



NATIONAL BANK OF SLOVAKIA

MONETARY SURVEY
SEPTEMBER 1994

I. THE REAL ECONOMY

Indicators		1993	1994				
			Q1	H1	July	Aug.	Sep.
GDP (at constant prices)	Value (Sk ^{2/} billions)	172.2	43.1	45.5 ^{1/}			
	Growth rate (%) ^{1/}	-4.1	3.6	5.6 ^{1/}			
Output ^{1/}	Industrial production (%)	-13.5	2.6	6.7	15.2	7.5	6.2
	Construction (%)	-23.8	-11.3	-11.5	-5.7	-0.4	-1.0
Unemployment	Number (thous.of persons)	368.1	370.5	360.0	370.4	366.5	363.5
	Unemployment rate (%)	14.4	14.5	14.1	14.5	14.4	14.3
Foreign Trade ^{3/4/} (f.o.b.)	Exports (Sk billions)	95.7	26.7	60.5	72.1	83.0	95.2
	Imports (Sk billions)	125.9	33.1	68.0	81.5	93.6	106.8
	Balance (Sk billions)	-30.2	-6.4	-7.5	-9.4	-10.6	-11.6

^{1/} Change compared with the corresponding period of last year, ^{2/} Sk - abbreviation of the Slovak crown, ^{3/} Cumulative values, ^{4/} Convertible currencies, ^{5/} Q2

In September, Slovakia's **inflation rate** increased considerably. In comparison with the previous month's level, the rate of inflation was 2.4% higher, representing an increase of 8.8% since the beginning of the year, and 12.3% compared with the figure for the corresponding period of last year.

The growth of **consumer prices** was due primarily to changes in VAT rates, excise tax and tariff rates, and increases in the prices of coffee, Pharmaceuticals, heat, hot water, telecommunications services, as well as increases in the prices of industrial and agricultural goods. The unfavourable development of agriculture was reflected in the undesirable increases in the prices of meat, meat products, potatoes, fruit, and vegetables.

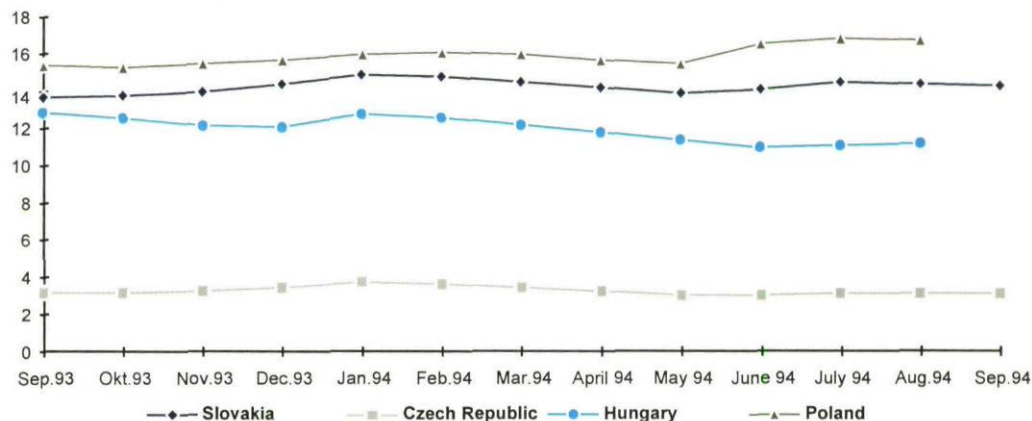
The September growth of consumer prices was mainly a result of the 6.3% increase in food prices, representing a growth of 9.4% compared with the price level recorded two months earlier. Prices in public catering rose by 1.9% compared with the previous month's level. The prices of services rose by 1.1%, while the price level of industrial goods recorded an increase of 0.7%.

