



NATIONAL BANK OF SLOVAKIA

**MONETARY SURVEY**  
**JUNE 1994**

## I. THE REAL ECONOMY



NATIONAL BANK OF SLOVAKIA

Indicators		1993	1994			
			Q1	April	May	June
GDP (at constant prices)	Value (Sk <sup>2/</sup> billions)	172.2	43.1			
	Growth rate (%) <sup>1/</sup>	-4.1	3.6			
Output <sup>1/</sup>	Industrial production (%)	-13.5	2.6	-0.5	9.2	14.4
	Construction (%)	-23.8	-11.3	-18.5	-11.8	1.2
Unemployment	Number (thous. of persons)	368.1	370.5	361.1	354.0	360.0
	Unemployment rate (%)	144	14.5	14.2	13.9	14.1
Foreign Trade <sup>3/</sup> (f.o.b.)	Exports (Sk billions)	95.5	26.7	36.3		
	Imports (Sk billions)	125.4	33.1	43.6		
	Balance (Sk billions)	-29.9	-6.4	-7.3		

<sup>1/</sup> Change compared with the corresponding period of last year

<sup>2/</sup> Sk - abbreviation of the Slovak crown

<sup>3/</sup> Cumulative figures

**Inflation** grew more moderately in June than in the previous month. The rate of inflation reached 0.5%, increasing to 4.1% since the beginning of the year. The inflation rate was influenced by a more sluggish increase in food prices (from 0.9% to 0.4%) and a slight increase in the prices of industrial goods (from 0.5% to 0.6%). Prices in public catering and services remained at the previous month's level (0.4% and 0.2%, respectively).

In June, the volume of **industrial production** reached Sk 34.1 billion, representing a Sk 491 million (1.4%) increase in comparison with the previous month's figure. Compared with last June, the output of industrial production grew by Sk 4.3 billion (11.2%). The private sector's share of the total volume of industrial production reached 43.1%, exceeding the May figure by 5.8%, and that of last June by 19.6%.

Compared with last month's figure, the average daily production increased by Sk 23 million (1.4%) and totalled Sk 1,552 million, which exceeds the June 1993 level by Sk 195 million (14.4%).

The following indicators also reflect a favourable development in industrial production:

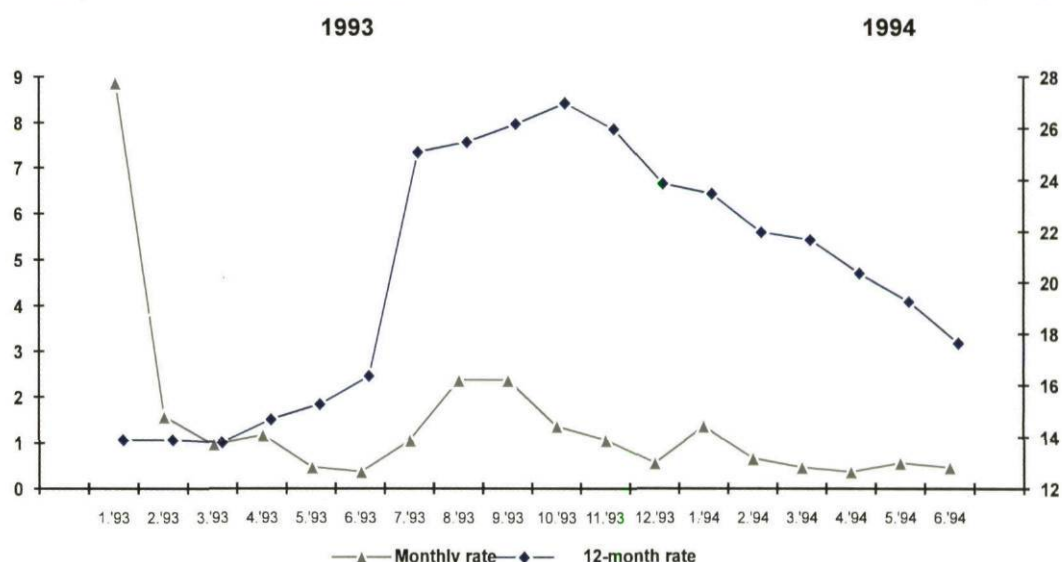
- per-capita labour productivity (Sk 58,014) increased by Sk 586 (1.0%) compared with last month's figure,
- total sales volume of companies with at least 25 employees increased to Sk 36.4 billion in June, exceeding the May figure by Sk 1.3 billion (3.7%),
- the volume of exports in June totalled Sk 15.3 billion, exceeding the May level by Sk 654 million.

