of privatization remained unchanged (Sk 10.5 million).

Systemic changes in the forms of refinancing were reflected in the zero volume of **lombard loans**.

By 28 February 1994, **redistributive loans** were drawn by two banks in the total amount of Sk 33.4 billion, representing a drop of Sk 210 million compared with the initial volume.

Fulfilment of Reserve Requirements (in %)

(February 1994)



After the introduction of a methodological change concerning the determination of **required reserves**, the average monthly level of required reserves was set at Sk 13.5 billion for commercial banks. The actual average monthly volume of required reserves amounted to Sk 13.3 billion, which shows a 98.1% compliance with the volume of required reserves for the whole banking system.

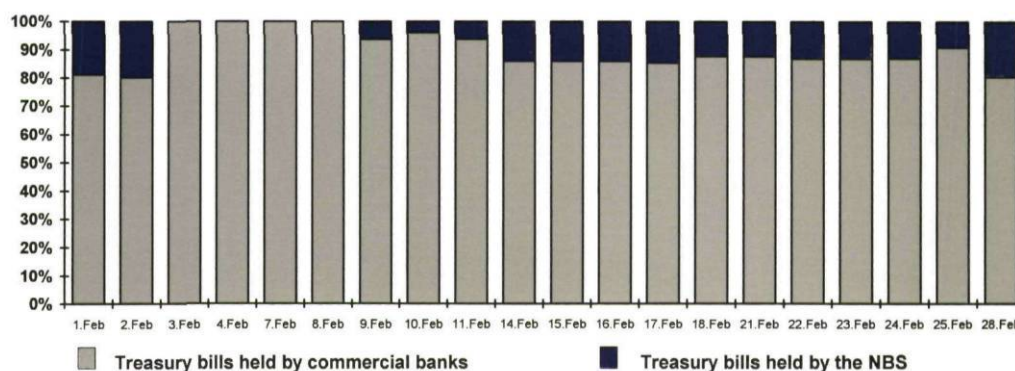
In the course of February, the Ministry of Finance of the SR floated four regular issues of **Treasury bills**. The volume of Treasury bills negotiable on the money market during the first 9 days of the month amounted to roughly Sk 4 billion. However, this amount was not enough to fully cover the budget deficit of the Slovak Republic. On 10 February 1994, a larger number of Treasury bills were placed on the short-term securities market, increasing the volume of Treasury bills to Sk 6.3 billion. This volume of Treasury bills was sufficient with regard to the development of the state budget.

Transactions in Treasury bills, especially repo transactions, were the only sources of refinancing. Interest rates on the primary market ranged from 15.28% to 15.47% per annum. The participation of non-banks in trading on the primary Treasury bills market continued to show an increasing tendency. At the end of February, roughly 27% of the total number of floated Treasury bills was held by non-bank entities.



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#### Treasury Bills Held by Commercial Banks and the NBS



In February, government bonds of the 007 issue continued to be sold on the **primary capital market**. The value of these bonds sold by repeated auctions reached Sk 50 million, increasing the cumulative sales of bonds to Sk 702 million, i.e. 70.2% of the total volume of bond issues.

In the first week of February, the Bratislava Securities Market (BCPB) opened trading in government bonds of the 006 issue, increasing the total number of bond issues traded on the BCPB to three.

Government bonds of the 004 issue were sold in the amount of Sk 2.4 million, representing a 16.8% increase compared with the previous month's sales figures. The bonds were sold at an unchanged price, i.e. Sk 6.1 thousand (122%), which represents a 14.8% net yield upon maturity.

Government bonds of the 006 issue were traded for Sk 127 thousand and direct transactions were concluded in the amount of Sk 25.8 thousand. The total volume of sales amounted to Sk 152.9 thousand. The price was increased from 101%, i.e. Sk 5.0 thousand, in the first half of February to 103%, i.e. Sk 5.1 thousand, in the second half of the month, while the net yield upon maturity decreased from 16.9% to 15.8%. This price rise was caused by an increased demand for this type of securities. Of the 005 issue, no bonds were sold in the course of February.

The cumulated sales of government bonds on the BCPB (except state restitution bonds) reached Sk 2,603 million, representing 1.64% of the total volume of securities transactions effected on the BCPB in February 1994.

