



NATIONAL BANK OF SLOVAKIA

**MONETARY SURVEY**  
**JULY 1994**

## I. THE REAL ECONOMY



NATIONAL BANK OF SLOVAKIA

Indicators		1993	1994		
			Q1	M1	July
GDP (at constant prices)	Value (Sk <sup>2/</sup> billions)	172.2	43.1	45.5**	
	Growth rate (%) <sup>1/</sup>	-4.1	3.6	5.6**	
Output <sup>1/</sup>	Industrial production (%)	-13.5	2.6	6.7	15.2
	Construction (%)	-23.8	-11.3	-11.5	-5.7
Unemployment	Number (thous. of persons)	368.1	370.5	360.0	370.4
	Unemployment rate (%)	14.4	14.5	14.1	14.5
Foreign Trade <sup>3/</sup> (f.o.b.)	Exports (Sk billions)	95.7	26.7		
	Imports (Sk billions)	125.9	33.1		
	Balance (Sk billions)	-30.2	-6.4		

<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 values, <sup>\*</sup> Q 2

Throughout July, **consumer prices** increased by 0.7% when compared with the previous month's level. In comparison with the price level at the beginning of 1994, consumer prices rose by a total of 4.9%, mainly as a result of the 1.1% increase in food prices. Prices in public catering also recorded a slight increase (0.7%), while those in services remained principally at the previous month's level (0.2% in June and 0.3% in July). The rate of increase in the prices of industrial goods remained unchanged (0.6%). When compared with the July 1993 figure, the consumer price level rose by 13.5%.

In July, the total volume of **industrial production** reached Sk 30.6 billion, representing an increase of Sk 4.0 billion (15.2%) compared with the corresponding period of last year. In comparison with the previous month's figure, however, the output of industrial production dropped by Sk 3.5 billion (11.4%). The July decline in industrial production was caused by seasonal interruptions in production, compulsory holidays, and the reduced number of shifts, which considerably influenced the volume of sales and exports.

In the evaluated month, the volume of exports amounted to Sk 12.8 billion, representing 82.5% of June's figure (less by Sk 2.5 billion), but exceeding the level recorded in the corresponding period of 1993 by 9.3% (Sk 1.1 billion).

The share of the private sector in the output of industrial production reached 55.7% (compared with 55.2% in June).

The average daily production (Sk 1,532 million) remained below last month's level by 7% (Sk 11,5 million); however, it was 21% (Sk 266 million) higher than in the corresponding period of last year. Compared with the June figure, the labour productivity per employee (Sk 51,745) dropped by 12% (Sk 7,056); however, labour productivity increased by 15.2% (Sk 6,827) in comparison with the July 1993 figure.

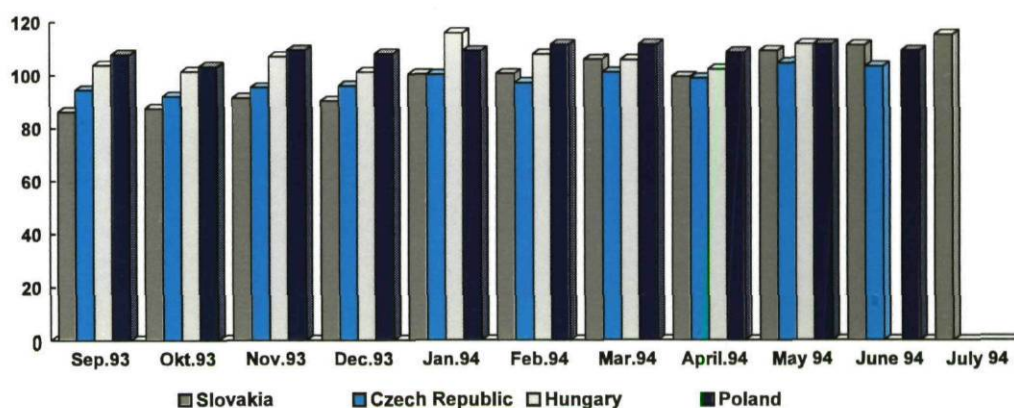
The total sales volume of companies with at least 25 employees amounted to Sk 31.7 billion, falling behind June's figure by 14.1% (Sk 4.7 billion), but exceeding the July 1993 level by 9% (Sk 2.6 billion). Compared with the June figure, the labour productivity in this category of enterprises (Sk 50,387) recorded a drop of 15.9% (Sk 9,526); however, the labour productivity in July was 14.7% (Sk 6,458) higher than in July 1993.

