



NATIONAL BANK OF SLOVAKIA

MONETARY SURVEY
NOVEMBER 1994

I. THE REAL ECONOMY



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Indicators		1993	1994				
			Q1	M1	Q3	Oct.	Nov.
GDP (at constant prices)	Value (Sk ^{2/} billions)	172.2	43.1	89.9	47.2		
	Growth rate (%) ^{1/}	-4.1	3.6	4.4	3.7		
Output ^{1/}	Industrial production (%)	-13.5	2.6	6.7		10.7	8.3
	Construction (%)	-23.8	-11.3	-11.5		-1.3	1.3
Unemployment	Number (thous. of persons)	368.1	370.5	360.0	363.5	359.9	363.0
	Unemployment rate (%)	14.4	14.5	14.1	14.3	14.1	14.3
Foreign Trade ^{3/4/} (f.o.b.)	Exports (Sk billions)	95.7	26.7	60.5	95.2		
	Imports (Sk billions)	125.9	33.1	68.0	106.8		
	Balance (Sk billions)	-30.2	-6.4	-7.5	-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

The official data of the Slovak Bureau of Statistics show that **consumer prices** in November rose by 0.7%, compared with the previous month's level. In comparison with December 1993, the price level increased by 10.9%.

Food prices increased by 0.5%, major upsurges were recorded in the prices of eggs and egg products (9.4%), sugar (9.9%), sweets and confectionary products (4%). Prices of leather products increased by 1.1%, and those of textile products by 0.9%. Prices in public catering rose by 1.3%, mainly in restaurants (by 2.0%). The services sector recorded a 0.4% price increase, mainly in recreational, healthcare, and social welfare facilities (by 1.4%). Compared with the corresponding period the year before, the overall November price increase was 11.7%.

The upward trend in industrial output which began in July continued in November. The monthly **volume of industrial output** worth Sk 38.5 billion was higher than in any other month in 1994. Compared with last month's figure, the output of industrial production increased by 5.2% (Sk 1.9 billion), exceeding the November 1993 level by 8.3% (almost Sk 3 billion). The total industrial output from the beginning of the year reached Sk 366.3 billion.

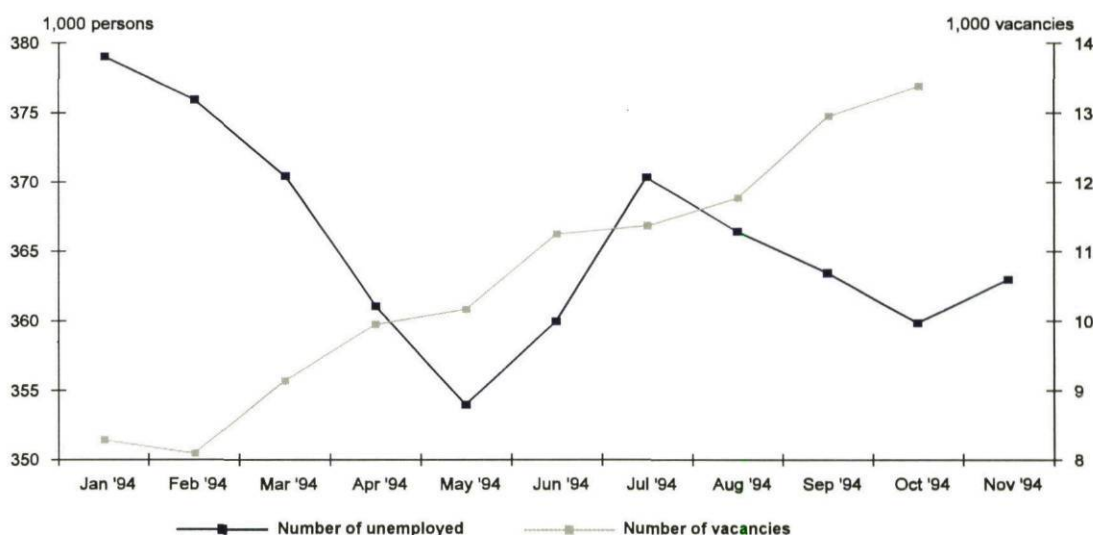
In November, the average daily production (Sk 1.8 billion) reached the highest level since the beginning of the year, whereas privately owned companies proved more vital than those in the public sector. Compared with the October level, the average daily output rose by 5.2% (Sk 91 million), exceeding the November 1993 figure by 13.4% (by Sk 217 million).