The output of the **construction sector** reached Sk 3,780 million, exceeding the May level by Sk 346 million (9.1%) and the June 1993 results by 1.2%. The per-capita labour productivity in construction was Sk 28,904, representing an increase of Sk 3,278 (11.8%) compared with last month's figure. In comparison with June 1993, the productivity of labour was Sk 4,398 (6.0 %) higher. Compared with the previous month's results, both domestic and foreign construction orders experienced an increase. The former increased by 4.5% (Sk 130 million) and the latter by 62.2% (Sk 148 million). In comparison with June 1993, the volume of construction work rose by 0.9% (Sk 23 million) in Slovakia and by 63.6% (Sk 136 million) abroad.

The number of registered unemployed increased by 6 thousand against the May figure, reaching a total of 360 thousand by the end of June. The **rate of unemployment** increased from 13.9 % in May to 14.1 % in June.

Development Trend of Inflation in the SR

(in %)



Source: National Bank of Slovakia

## II. THE EXTERNAL ECONOMY

Indicators	1993	1994			
		Q1	April	May	June
Current Account <sup>1/</sup> Balance in convertible currencies (Sk billions)	-17.7	-4.1	-39		
Foreign Exchange Reserves <sup>2/</sup> (USD millions)					
Banking system	1 402.2	1 490.2	1 595.1 <sup>7/</sup>	1 696.3 <sup>7/</sup>	1 840.5
Commercial banks	952.7	1 015.7	1 061.3 <sup>7/</sup>	1 085.1 <sup>7/</sup>	1 151.3
NBS <sup>3/</sup>	449.5	<b>474.5</b>	533.8	611.2	689.2
Gross Foreign Debt <sup>2/</sup> (USD billions)	3.6	<b>3.6</b>	3.4	36	36
Average Exchange Rates <sup>4/</sup>					
SKK/USD	32.968	33.160	32.827	32.436	32.147
SKK/DEM	19.283	19.241	19.331	19.556	19.700

1/ Cumulative values

4/

Exchange rate midpoint

2/ End of period

\*/

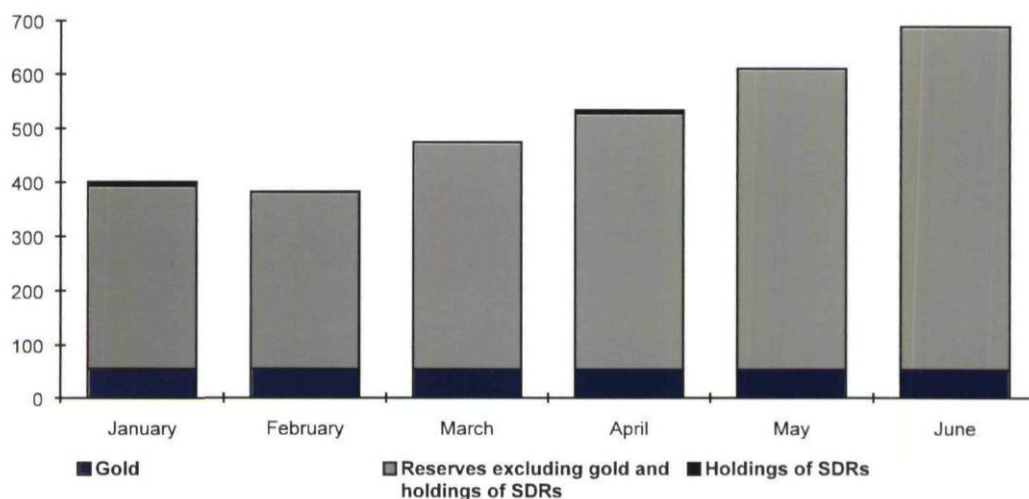
Revised data

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

At end-June 1994, the total **foreign exchange reserves of NBS** reached USD 689.2 million (USD 634.7 million excluding gold), representing an increase of USD 78 million compared with the previous month's level. The growth of reserves in this month was most influenced by the USD 120.3 million balance surplus in NBS foreign exchange fixing.