#### IV. GOVERNMENT SECTOR

Indicators	1993						1994	
	1st Qtr	1st Half	3rd Qtr	Oct.	Nov.	Dec.	Jan.	Febr.
Budget Revenues <sup>1/</sup> (Sk billions)	23.0	64.4	104.6	115.2	129.7	144.5	7.1	16.7
Budget Expenditures <sup>1/</sup> (Sk billions)	34.0	79.2	120.5	132.0	145.7	167.5	11.8	23.4
State Budget Balance (Sk billions)	-11.0	-14.8	-15.9	-16.8	-16.0	-23.0	-4.7	-6.7

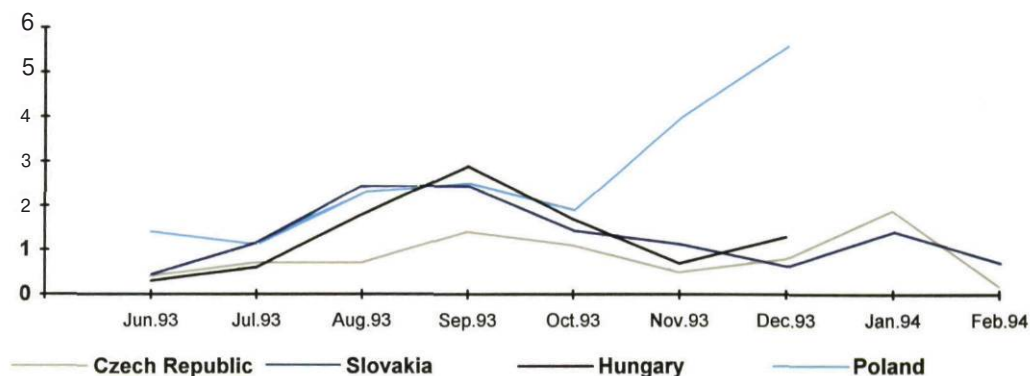
<sup>1/</sup> Cumulative values

In February, the **state budget revenues** reached Sk 9.6 billion and were Sk 0.8 billion lower than the aliquot part of the annual budget. The budget expenditures were unfavourably influenced by another advance payment of contributions to the National Insurance Fund in the amount of Sk 2.7 billion (earmarked for the support of the Fund's start-up), and by the payment that had to be made after exceeding the credit limit in the clearing account with the Czech Republic.

With regard to these developments, the **budget expenditures** reached Sk 11.6 billion in February. The state budget deficit increased by Sk 2.0 billion (from Sk 4.7 billion to Sk 6.7 billion) compared with its level at end-January 1994. The Sk 6.7 billion budget deficit was covered by an issue and sale of Treasury bills in the amount of Sk 6.0 billion and by a Sk 0.7 billion credit extended by the NBS as a technical debit.

The growth of the budget deficit was also reflected in the **net position of the Government vis-a-vis the banking system**. This position increased by Sk 1.8 billion compared with the January figure and reached Sk 59.5 billion by the end of February. Of this volume, Sk 50.9 billion was credited by the NBS and Sk 8.6 billion extended by commercial banks. Compared with 1 January 1994, the internal indebtedness of the Government increased by Sk 6.0 billion within a two-month period.

Development of the Consumer Price Index by Country (in %)



## V. INFORMATION

NBS Governor Vladimír Masár accompanied by other representatives of the National Bank of Slovakia and the Slovak Ministry of Finance paid a four-day working visit to Moscow on 12 April 1994. The Slovak mission took part in the 59th session of the Board of the International Investment Bank (MB) and the 82nd meeting of the Board of the International Bank for Economic Cooperation (IBEC). The meeting of the MB focused on solving the problems of the member countries' indebtedness, the financial difficulties of IIB and IBEC, and the prospects for their further activities.

- The construction of the NBS branch in Kosice - the first specialized NBS branch in Slovakia - was officially started by the laying of the cornerstone on 6 April 1994.
- On 11 April 1994, Slovak President Michal Kováč nominated Marian Jusko as Vice-Governor of the National Bank of Slovakia.
- On 18 February 1994, a USD 80 million Economic Recovery Loan agreement was signed in Washington, D.C. by K. Dervis, World Bank Director for Central Europe, and P. Bernát, Charge d'Affaires of the Slovak Republic. The loan has been granted to balance the short-term disequilibrium of the Slovak Republic's balance of payments and forms part of its foreign exchange reserves. The loan agreement took effect in March 1994.