In September, the number of registered unemployed fell by 3 thousand, totalling 363.5 thousand. This is 4.7% more than the figure recorded in the corresponding period of last year. The **rate of unemployment** reached 14.3% in September. A positive development was the increase in the number of vacancies to nearly 13 thousand. The number of unemployed per vacancy was 28.

The highest rates of unemployment were reported in the districts of Rimavská Sobota (28.3%), Vranov nad Topľou (25.1%), and Košice (24.8%). The 20% limit was exceeded in 10 other districts.

Unemployment by Country

(as % of labour force)



Source: Central Statistical Office of the SR, NBS

September was the most productive month in 1994 in **industrial production**, reaching a total volume of Sk 34.3 billion. Compared with last month's figure, the output of industrial production increased by Sk 1 billion (1.4%), exceeding the September 1993 level by Sk 2 billion (6.2%).

The volume of industrial production in the private sector reached Sk 19.9 billion, exceeding the previous month's figure by Sk 790 million (2.5%), and that of September 1993 by Sk 1.5 billion (8.1%). The private sector's share of the total output of industrial production reached 58%.

The other related economic indicators characterize the development of industrial production as follows:

- the average daily production (Sk 1.7 billion) reached its highest level since the beginning of the year, exceeding the August figure by 11.5% (Sk 202 million),
- the productivity of labour per employee (Sk 58,113) recorded a growth of 1.7% (Sk 971) compared with the previous month's figure, exceeding the September 1993 level by 5.4% (almost Sk 3,000),
- the total sales volume of companies with at least 25 employees amounted to Sk 35.6 billion, exceeding the August figure by Sk 1.5 billion (2.8%), and that of September 1993 by Sk 1.3 billion (3.8%),
- the volume of exports reached Sk 15.4 billion, i.e. 43.3% of the total sales. In comparison with August's level, exports increased by 7.0% (Sk 1.2 billion), exceeding last September's figure by 11.0% (Sk 1.5 billion),
- the average monthly wages in companies with at least 25 employees (Sk 6,418) fell below the August level by 0.8%. Compared with the corresponding period of last year, Slovak workers' pay increased by 18.7%, while per-capita labour productivity grew only by 4.8%.



NATIONAL BANK OF SLOVAKIA



NATIONAL BANK OF SLOVAKIA

The output of the **construction sector** reached Sk 4.2 billion in September, exceeding last month's figure by Sk 316 million (7.2%), but falling behind the September 1993 level by Sk 42 million (1%).

The share of the private sector in the total output of the construction industry increased from 65.8% in January to 76.0% in September. The volume of foreign construction orders carried out by companies with at least 25 employees totalled Sk 577 million, exceeding the previous month's figure by Sk 181 million (45.7%). The volume of domestic construction work (Sk 2.8 billion) was 10.5% (Sk 285 million) higher than in August.

The average monthly wages in construction (Sk 6,799) remained below August's level by 2.4% (Sk 167), while labour productivity per worker increased by 12.5%, i.e. Sk 3,483 in absolute terms. In comparison with September 1993, construction workers' average monthly pay increased by 15.8% (Sk 928), while the per-capita productivity of labour grew by 8.4% (Sk 2,430).

II. THE EXTERNAL ECONOMY

Indicators	1993	1994				
		Q1	H1	July	Aug.	Sep.
Current Account ^{1/} Balance in convertible currencies (Sk billions)	-21.1	-4.1	-2.4	-3.1	-2.7	
Foreign Exchange Reserves ^{2/} (USD millions)						
Banking system	1,402.2	1,490.2	1,851.3	2,280.2	2,423.3	2,701.9
Commercial banks	952.7	1,015.7	1,162.1	1,159.4	1,131.7	1,242.4
NBS ^{3/}	449.5	474.5	689.2	1,120.8	1,291.5	1,459.5
Gross Foreign Debt ^{2/} (USD billions)	36	3.6	3.6	4.0	4.1	4.1
Average Exchange Rates ^{4/}						
SKK/USD	32.968	33.160	32.806	31.511	31.423	31.249
SKK/DEM	19.283	19.241	19.389	20.075	20.087	20.142

