



NATIONAL BANK OF SLOVAKIA

MONETARY SURVEY
APRIL 1994

I. THE REAL ECONOMY



NATIONAL BANK OF SLOVAKIA

Indicators		1993	1994			
			January	February	March	April
GDP ^{1/} (at constant prices)	Value (Sk ^{2/} billions)	172.2			43.1 ^{1/}	
	Growth rate (%) ^{1/}	-4.1			3.6 ^{**}	
Output ^{1/**/}	Industrial production (%)	-13.5	0.3	0.5	6.4	-0.5
	Construction (%)	-23.8	-5.4	-14.7	-13.0	-18.5
Unemployment	Number (thous. of persons)	368.1	379.2	376.0	370.5	361.1
	Unemployment rate (%)	14.4	14.9	14.8	14.5	14.2
Foreign Trade ^{3/**/} (f.o.b.)	Exports (Sk billions)	95.5	8.6	17.4		
	Imports (Sk billions)	125.4	10.9	22.2		
	Balance (Sk billions)	-29.9	-2.3	-4.8		

1/ Change compared with the corresponding period of last year

2/ Sk - abbreviation of the Slovak crown

3/ Cumulative values

Data for the 1st quarter of 1994

Revised data

In April, the levelling off of **inflation**, which had started in the previous months, continued. The rate of inflation reached 0.4%, representing a 3.0% increase since the beginning of the year. Compared with the figure for April 1993, the rate of inflation increased by 13.8%.

In none of the basic groups did the price increase exceed 0.5%. Food prices increased by 0.4%, prices of services rose by 0.3%, while the price increase in public catering dropped to 0.1%. The increase in the prices of industrial goods was stabilized at the level of 0.5 to 0.6%.

The total volume of **industrial production** reached Sk 30.4 billion, representing a drop of Sk 153 million (0.5%) compared with last April's figure. The most dynamic growth was reported in the private sector, which contributed 34.3% to the total output of industrial production (in April 1993, it was 33.1%). Labour productivity per employee increased by 3.2% (Sk 1,627) compared with the corresponding period of the previous year, and was accompanied with a 3.6% drop in the level of employment. The annual increase in labour productivity was also reflected in the growth of average daily production (by 10%). The volume of sales (Sk 31.8 billion) was 1.4% lower compared with the corresponding period of last year; exports dropped by 4.1%. The wage level (Sk 6,063 per month) increased by 15.4% compared with last April, while the labour productivity per employee increased by only 4% (data pertaining to organizations with 25 employees and more).

In April, industrial production dropped by as much as 12% (Sk 4.1 billion) compared with that of March. Although the labour productivity per employee decreased by 11.3% and the number of employees dropped by 0.8%, the average daily production increased by 6.6% compared with that of March. In organizations with 25 employees and more, sales volume lagged significantly behind the March figure (by 17.1%), and the same applies to exports (by 14.2%). In this category of organizations, the average monthly wages dropped (by 3.6%) in addition to the labour productivity per employee (by 12.6%).

The volume of **construction work** totalled Sk 3 billion and was 18.5% (Sk 688 million) lower than in April 1993, bringing the average daily production to 90% of the level achieved in the corresponding period of the previous year. The decline in the output of the construction sector was accompanied by an 8.7% drop in the volume generated in the private sector. The labour productivity per employee (Sk 20,914) lagged behind last April's figure by 7.7% (Sk 1,745). The overall decline in the output of the construction sector was mainly caused by the 20.1% drop in the volume of domestic production, for construction orders abroad fell by only 0.5%. In contrast to the 12.2% increase in average monthly wages (Sk 5,824), the labour productivity per employee dropped by 9.3% (data pertaining to organizations with 25 employees and more).