The output of the **construction sector** reached Sk 3.7 billion, falling behind the June level by Sk 105 million (i.e. 2.8%). In the private sector, the output dropped by Sk 44 million (i.e. by 1.5%). Compared with last July's level, the volume of construction work decreased by Sk 222 million (i.e. 5.7%). With the decline in production, the labour productivity per worker also decreased: its value in July reached only 96.1% of June's figure, and 99.4% of the level recorded in July 1993.

The volume of domestic construction projects completed by companies with at least 25 employees reached Sk 2.4 billion, which is Sk 94 million (3.7%) less than the previous month's figure, and is Sk 263 million (9.8%) below the July 1993 level.

The volume of construction work abroad (Sk 348 million) lagged behind June's figure by Sk 38 million (9.8%) and remained below the July 1993 level by Sk 84 million (31.8%).

### Development of Industrial Production (same period of previous year = 100) (in %)



Source: NBS

The number of registered unemployed increased by 10.4 thousand, reaching 370.4 thousand at the end of July. The **rate of unemployment** increased to 14.5%. The number of unemployed school-leavers and university graduates grew by 9.4 thousand and totalled 58.6 thousand. The number of newly registered unemployed increased to 34.5 thousand, while the number of newly employed (removed from the register) dropped to 6.2 thousand. The number of vacancies amounted to 11.4 thousand. The number of unemployed persons per vacancy dropped to 32.5.

The highest rates of unemployment were reported in the districts of Rimavská Sobota (27.1%), Rožňava (24.7%), and Vranov nad Topľou (23.8%). The lowest unemployment rates were recorded in Trenčín (7.2%) and Bratislava (4.3%).



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## II. THE EXTERNAL ECONOMY

Indicators	1993	1994		
		Q1	M1	July
Current Account <sup>1/</sup> Balance in convertible currencies (Sk billions)	-21.1*	-4.1		
Foreign Exchange Reserves <sup>2/</sup> (USD millions)				
Banking system	1,402.2	1,490.2	1,851.3	2,280.2
Commercial banks	952.7	1,015.7	1,162.1	1,159.4
NBS <sup>3/</sup>	449.5	474.5	689.2	1,120.8
Gross Foreign Debt <sup>2/</sup> (USD billions)	3.6	3.6	3.6	4.0
Average Exchange Rates <sup>4/</sup>				
SKK/USD	32.968	33.160	32.806	31.511
SKK/DEM	19.283	19.241	19.389	20.075

1/ Cumulative values, 2/ End of period, 3/ including gold at a book value of 42.22 USD/oz, 4/ Exchange rate midpoint,\*/ Revised date

At the end of May, Slovakia's total **consolidated balance of payments** reached a surplus of Sk 2.6 billion. This result was due primarily to the favourable balance of the current account (Sk 1.0 billion), and the capital and financial account deficit (Sk -0.3 billion).

The favourable current account balance was mostly a result of the services balance and the favourable development of foreign trade, with exports exceeding imports by Sk 0.4 billion. The balance of services produced a surplus in convertible currencies and trade with the Czech Republic as a result of the favourable development in transportation and travel.