^{1/} Cumulative values, ^{2/} End-of-period figures, ^{3/} Including gold at a book value of 42.22 USD/oz, ^{4/} Exchange rate midpoint

The overall **balance of payments** for the first seven months of 1994 reached a surplus of Sk 22.3 billion, representing an increase of Sk 14.3 billion compared with the first half of the year. This favourable development was mainly a result of two transactions effected in the course of July:

- the drawing of IMF loans (the second tranche of an STF loan in the amount of USD 94 million, i.e. approx. Sk 2.9 billion, and a stand-by loan in the amount of USD 22 million, i.e. approx. Sk 711 million);
- the issue of NBS bonds on the Samurai public bond market in the amount of USD 250 million (approx. Sk 8 billion).

At the end of July, the trade balance recorded a deficit of Sk 1.0 billion, while the shortfall in convertible currencies recorded a Sk 2 billion increase compared with the figure for June.

The current account surplus (Sk 9.7 billion) was mainly a result of the favourable balance of services. The surplus of the services balance (Sk 4.5 billion) was due primarily to the Sk 2.5 billion increase in the favourable balance of tourism.

The capital and financial account generated a deficit of Sk 5.7 billion, as a result of the short-term capital transfers and the clearing account balance with the Czech Republic.

At end-September 1994, the **total foreign exchange reserves of the NBS** reached USD 1,459.5 million (or USD 1,315.3 million excluding gold and holdings of SDRs), representing an increase of USD 168 million compared with the previous month's level.

III. MONETARY DEVELOPMENTS

Indicators	1993	1994				
		Q1	H1	July	Aug.	Sep.
Inflation Rate						
Monthly (%) ^{1/}				0.7	1.4	2.4
Yearly (%) ^{2/}	25.1	2.6		4.9	6.3	8.8
Money Supply M2 ^{3/} (%) ^{7/}	18.1 ^{4/}	-2.4	-0.1	2.4	3.7	5.1
Credits from Commercial Banks (%) ^{7/}	13.0 ^{4/}	-1.8	-2.3	-2.2	-1.6	-1.5
Deposits with Commercial Banks (%) ^{7/}	18.3 ^{4/}	-5.0	-1.8	0.7	2.3	3.1
Discount Rate (%) ^{5/}	12.0	12.0	12.0	12.0	12.0	12.0
Lombard Rate (%) ^{6/}	14.0			13.8	13.1	13.1
Average Interbank Deposit Interest Rates SKIBOR (%)						
1-day deposits	16.73 ^{8/}	20.00	20.82	8.33	7.00	6.60
7-day deposits	17.20 ^{8/}	20.54	21.47	9.29	7.98	7.75
14-day deposits	17.50 ^{8/}	20.73	21.89	10.34	8.97	9.15
1-month deposits	17.86 ^{8/}	20.90	22.34	12.18	11.55	11.65

^{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

At the end of September, the **money supply** of the Slovak economy expressed by the **monetary aggregate M2** reached Sk 266.1 billion, representing an increase of Sk 3.4 billion (1.3%) compared with the previous month's figure. Increases were recorded in both basic components of the money supply (monetary aggregate M1 and quasi-money).



NATIONAL BANK OF SLOVAKIA

The **monetary aggregate M1** grew by Sk 2.7 billion (2.4%) mainly as a result of an increase (Sk 2.2 billion) in quick-moving demand deposits, reaching Sk 82.9 billion at the end of September (excluding the extrabudgetary resources of local authorities). At the same time, the amount of currency in circulation outside banks increased by Sk 0.5 billion. At the end of the month, the volume of currency in circulation reached Sk 32.3 billion, representing a growth of Sk 7.2 billion since the beginning of the year.