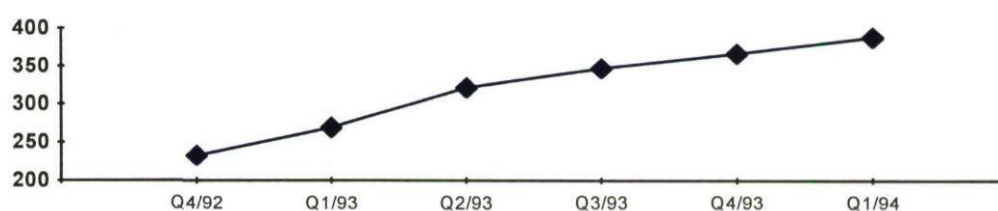
Compared with March 1994:

- the volume of production increased by 1%, in private sector by 15.1%;
- the average daily production exceeded the March results by 22.3%;
- the labour productivity per 1 employee increased by 0.9%;
- the volume of domestic construction work increased by 5.2%, foreign construction orders increased by 8.9%.

The number of registered unemployed reached 361.1 thousand, representing a drop of 9.4 thousand compared with last month's figure. The **unemployment rate** decreased from 14.5% to 14.2%. The number of newly registered job applicants recorded a slight decline, while the number of those removed from the register increased. The number of successful job applicants increased; however, their share of the overall number of people removed from the register dropped to 25.1%. The number of vacancies increased to almost 10 thousand. The number of unemployed per vacancy dropped from 40.5 to 36.2.

Foreign Capital in the Slovak Republic

(USD millions)



II. THE EXTERNAL ECONOMY



NATIONAL BANK OF SLOVAKIA

Indicators	1993	1994			
		January	February	March	April
Current Account ^{1/} Balance in convertible currencies (Sk billions)	-17.7 ^{***}	-1.2 ^{**}	-3.4 ^{7/}		
Foreign Exchange Reserves ^{2/} (USD millions)					
Banking system	1,402.2	1,334.1	1,392.0	1,490.2	1,595.1
Commercial banks	952.7	933.3	1,010.0	1,015.7	1,061.3
NBS ^{3/}	449.5	400.8	382.0	474.5	533.8
Gross Foreign Debt ^{2/} (USD billions)	3.6	3.5	3.6	3.6	
Average Exchange Rates ^{4/}					
SKK/USD	32.968	33389	33344	32.799	32.827
SKK/DEM	19.283	19.160	19.182	19.364	19.331

1/ Cumulative values

2/ End of period

3/ Including gold at a book value of 42 22 USD/oz

4/ Exchange rate midpoint

7/ Preliminary data

**/ Revised data

In the first two months of 1994, the **consolidated balance of payments** recorded a deficit of Sk 2.2 billion. It was mostly a result of the current account deficit (Sk -2.0 billion), capital and financial account deficit (Sk -5.3 billion), and the volume of errors and omissions (Sk 5.1 billion).

The deficit of the current account is a result of the unfavourable foreign trade balance (Sk -4.0 billion) and interest payments on the balance of incomes (Sk -0.5 billion). Interest payments in convertible currencies equalled Sk 0.3 billion and interest payments to the Czech Republic amounted to Sk 0.5 billion. The current account deficit was partially offset by a surplus of services balance (Sk 1.0 billion) and current transfers (Sk 1.5 billion).

The capital and financial account was influenced by an outflow of short-term funds (Sk -7.4 billion), which was mainly caused by the corporate sector (93%). The capital and financial account was also negatively influenced by portfolio investments.

The outflow of capital was partially offset by a Sk 0.5 billion surplus in other long-term financial capital.

In April, the **total foreign exchange reserves of the NBS** increased by USD 59.3 million, reaching a level of USD 533.8 million at the end of the month. This growth was mostly a result of the favourable balance of the foreign exchange fixing of the NBS at the level of USD 41.7 million, and a USD 29 million increase in the volume of foreign currency swaps compared with last month's level.