### Development of Foreign Exchange Reserves

(USD millions)



Source: National Bank of Slovakia

## III. MONETARY DEVELOPMENTS

Indicators	1993	1994			
		Q1	April	May	June
Inflation Rate Monthly (%) <sup>1/</sup>			0.4	<b>0.6</b>	0.5
Yearly (%) <sup>2/</sup>	<b>25.1</b>	2.6	30	<b>3.6</b>	4.1
Money Supply M2 <sup>3/</sup> (%) <sup>7/</sup>	<b>18.1<sup>4/</sup></b>	-2.4	-1.5	<b>-0.7</b>	0.6
Credits from Commercial Banks (%) <sup>7/</sup>	13.0 <sup>4/</sup>	-1.8	<b>-1.5</b>	-1.4	-2.3
Deposits with Commercial Banks (%) <sup>7/</sup>	18.3 <sup>4/</sup>	-5.0	<b>-2.7</b>	-25	-1.8
Discount Rate (%) <sup>5/</sup>	12.0		<b>12.0</b>	12.0	12.0
Lombard Rate (%) <sup>6/</sup>	14.0		19.1	20.1	20.1
Average Interbank Deposit Interest Rates SKIBOR(%)					
1-day deposits	16.73 <sup>8/</sup>	20.00	<b>27.94</b>	2362	13.21
7-day deposits	17.20 <sup>8/</sup>	20.54	<b>2849</b>	2436	14.20
14-day deposits	17.50 <sup>8/</sup>	20.73	<b>2861</b>	24.90	15.48
1-month deposits	17.86 <sup>8/</sup>	20.90	<b>28.42</b>	25.57	17.05

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/ Monthly average

7/ 31 December 1993 = 100 (change)

8/ Average for the 2nd half of 1993

The money supply of the Slovak economy expressed by the **monetary aggregate M2** increased by Sk 3.4 billion (1.4%), reaching Sk 253.0 billion at the end of June. Compared with the level recorded at the beginning of the year, the money supply fell by Sk 0.2 billion.

The **monetary aggregate M1** increased by Sk 2.6 billion (2.5%) and **quasi-money** grew by Sk 0.8 billion. The growth of M1 was a result of the Sk 1.6 billion increase in demand deposits and the Sk 1.0 billion growth in the amount of currency. The increase in quasi-money - the second component



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of the money supply - was due to a Sk 0.4 billion (1.2%) growth in the foreign currency deposits of Slovak residents. Time deposits held in crowns also increased by Sk 0.4 billion (0.3%).

The **crown deposits** of non-bank entities with financial institutions reached Sk 199.1 billion, representing an increase of Sk 1.7 billion compared with the figure for May. The public sector participated with Sk 3.2 billion in this growth, while private sector deposits recorded a Sk 2.8 billion increase.

The **foreign currency deposits** of residents and non-residents increased by Sk 0.3 billion (0.8%) in June. Deposits held by private individuals (personal deposits) had a major (83.0%) share in the total volume of these deposits. At end-June 1994, the total volume of foreign currency deposits reached Sk 35.5 billion, representing a Sk 5.7 billion increase since the beginning of the year.

In June, the volume of **crown loans and advances** reached Sk 251.8 billion, falling below the previous month's level by Sk 2.1 billion. The sharpest decrease was recorded in loans extended to public enterprises (Sk 3.2 billion), loans to the government sector to cover the extrabudgetary expenditures of central and local authorities (a drop of Sk 0.5 billion), and in lending to households and individuals (a drop of Sk 0.3 billion). Crown loans made to private sector organizations under foreign control recorded a Sk 1.2 billion increase, while the volume of loans granted to unincorporated organizations grew by Sk 0.2 billion.