Quasi money - the second basic component of the money supply - recorded an increase of Sk 0.7 billion (0.5%) compared with last month's level. The increase was a result of the Sk 1.0 billion growth in crown time deposits. The foreign currency deposits of Slovak residents (converted at the current rate of exchange) dropped by Sk 0.3 billion, representing 23.7% of the total volume of quasi-money.

The **crown deposits** of nonbank entities in commercial banks continued to grow in September. At the end of September, the volume of deposits in crowns reached Sk 209.3 billion, representing an increase of Sk 2.2 billion compared with the previous month's figure.

The growth of crown deposits is attributable to increases in deposits held by the sectors of private enterprises (Sk 1.4 billion), public enterprises (Sk 0.5 billion), and other organizations of the corporate sector (Sk 0.3 billion). The increases were partly affected by the Sk 0.9 billion drop in the extrabudgetary deposits of central and local authorities.

For the first time in 1994, the **foreign currency deposits** of residents and nonresidents experienced a decline of Sk 0.2 billion (0.5%) in September. At the end of the month, the volume of these deposits totalled Sk 37.1 billion, representing an increase of Sk 7.3 billion compared with the figure recorded at the beginning of the year.

At the end of September, the total volume of **deposits in crowns and foreign currencies** reached Sk 246.4 billion, representing a total increase of Sk 7.7 billion (3.2%) since the beginning of the year.

The volume of **crown credits** recorded a slight increase (Sk 0.2 billion) in September. The total domestic credit reached Sk 252.2 billion, representing a decline of Sk 8.6 billion (index 96.7%).

A sectoral breakdown of domestic credit indicates that the decline in crown credits consisted of decreases in public sector loans (Sk -0.9 billion) and loans extended to households and individuals (Sk -0.3 billion). In comparison with last month's figures, private sector loans increased by Sk 1.1 billion, loans to central and local authorities grew by Sk 0.2 billion, and loans to other enterprise sector organizations recorded an increase of Sk 0.1 billion.

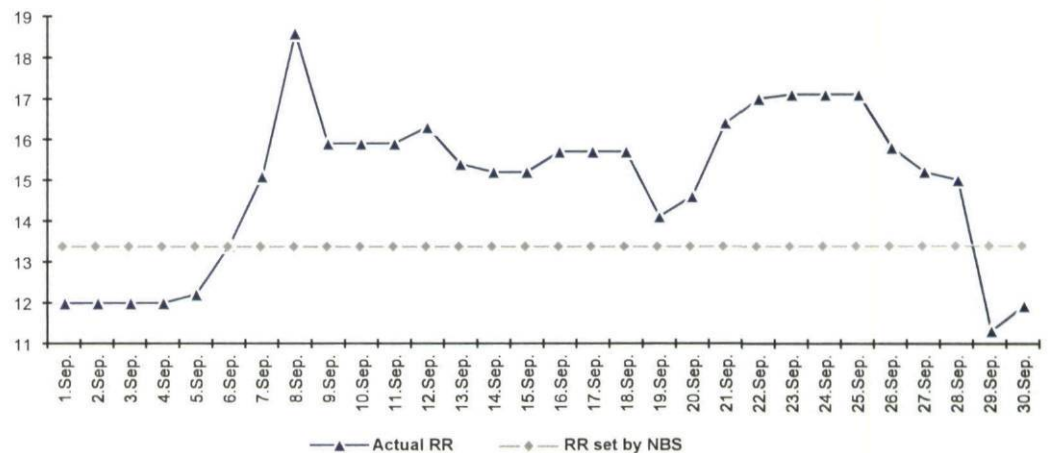
In September, **credits in foreign currency** increased by Sk 0.1 billion, reaching Sk 12.6 billion by the end of September. Compared with the level at the beginning of the year, the volume of foreign currency loans grew by Sk 4.5 billion.

At the end of September, the total volume of credit in crowns and foreign currencies reached Sk 264.8 billion.