III. MONETARY DEVELOPMENTS

Indicators	1993	1994			
		January	February	March	April
Inflation Rate					
Monthly (%) ^{1/}		1.4	0.7	0.5	0.4
Yearly (%) ^{2/}	25.1	1.4	2.1	2.6	3.0
Money Supply M2 ^{3/} (%) ^{4/}	18.1	-1.0 ^{7/}	-0.1 ^{7/}	-2.4 ^{7/}	-1.5 ^{7/}
Credits from Commercial Banks (%) ^{4/}	13.0	-0.8 ^{7/}	-1.3 ^{7/}	-1.8 ^{7/}	-1.5 ^{7/}
Deposits with Commercial Banks (%) ^{4/}	18.3	-2.2 ^{7/}	-2.6 ^{7/}	-5.0 ^{7/}	-2.7 ^{7/}
Discount Rate (%) ^{5/}	12.0	12.0	12.0	12.0	12.0
Lombard Rate (%) ^{6/}					
Average Interbank Deposit Interest Rates					
SKIBOR (%)					
1-day deposits	16.73 ^{8/}	15.76	18.29	24.85	27.94
7-day deposits	17.20 ^{8/}	16.57	18.63	25.30	28.49
14-day deposits	17.50 ^{8/}	16.79	18.89	25.41	28.61
1-month deposits	17.86 ^{8/}	17.27	19.12	25.30	28.42

1/ End of period

2/ December of the previous year + 100 (change)

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

4/ 1 January 1993 = 100 (change)

5/ Since 20 December 1993

6/ Since 20 December 1993. auction interest rate + 1%

7/ 31 December 1993 = 100 (change)

8/ Average for the 2nd half of 1993

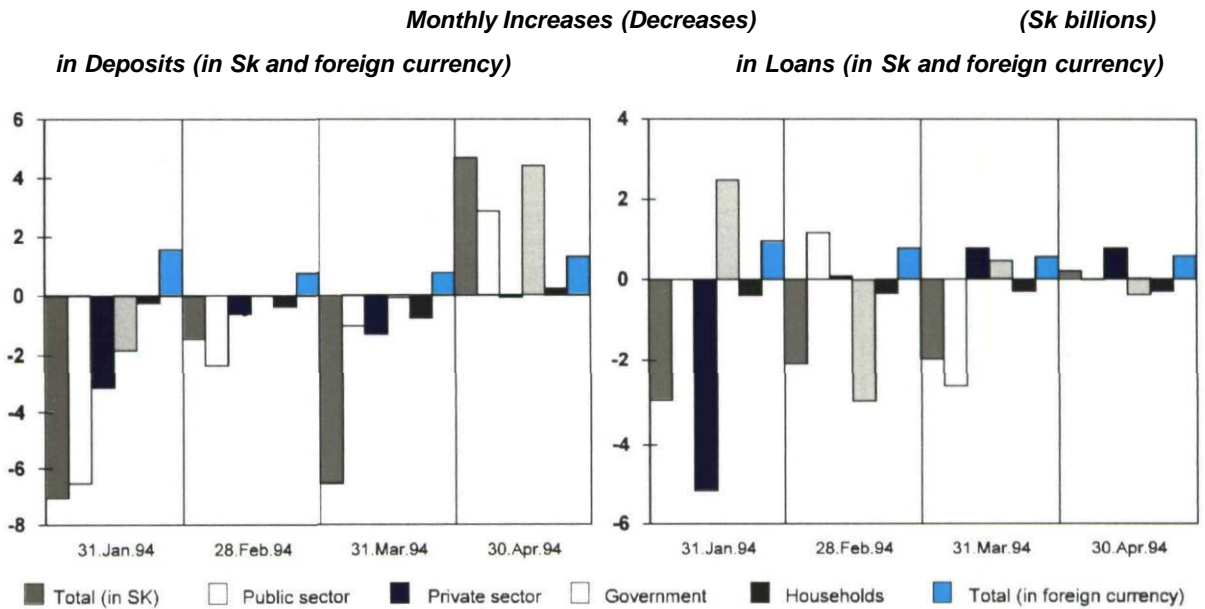
The monetary aggregate M2 increased by Sk 6.2 billion, representing a 2.6% increase compared with the previous month. An increase was reported in all basic components of the money supply. At the end of April, the money supply M2 equalled Sk 247.6 billion and was Sk 5.4 billion lower than at the beginning of the year.

At the end of April, the **monetary aggregate M1** was Sk 4.1 billion higher than in the previous month. Its growth was due to the Sk 3.1 billion increase in demand deposits and the Sk 1.0 billion increase in currency in circulation outside banks.