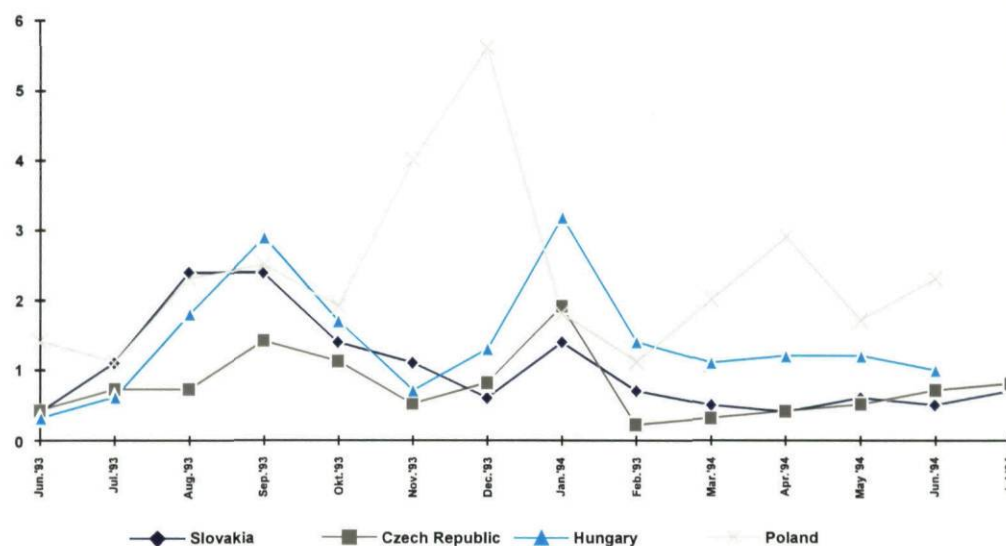
The low capital and financial account deficit was a result of the favourable balance of the long-term financial account, which was caused mainly by transactions in the field of fully convertible currencies.

At end-July 1994, the **total foreign exchange reserves** of the National Bank of Slovakia reached USD 1,120.8 million (USD 1,066.3 million excluding gold), representing an increase of USD 431.6 million compared with the previous month's level. The development of NBS reserves were affected by the following factors:

- the issue of NBS bonds in the amount of JPY 25,000 million (approx. USD 254.5 million),
- the drawing of the second tranche of an STF loan (Systemic Transformation Facility) from the International Monetary Fund in the amount of SDR 64.4 million (approx. USD 93.3 million),
- the drawing of the first tranche of a stand-by loan from the IMF in the amount of SDR 15.4 million (roughly USD 22.4 million),
- the USD 112.1 million surplus in the NBS foreign exchange fixing,
- the USD 30.8 million increase in the volume of accepted deposits.

### Development of Consumer Prices (previous period = 100)

(in %)



Source: NBS

### III. MONETARY DEVELOPMENTS



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Indicators	1993	1994			
		Q1	M1	July	
Inflation Rate	Monthly (%) <sup>1/</sup>	25.1	2.6	-0.1 <sup>7/</sup>	0.7
	Yearly (%) <sup>2/</sup>				4.9
Money Supply M2 <sup>3/</sup> (%) <sup>7/</sup>	18.1 <sup>4/</sup>	-2.4			2.4
Credits from Commercial Banks (%) <sup>7/</sup>	13.0 <sup>4/</sup>	-1.8	-2.3		-2.2
Deposits with Commercial Banks (%) <sup>7/</sup>	18.3 <sup>4/</sup>	-5.0	-1.8		0.7
Discount Rate (%) <sup>5/</sup>	12.0	12.0	12.0		12.0
Lombard Rate (%) <sup>6/</sup>	14.0				13.8
Average Interbank Deposit Interest Rates					
SKIBOR(%)					
		16.73 <sup>8/</sup>	20.00	20.82	8.33
		17.20 <sup>8/</sup>	20.54	21.47	9.29
		17.50 <sup>8/</sup>	20.73	21.89	10.34
		17.86 <sup>8/</sup>	20.90	22.34	12.18

<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> Monthly average

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

<sup>8/</sup> Average for the 2nd half of 1993

Revised data

At the end of July, the money supply of the Slovak economy expressed by the **monetary aggregate M2** reached Sk 259.2 billion, representing an increase of Sk 6.2 billion (2.5%) compared with the end-of-month figure for June 1994.