For the third quarter of 1994, the credit limit for **bank lending to households and enterprises** was set at Sk 269.2 billion, of which Sk 2.5 billion was set aside as reserves. The credit limit allowed commercial banks to make loans and advances in an amount exceeding the actual volume of loans recorded at end-September 1994 by Sk 6.5 billion, i.e. 97.6% of the credit limit.

Development of Required Reserves

(Sk billion)



Source: NBS

Bills of exchange deals (especially for the support of agriculture) were the only form of refinancing applied in September. The bills of exchange limit was increased from Sk 1.5 billion to Sk 2.0 billion. By the end of September, refinancing funds for the support of agriculture were utilized at 48.9%. Refinancing funds offered for export promotion through bills of exchange deals amounted to Sk 750 million, which were utilized at 66.9%. Bills of exchange discounted for the support of privatization totalled Sk 7.5 million. The total volume of refinancing funds reached Sk 1.5 billion at the end of September.

In the course of September, **redistributional issue resources** were drawn in the total amount of Sk 33.4 billion.

For the month of September, the level of **required reserves** was set at Sk 13.4 billion for the whole banking sector. The minimum reserve requirement was fulfilled to 111.1%, i.e. the actual average volume of reserves reached Sk 14.9 billion.



NATIONAL BANK OF SLOVAKIA

In the course of September, the Ministry of Finance of the SR floated five regular issues of Government Treasury bills on the **money market**. The total volume of **Treasury bills** increased to Sk 18.7 billion, representing the greatest volume of Treasury bills traded in the short-term securities market since the beginning of the year. After a slight initial increase, the average interest rates on Treasury bills dropped abruptly at the last auction held in September (to 7.04%), despite the considerable volume of auctioned Treasury bills.

The **capital market** developments can be characterized by new issues of government bonds, a concentration of capital in several companies, and the announced sale of shares from the portfolio of the National Property Fund.

In September, the subscription of government bonds of the 008 issue continued. By the end of September, the volume of subscribed bonds reached Sk 4.46 billion.

At end-September 1994, the net position of the economy vis-a-vis the NBS was as follows:

- the **net foreign exchange position** improved by Sk 4.8 billion (36.1%) as a result of increases in both assets and liabilities ;
- the **net debit balance of commercial banks** decreased by Sk 0.07 billion (the liabilities were reduced to Sk 21.7 billion);
- the **net debt of the government sector** decreased by Sk 3.6 billion (to Sk 42.8 billion).

IV. THE GOVERNMENT SECTOR

Indicators		1993	1994				
			Q1	H 1	July	Aug.	Sep.
Budget Revenues ^{1/}	(Sk billions)	144.5	32.5	67.8	81.3	90.7	101.2
Budget Expenditures ^{1/}	(Sk billions)	167.5	38.5	78.3	91.9	105.7	118.4
State Budget Balance	(Sk billions)	-23.0	-6.0	-10.5	-10.6	-15.0	-17.2