Quasi-money, the second basic component of money supply, increased by Sk 2.1 billion. This was mostly caused by an Sk 1.2 billion increase in foreign currency deposits of residents (converted using the current exchange rate). Time deposits in crowns increased by Sk 0.9 billion.

The primary crown deposits of non-bank entities with financial institutions and with the NBS increased by Sk 4.7 billion (2.4%) compared with the March figures, reaching the total of Sk 198.4 billion. From the beginning of the year till the end of April, the overall decline in primary crown deposits of commercial banks amounted to Sk 10.5 billion.

The increase in deposits is due to deposits of non-budgetary central and local authorities which increased by Sk 4.5 billion, to deposits of state-owned business entities which increased by Sk 2.9 billion, and to deposits of households and private individuals which increased by Sk 0.2 billion. Other organizations, particularly those not incorporated into sectors, experienced a decline of Sk 2.8 billion, while private businesses reported a drop of Sk 0.1 billion.



The monthly increase in **foreign currency deposits** of domestic and foreign depositors (residents and non-residents) amounted to Sk 1.3 billion (4.0%). At the end of April, the volume of these deposits reached Sk 34.1 billion.

The total volume of primary crown and foreign currency deposits increased by Sk 5.9 billion (by 2.6%). At the end of the month, they totalled Sk 232.5 billion, representing a drop of Sk 6.2 billion (2.6%) compared with the level of deposits at the beginning of the year.

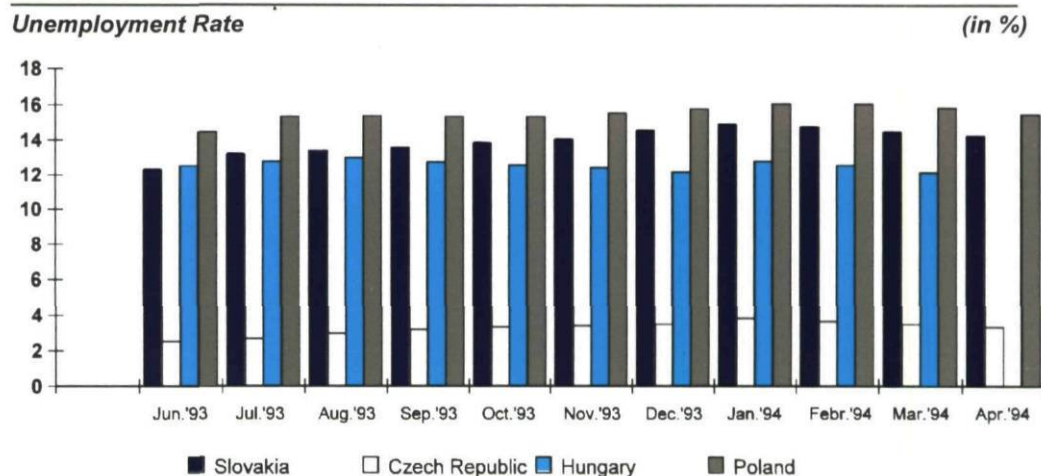
At the end of April, **crown loans and advances** totalled Sk 254.0 billion, showing a slight drop compared with last month's level. In comparison with the figure at the beginning of the year, the volume of loans decreased by Sk 6.8 billion (2.6%).

In April, crown loans extended to the corporate sector increased by Sk 0.9 billion. This increase was partly offset by a Sk 0.4 billion decrease in loans granted to the government sector and by a Sk 0.3 billion drop in loans to households and individuals. The increased volume of corporate sector loans was mostly extended to private companies.

Loans in foreign currency increased by Sk 0.6 billion, reaching Sk 10.9 billion at the end of the month. Since the beginning of the year, they increased by Sk 2.8 billion (34.6%).