Increases were recorded in both basic components of the money supply. Compared with last month's figures, the **monetary aggregate M1** grew by Sk 4.9 billion (4.6%), while **quasi-money** recorded a Sk 1.3 billion (0.9%) increase. At the end of July, the money supply was Sk 6.0 billion higher than at the beginning of the year.

A breakdown of M1 indicates that the amount of currency in circulation outside banks experienced an increase of Sk 1.2 billion, reaching Sk 31.0 billion at the end of July. A more significant growth was recorded in the volume of demand deposits, which increased by Sk 3.7 billion, i.e. 4.9%, in July (without the extrabudgetary resources of the government sector), reducing their total decline since the beginning of the year to Sk 11.4 billion.

At the end of July, the amount of quasi-money reached Sk 148.4 billion, representing 57.3% of the total money supply. Compared with last month's level, money supply grew by Sk 1.3 billion (0.9%). Time deposits held in crowns recorded an increase of Sk 0.4 billion (0.4%). The foreign currency deposits of residents grew by Sk 0.9 billion (2.6%) and reached Sk 35.0 billion at the end of July, representing an increase of Sk 6.5 billion compared with the figure recorded at the beginning of the year (converted at the current rate of exchange).

The **crown deposits** of non-bank entities reached Sk 204.1 billion, representing an increase of Sk 5.0 billion compared with the previous month's level. The total decline in crown deposits from the beginning of 1994 to the end of July dropped to Sk 4.8 billion.

The increase in crown deposits is attributable to the Sk 3.1 billion monthly increase in the volume of deposits held by public sector enterprises, the Sk 0.9 billion growth of private sector deposits, the Sk 0.8 billion increase in the deposits of central and local authorities, and the Sk 0.6 billion growth in deposits held by households and individuals. The deposits of organizations under foreign control and those not incorporated into sectors dropped by Sk 0.4 billion.

At end-July 1994, the **foreign currency deposits** of residents and non-residents totalled Sk 36.5 billion, representing an increase of Sk 1.0 billion compared with last month's level. In comparison with the figure recorded at the beginning of the year, the volume of these deposits increased by Sk 6.7 billion.

The **total volume of crown and foreign currency deposits** increased by Sk 6.0 billion, reaching Sk 240.6 billion at the end of July.

At end-July, the **total volume of crown and foreign currency loans** reached Sk 262.9 billion, representing an increase of Sk 0.3 billion in comparison with the previous month. The volume of foreign currency loans experienced a Sk 0.8 billion increase. The total volume of loans recorded a decline of Sk 6.0 billion compared with the figure for the beginning of the year.

The July decline in the volume of **crown loans** consisted of decreases in loans extended to the public sector (Sk -0.5 billion), loans to the private sector (Sk -0.2 billion), and in lending to households (Sk -0.2 billion). The volume of crown loans extended to central and local authorities remained unchanged. Loans and advances to organizations under foreign control and those not included in sectors experienced a Sk 0.4 billion increase.

**Loans in foreign currency** increased by Sk 0.8 billion, reaching Sk 11.6 billion at the end of July. Compared with the level at the beginning of the year, the volume of these loans increased by Sk 3.5 billion.