**Loans in foreign currency** slightly increased (by Sk 0.1 billion), reaching Sk 10.8 billion by the end of June. Compared with the beginning of the year, the volume of foreign currency loans grew by Sk 2.7 billion (33.3%).

The total volume of crown and foreign currency loans reached Sk 262.6 billion at the end of June. Of this, loans to organizations and private residents amounted to Sk 258.4 billion.

In order to achieve the goals of Slovakia's monetary policy, NBS continued to use indirect monetary tools, i.e. refinancing provided to commercial banks, along with direct instruments - **credit limits**. For the second quarter of 1994, the credit limit for lending to enterprises and households was set at Sk 264.8 billion for the whole banking sector. By 30 June 1994, the banking sector extended loans to the economy in the amount of Sk 258.3 billion, utilizing 97.5% (less by Sk 6.5 billion) of the delimited volume.

Compared with the corresponding period of last year, the volume of loans granted to households and enterprises by financial intermediaries recorded an increase of Sk 6.5 billion (index 102.6%). The growth rate of foreign currency loans (index 169.8%) exceeded that of crown loans (index 100.9%).

Compared with last month's figure, the total volume of **refinancing funds** increased by Sk 1.7 billion, reaching Sk 4.3 billion at the end of June.

Auction refinance loans held a decisive 58.5% share (Sk 2.5 billion) in the total volume of refinancing, while Lombard loans represented only 33.3% (Sk 1.4 billion), and bills of exchange deals accounted for 8.2% (Sk 0.4 billion).

In June, **auction refinance loans** held a dominant position in the refinancing of commercial banks. They were allocated in regular weekly Sk 0.5 billion allotments. Interest rates ranged from 13.2 to 25.0%. The average rate of interest on auction refinance loans for the period since the beginning of the year reached 20.2%.

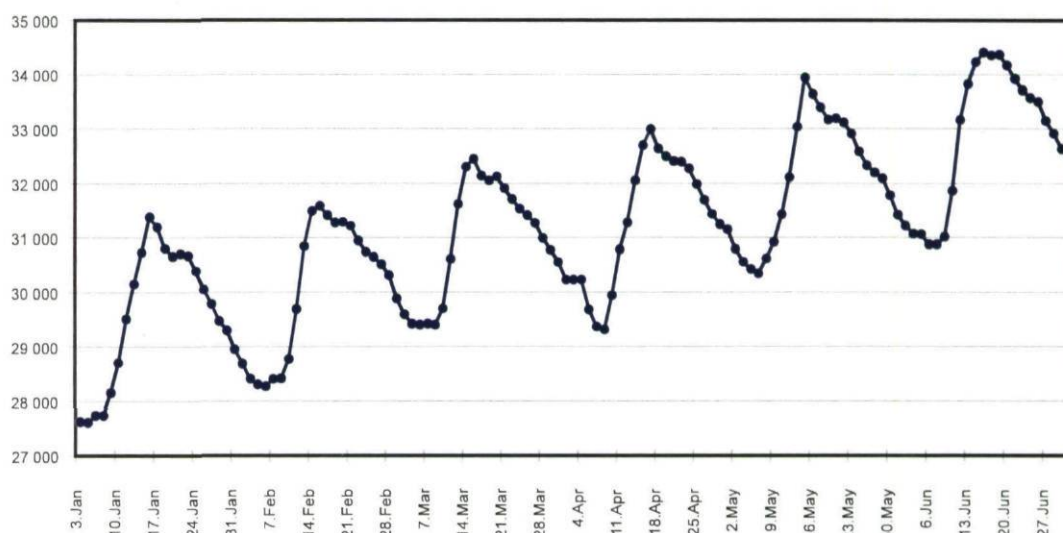
At the end of June, refinancing funds were offered through **bills of exchange deals** in the amount of Sk 0.1 billion for the support of agriculture. The volume of bills of exchange discounted for export promotion reached Sk 0.2 billion.