^{1/} Cumulative values

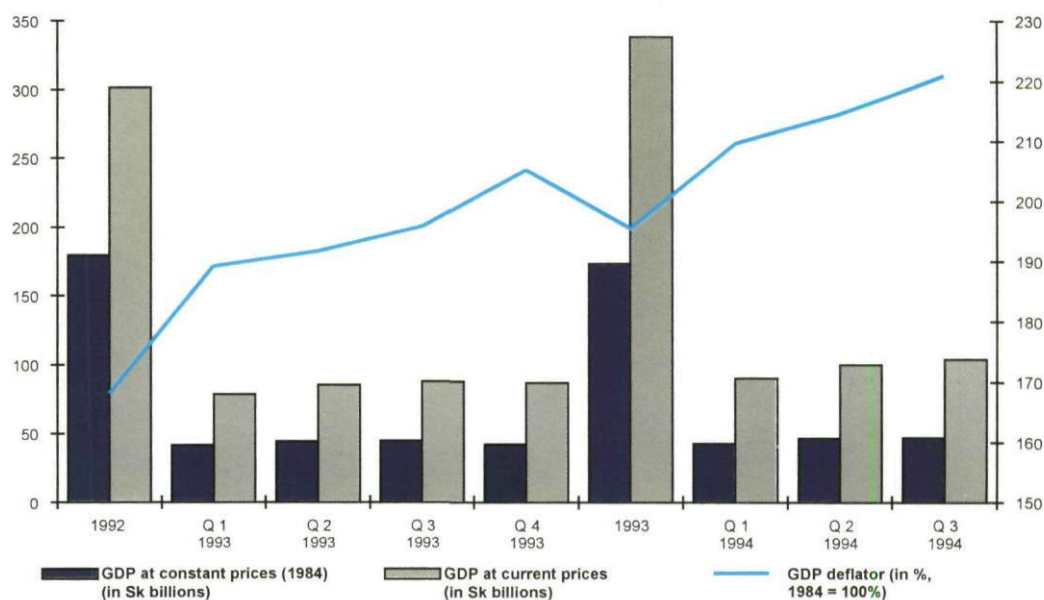
In September, the **state budget deficit** increased by Sk 2.2 billion as a result of Slovakia's increasing balance surplus in the clearing account with the Czech Republic. The equivalent of Sk 3.1 billion, by which the credit limit was exceeded by end-September, was repaid by the Czech National Bank on 4 October 1994.

The total budget revenue increased by Sk 10.5 billion compared with the previous month's figure. The total budget revenue from the beginning of 1994 was fulfilled at 75.1% in accordance with the aliquot part of the annual budget.

The budgeted expenditure was exceeded by Sk 6.8 billion as a result of Slovakia's clearing account balance with the Czech Republic. After deducting this amount, the budget expenditure remained below the budgeted level by Sk 8.7 billion, especially in the non-investment expenditures of budgetary organizations (Sk 9.6 billion). On the other hand, investment expenditures, and the subsidies to local governments were exceeded by Sk 0.8 billion and Sk 0.1 billion respectively. The "net" deficit of the state budget (excluding the amount that Slovakia credited to the Czech Republic at end-September 1994) reached Sk 7.5 billion.

At the end of September, the **internal debt of the Government vis-a-vis the banking sector** reached a level of Sk 68.2 billion, representing an increase of Sk 3.6 billion compared with the previous month's level. Of this amount, the National Bank of Slovakia credited Sk 42.8 billion, the remaining Sk 25.4 billion was provided by commercial banks.

Development of GDP and GDP Deflator (Sk billions)



Source: Central Statistical Office of the SR, NBS

V. INFORMATION

- Vladimír Masár, Governor of the National Bank of Slovakia, took part in the regular meeting of central bank governors held by the Bank for International Settlements (BIS) in Basle in the second week of November. The main topics discussed at the meeting were structural changes in central banks and their internal organization.
- On 9 November, the Ministry of Finance of the Slovak Republic floated another issue of government bonds in the amount of Sk 3.5 billion to cover the 1993 budget deficit. The maturity of these bonds is 15 months and the annual yield was set at 10.9%.
- On 10 November 1994, NBS Governor Vladimír Masár paid an official visit to Hungary. He took part in a conference on the "Transformation of the Financial System", which was held on the occasion of the 70th anniversary of the Hungarian National Bank.
- From 3 to 16 November 1994, Mr Byung Kyoon Jang, an expert from the Department of Republican Economic Data of the Statistical Division of the International Monetary Fund, was on a working visit to the Monetary Department of the NBS as a part of the IMF's technical mission to Slovakia. The aim of the mission was to ensure the regular reporting of NBS data on the Slovak economy and their subsequent publication in the IMF Statistical Survey next year.
- On 8 November 1994, the first tranche of the Apex Global Loan in the amount of ECU 4.2 million was drawn from the European Investment Bank. The total amount of the Apex Global Loan (ECU 28 million) is to be drawn by August 1996. The second tranche of the loan is expected to be drawn in December 1994.



NATIONAL BANK OF SLOVAKIA

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