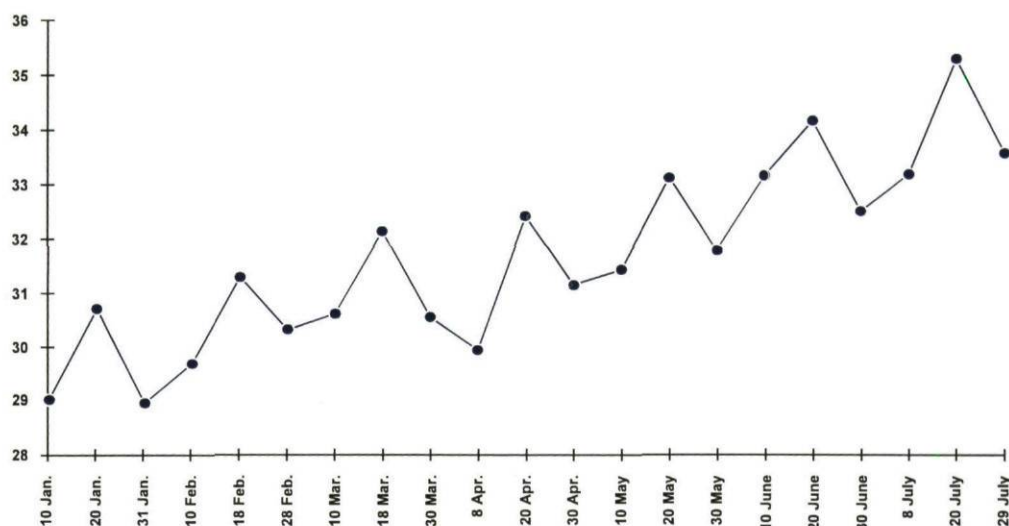
For the third quarter of 1994, the credit limit for bank lending to companies and households was set at Sk 269.2 billion, which represented both an increase of Sk 10.9 billion compared with the actual recorded amount of loans at end-June 1994 and a growth of Sk 4.4 billion compared with the credit limit set for the second quarter.

In July, the credit limit allowed commercial banks to extend loans in the total amount of Sk 266.3 billion. This limit was utilized to 98.1%, i.e. Sk 4.9 billion remained undrawn (after taking into account the NBS reserves in the amount of Sk 3.5 billion).

At the end of July, the volume of loans and advances granted to enterprises and households by the banking sector remained below the initial level by Sk 1.9 billion. In comparison with the same period of last year, the volume of these loans increased by Sk 4.0 billion.

#### Currency in Circulation

(Sk billions)



Source: NBS

Of the **total volume of refinancing funds** (Sk 4.1 billion) provided by 31 July 1994, auction refinance loans comprised Sk 1.5 billion (36.6%), Lombard loans represented Sk 1.9 billion (46.3%), and bills of exchange deals accounted for Sk 0.7 billion (17.1%).

In July, the average rate of interest on auction refinance loans reached a 13.9%. The average interest rate on Lombard loans dropped from 18.9% in June to 13.8% in July.

Refinancing funds offered through bills of exchange deals for the support of agriculture were utilized at 48.5%, and those earmarked for export promotion at 58.8%.

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

For the month of July, the **required minimum reserves** were set at Sk 12.9 billion for the whole banking sector. The reserve requirement was fulfilled to 93.8%, i.e. the actual volume of reserves reached Sk 12.1 billion.

In the course of July, the Ministry of Finance of the SR floated five regular issues of **Treasury bills** (one of them with a maturity of 12 weeks). The number of issues negotiable on the market increased to seven and their total volume reached Sk 14.5 billion by the end of July. The average interest rate on auctioned Treasury bills with four weeks' maturity was 10.23%, representing the lowest rate since the beginning of the year.

In July, new issues were placed on the capital market. On the stock market, trading began in newly issued VÚB, IRB, and Slovnaft shares, and in the Slovak Insurance Company's shares from the portfolio of the National Property Fund. Government bonds of the 006 issue represented the most liquid securities, their total volume traded on the capital market reached Sk 376.3 million. The price of these bonds ranged from 103.0% to 103.1%.