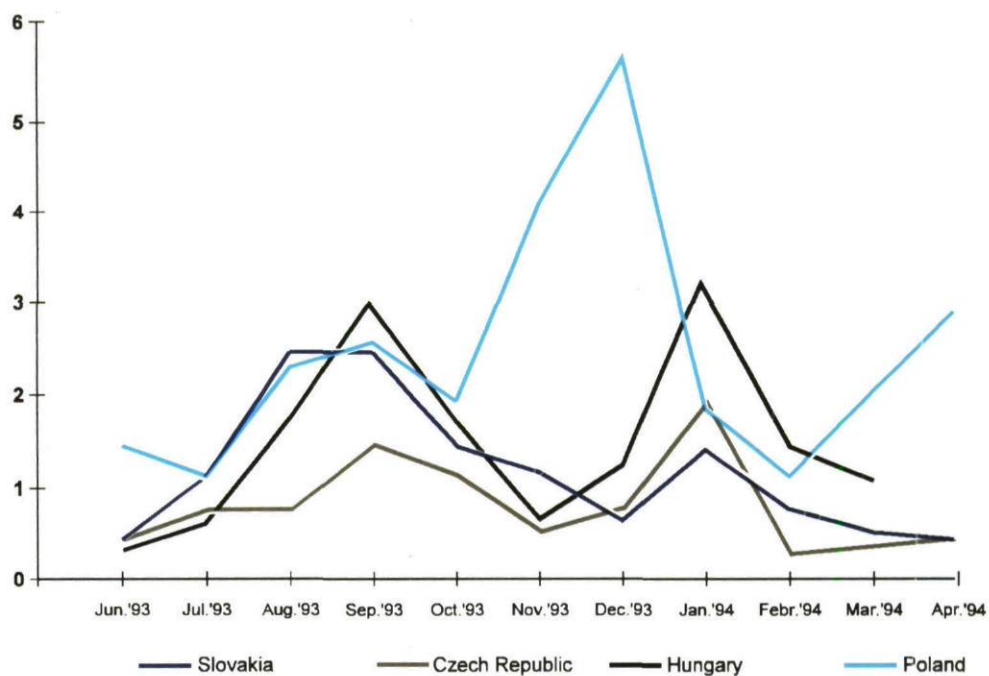
The total volume of crown and foreign currency loans reached Sk 264.9 billion by the end of April. After loans granted to cover the extra-budgetary requirements of central and local authorities in the amount of Sk 4.0 billion are subtracted, the volume of loans extended to organizations and households totalled Sk 260.9 billion.

In order to achieve monetary goals, the National Bank of Slovakia continued to apply an unchanged monetary policy in the second quarter of 1994. Along with other measures, the NBS also utilized direct monetary tools in the form of credit limits.





NATIONAL BANK OF SLOVAKIA



The objectives of the monetary policy made it possible for commercial banks to extend loans to companies, households, and individuals not in excess of Sk 264.8 billion before 30 June 1994. This credit limit set for the banking sector and pertaining to loans to companies and households was utilized at 98.5% by the end of April 1994 (Sk 3.9 billion undrawn). By the end of April, commercial banks extended to the economy an amount of loans which was Sk 3.6 billion lower (index 98.6%) than the starting balance on 1 January 1994. Loans in crowns dropped by Sk 6.4 billion (excluding loans to the government sector), while foreign currency loans increased by Sk 2.8 billion.

Along with direct tools, the NBS continued to use indirect monetary tools in the form of refinancing commercial banks in order to achieve monetary objectives. By the end of April, the volume of **refinance loans** reached Sk 2.2 billion, i.e. 34.4% of the starting refinancing amount, and 27.8% of the amount reported for the corresponding period of the previous year.

Of the total volume of refinanced resources offered to commercial banks as of 30 April 1994, Lombard loans comprised Sk 1.9 billion (87.4%), and bills of exchange deals comprised Sk 0.3 billion (12.6%). No auction refinance loan was drawn in the course of April.

Lombard loans continued to be utilized only for the temporary coverage of unfavourable liquidity of commercial banks. Lombard loans extended in April accrued interest with an interest rate of 19.1% achieved at the last auction of refinancing loans.

Restrictions on refinancing funds offered through **bills of exchange deals** were still effective in April. Operations continued to be limited to resale, and this caused a drop in the volume of bills of exchange deals by Sk 367.8 million compared with the previous month. One privatization bill of exchange valued at Sk 7.5 million was resold, bringing the volume of bills of exchange discounted for the support of privatization down to Sk 2.5 million.