The Lombard loan interest rates averaged 18.9%.

**Issue resources of a redistributive nature** were drawn in the total amount of Sk 33.4 billion.

#### Daily Currency Levels

(Sk billions)



Source: National Bank of Slovakia



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In June, the Ministry of Finance of SR floated seven regular issues of **Treasury bills** and placed two 12-week issues on the market for the first time. The Treasury bills negotiable on the market were valued at Sk 11.4 billion in the month of June.

The rates of interest on the 4-week issues decreased from 14.2% to 11.0%, those of the 12-week issues dropped from 15.8% to 14.3%.

In June, Sk 101.5 million worth of **government bonds** of the No. 007 issue were sold on the primary capital market. Thus, the sale of this Sk 1 billion issue was completed.

The Bratislava Stock Exchange (BCPB) traded government bonds of the 004 issue worth Sk 0.3 million on the secondary capital market. The bonds were sold at a fixed price of Sk 6,100 (122%), representing a net yield of 13.6% upon maturity.

Government bonds of the 005 issue were traded on the secondary market for the first time. Only direct transactions were concluded in the total amount of Sk 5.4 million at a price of Sk 5,010 (i.e. 100.2%). The net yield upon maturity amounted to 20.3%. Bonds of the 006 issue were traded and sold for Sk 1.2 million at a price calculated as 103.0% of the nominal value (i.e. Sk 5,150), which ensured a net yield of 15.6% upon maturity. The volume of government bonds (excluding state restitution bonds) traded on the Bratislava Stock Exchange reached Sk 6.9 million, representing 6.1% of the total volume of securities transactions effected on the BCPB in June. When compared with the volume traded in May, June's volume was 10.8 times greater.

#### IV. THE GOVERNMENT SECTOR

Indicators		1993	1994			
			Q1	April	May	June
Budget Revenues <sup>1/</sup>	(Sk billions)	144,5	32,5	48,4	58,8	67,8
Budget Expenditures <sup>1/</sup>	(Sk billions)	167,5	38,5	52,2	61,1	78,3
State Budget Balance	(Sk billions)	-23,0	-6,0	-3,8	-2,3	-10,5