In July, the total volume of trading (in bonds and shares) on the Bratislava Stock Exchange (BCPB) increased by Sk 1,011 million compared with that of the previous month.

#### IV. THE GOVERNMENT SECTOR

Indicators		1993	1994		
			Q1	M1	July
Budget Revenues <sup>1/</sup>	(Sk billions)	144,5	32,5	67,8	81,3
Budget Expenditures <sup>1/</sup>	(Sk billions)	167,5	38,5	78,3	91,9
State Budget Balance	(Sk billions)	-23,0	-6,0	-10,5	-10,6

<sup>1/</sup> Cumulative values

In July, the budget revenues and expenditures increased proportionately by some Sk 13.5 billion. In the revenue section of the state budget, the most favourable results were achieved in the area of tax revenues collected from legal entities and private persons (they exceeded the aliquot part of the annual budget by Sk 4.7 billion), while VAT revenue fell by Sk 2,4 billion, and consumer tax



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revenue dropped by Sk 1.0 billion. The total budget revenue was fulfilled at 60.4%, i.e. exceeding the expected level by Sk 2.8 billion.

The budget expenditures were affected by Slovakia's clearing account balance with the Czech Republic (Sk 12.2 billion). On 31 July 1994, the total budget deficit of the Slovak Republic reached Sk 10.6 billion, which represented a credit balance of Sk 3.9 billion in the accounts of the state budget with the National Bank of Slovakia, while the volume of issued and sold Treasury bills was Sk 14.5 billion. At the end of July, the state budget of the SR showed a surplus of Sk 1.6 billion, after subtracting the expenditures associated with clearing with the Czech Republic.

The internal debt of the Government vis-a-vis the Banking sector reached a level of Sk 62 billion. Of this amount, the National Bank of Slovakia credited Sk 44.7 billion, the remaining Sk 17.3 billion was provided by commercial banks.



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## V. INFORMATION

- In the second week of September, Bratislava hosted the G-24 Conference, which was attended by 120 delegates from 19 member countries of the Organization for Economic Cooperation and Development. The agenda of the conference included questions concerning the Slovak Republic's financial and monetary policy and its support by supra-national financial institutions. NBS Governor Vladimír Masár devoted his contribution to the restructuring of the Slovak financial sector, the positive resolution of bad debts, and the strengthening of Slovakia's foreign exchange reserves.
- From September 5 to 13, 1994, a World Bank mission led by Mr. Khan paid a working visit to the National Bank of Slovakia. The main goal of the mission was to discuss questions concerning the drawing of the Economic Recovery Loan and the alternative possibilities of drawing the remaining part of the loan.
- On 23 September 1994, the documents necessary for the drawing of the next tranche of the Economic Recovery Loan in the amount of USD 29.6 million were sent to the World Bank. The World Bank will release this amount to the nostro accounts of the NBS at the beginning of October 1994.
- On 6 September 1994, NBS Vice-Governor Marian Justko received Mr. Andre Bascoul, Member of the General Secretariat of the Bank for International Settlements (BIS) and Executive Director of the "Centre for Eastern European Countries and International Organizations", which coordinates the technical assistance provided by Western central banks to the banking sectors of Central and Eastern European countries.
- At the end of September, the Export-Import Bank of Japan approved further Slovak commercial banks, which are to channel a two-step loan to the National Bank of Slovakia for the support of small and medium-sized businesses in Slovakia. The following banks have been selected: Tatra banka, a.s., Slovenska poľnohospodárska banka, a.s., and CSOB, a.s. branch office for Slovakia.
- Economic development in the SR and the results achieved in the first half of 1994 show some signs of recovery and indicate that Japan's financial circles are interested in the Slovak economy. This is evident from the negotiations held between the Long-Term Credit Bank of Japan, Ltd., Fuji Bank, Ltd., Nippon Credit Bank, Ltd., and the representatives of the NBS and Slovak ministries. The foreign partners have initiated further talks, which are already underway.

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