On 25 April 1994, the auction committee of the NBS allocated Sk 0.5 billion from the refinancing funds for the support of agriculture as of 4 May 1994.

In April, no auction for **refinancing loans** was organized. The average interest rate for the period since the beginning of the year was 20.1%.

By the end of April, **redistribution loans** with fixed interest rates totalled Sk 33.4 billion.

In the course of April, the Ministry of Finance of the SR floated four regular issues of **Treasury bills**. The volume of marketable Treasury bills fluctuated between Sk 3.4 billion and Sk 4.1 billion, which, however, was not sufficient to provide full coverage of the state budget deficit.

At the end of the month, the average interest rate for the primary market reached 17.1%, representing an increase of 1.6% compared with the beginning of the month.

In April, government bonds of the 007 issue continued to be sold on the primary market through periodic auctions. Bonds worth Sk 21.5 million were sold from the 007 issue, increasing the cumulated sales to Sk 832 million, i.e. 83.2% of the total volume of bond issue.

The Bratislava Stock Exchange (BCPB) marketed government bonds on the secondary market worth Sk 0.4 million from the 004 issue. From the 006 issue, bonds worth Sk 0.6 million were sold and direct sales reached Sk 0.2 million bringing the total volume of sales to Sk 0.8 million. In total, the Bratislava Stock Exchange marketed government bonds (excluding the state restitution bonds) worth Sk 1.2 million, which represented 2.2% of the total volume of securities traded in the course of April. Compared with the volume traded in March, this represented a drop of 24.5%.

IV. THE GOVERNMENT SECTOR

Indicators		1993	1994			
			January	February	March	April
Budget Revenues ^{v/}	(Sk billions)	144.5	7.1	16.7	32.5	48.4
Budget Expenditures ^{v/}	(Sk billions)	167.5	11.8	23.4	38.5	52.2
State Budget Balance	(Sk billions)	-23.0	-4.7	-6.7	-6.0	-3.8

^{v/} Cumulative values

The relatively favourable development of the budget performance of the Slovak Republic continued in April, when the state budget deficit was again reduced by Sk 2.2 billion (from Sk 6.0 billion on 31 March 1994 to Sk 3.8 billion on 30 April 1994).

This development was mostly a result of the Sk 5.5 billion increase in average monthly revenues, where the income tax paid by legal entities amounted to Sk 4.1 billion and the income tax of natural persons to Sk 1.1 billion. The VAT and consumer taxes were collected in accordance with expectations. The overall income in the first four months of 1994 comprised 39% of the annual budget revenues. The budget expenditures were exceeded by Sk 6.1 billion (38% of the annual budget expenditures). The deficit of Sk 3.8 billion was Sk 0.8 billion lower than the time based assessments of the Slovak Republic's budget deficit.

The net position of the Government vis-a-vis the banking sector amounted to Sk 54.0 billion, of which the National Bank of Slovakia credited Sk 49.4 billion and commercial banks Sk 4.6 billion. In April, the internal debt of the Government dropped by Sk 3 billion.

V. INFORMATION

- Dr. Hans Tietmeyer, President of Deutsche Bundesbank, visited Slovakia on 2 - 3 June 1994. Along with discussions with the top representatives of the National Bank of Slovakia, he also met the top representatives of the Slovak Republic.
- On 11 May 1994, Vladimír Masár, Governor of the National Bank of Slovakia, and other members of the NBS Board met with the representatives of Slovak commercial banks and foreign branches operating in Slovakia. They discussed the problems of the banking system associated with the quality of loan portfolios.
- The revival of trade between the Russian Federation and the Slovak Republic was the topic of negotiations held on 18 May 1994 between Vladimír Masár, Governor of the National Bank of Slovakia, and Viktor Vladimirovič Geraščenko, Chairman of the Central Bank of Russia.
- Vladimír Masár, Governor of the National Bank of Slovakia, took part in the celebrations of the 300th anniversary of the Bank of England in London, where he met with governors of other central banks, top officials of international financial institutions, and other representatives of the financial world.



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