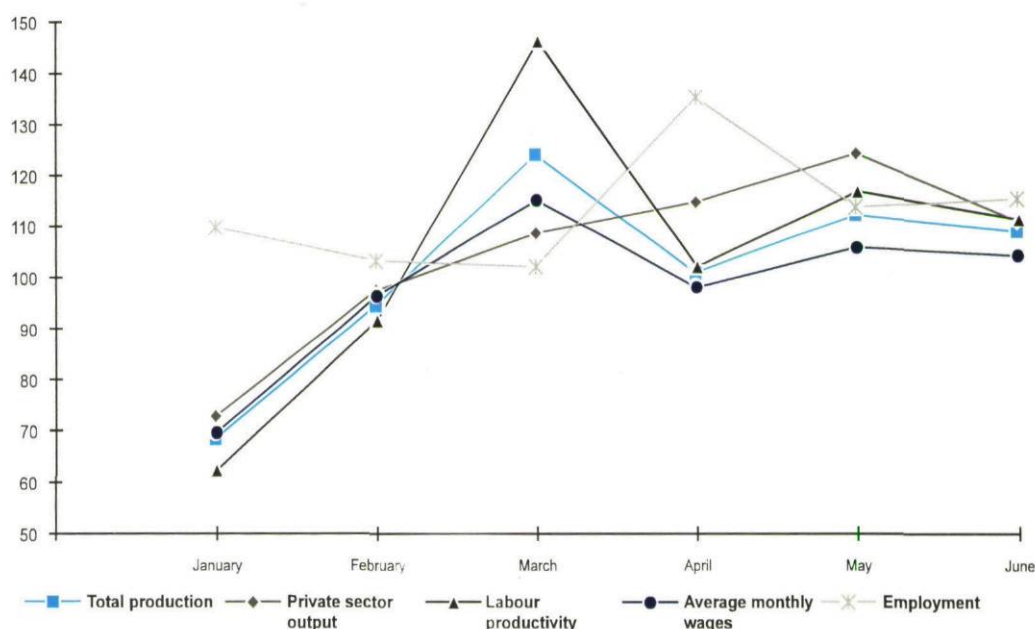
<sup>1/</sup> Cumulative values

In June, the **state budget deficit** increased by Sk 8.2 billion (from Sk 2.3 to Sk 10.5 billion) as a result of interest payments on NBS state debit account and extraordinary budget expenditures (increased crediting of Czech Republic within the clearing agreement, contributions to the National Insurance Fund, and CDZ - Central Foreign Exchange Resources - instalments). The total budget receipts reached Sk 9.0 billion, falling behind the aliquot part of the annual budget by Sk 1.4 billion. Budget expenditures were exceeded by Sk 9.0 billion.

The recorded budget deficit could not be fully covered by the issue and subsequent sale of Treasury bills.

The **net position of the Government in comparison with the banking sector** reached a level of Sk 63.1 billion. Of this volume, Sk 51.1 billion was credited by the NBS, the remaining Sk 12.0 billion was provided by commercial banks. In June, the internal debt of the Slovak Government increased by Sk 7.8 billion compared with the figure a month earlier.

#### Basic Indicators of the Construction Industry in Slovakia (in %, previous period = 100)



Source: National Bank of Slovakia

## V. INFORMATION



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- **Vladimír Masár**, Governor of National Bank of Slovakia, has signed an agreement in Japan on the issue of NBS bonds on the Samurai public bond market. The volume of issue is JPY 25 billion (over USD 250 million), the time of maturity is 5 years. The yields will be used to strengthen the foreign exchange reserves of the NBS.

This will be the first placement of NBS securities on international capital markets. The Japanese Samurai market was selected as the most advantageous market for Slovakia, for it has a structure of investors and rules different from those of Euromarket. The Japanese market offers the possibility of trading in bonds with a long-term maturity, which was one of the NBS requirements. In addition, it offers access to a large group of investors, who are potential type of issues. One of the conditions of entrance to the Samurai market is that the issuer should have an investment rating from an internationally recognized rating company. The BBB rating assigned by the Japanese rating agency Japan Bond Research Institute largely increased world interest in NBS bond issues. For prospective investors, Nomura Research Institute has prepared a comprehensive study of Slovakia. The first public placement of NBS securities has significantly contributed to the strengthening of Slovakia's foreign exchange reserves and marked the country's successful entry to the Japanese capital market.

- The Bank for International Settlements (BIS) in Basle has paid out the dividends to its shareholders for the fiscal year ending 31 March 1994, in the amount of CHF 240 per share. The National Bank of Slovakia holds 2,670 shares in this international financial institution. The payment of dividends was approved at the annual general meeting of BIS held in Basle on 13 June 1994, which was attended by NBS Governor Vladimír Masár as well.
- On 22 July 1994, the Board of IMF Executive Directors in Washington approved a SDR 115.8 million (USD 167.91 million) stand-by loan to Slovakia and the second tranche of the Systemic Transition Facility (STF) in the amount of SDR 64.35 million (USD 93.31 million). The first tranche of the stand-by loan in the amount of SDR 15.42 million (USD 22.33 million) and the second tranche of STF were transferred by the International Monetary Fund to the nostro account of the NBS on 27 July 1994.
- In August, the NBS began to release funds for the first projects of small- and medium-sized businesses. The funds obtained from the Export-Import Bank of Japan will be channelled to the entrepreneurial sector by VUB, a.s. Bratislava (General Credit Bank, Inc.).

National Bank of Slovakia  
Monetary Department  
Štúrova 2, 818 54 Bratislava  
Slovakia

Published by  
Public Relations Department  
Tel.: +42/7/364 349,210 34 05, 210 34 14  
Fax: +42/7/210 34 12