The average monthly salaries in companies with at least 25 employees reached Sk 8,118, exceeding their October level by 22.7% (Sk 1,502). Compared with the figure for the corresponding period in 1993, the average monthly wages increased by 17.2% (Sk 1,191).

The productivity of labour per employee (Sk 65,426) in this category of companies surpassed the previous month's figure by 6% (Sk 3,703), and that of November 1993 by 5.3% (Sk 3,293).

The total volume of industrial sales in November reached Sk 40.2 billion, exceeding the October figure by 5.9% (Sk 2.2 billion), and that of November 1993 by 2.9% (Sk 1.1 billion). The volume of exports amounted to Sk 16.6 billion, representing 41.4% of November's total sales. Compared with last month's level, exports increased by 6.7% (Sk 1 billion), and were 8.8% (Sk 1.3 billion) higher than in November 1993.

Numbers of Unemployed and Employment Vacancies in Slovakia



Source: Slovak Bureau of Statistics

The **output of the construction sector** reached Sk 4.2 billion, exceeding the October figure by 0.6% (Sk 25 million), and that of November 1993 by 1.3% (Sk 54 million). The total value of construction work since the beginning of the year reached Sk 38.4 billion, representing 94.6% of the figure recorded in the corresponding period of 1993 (a shortfall of Sk 2.2 billion). The average daily production (Sk 199 million) surpassed October's figure by 0.6%, and that of November 1993 by 6.1%.



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Domestic construction output in companies with at least 25 employees reached Sk 2.9 billion, exceeding the October figure by 12.8% (Sk 333 million), and that of November 1993 by 1.3% (Sk 38 million). The volume of foreign construction orders amounted to Sk 421 million, representing only 94.6% of the October figure, but exceeding the November 1993 level by 16.0%.

Compared with October, the average monthly wages in construction reached Sk 7,786, exceeding last month's level by 12.7% (Sk 880), and that of November 1993 by **16.7%** (Sk **1,114**). This development, however, did not correspond with the trend in labour productivity per employee (Sk 30,908), which rose only by 1.8% compared with October's figure, and by 7.9% in comparison with that of November 1993.

In November, the number of unemployed rose by 3,100, totalling 363,000. The **rate of unemployment** reached 14.3%; the number of newly registered unemployed increased by 1,100 due to the rescindment of non-productive jobs and the decline of 5,700 in the number of those recently removed from the register. The number of vacancies remained unchanged. The number of recently employed fell by more than 1,200. There were 1,800 new openings in the sector of public services and public work.

II. THE EXTERNAL ECONOMY

Indicators	1993	1994				
		Q1	M1	Q3	Oct.	Nov.
Current Account ^{1/} Balance in convertible currencies (Sk billions)	-21.1	-4.1	-2.4	-4.1		
Foreign Exchange Reserves ^{2/} (USD millions)	1,402.2	1,490.2	1,851.3	2,701.9	2,927.1*	2,920.5
Banking system	952.7	1,015.7	1,162.1	1,242.4	1,368.2*	1,325.9
Commercial banks	449.5	474.5	689.2	1,459.5	1,558.9	1,594.6
NBS ^{3/}						
Gross Foreign Debt ^{2/} (USD billions)	3.6	3.6	3.6	4.1		
Average Exchange Rates ^{4/}						
SKK/USD	32.968	33.160	32.806	31.395	30.885	31.061
SKK/DEM	19.283	19.241	19.389	20.101	20.288	20.201

^{1/} Cumulative values, ^{2/} End-of-period figures, ^{3/} Including gold at a book value of 42 22 USD/oz., ^{4/} Exchange rate midpoint, ^{5/} Revised data

At end-November, the **total foreign exchange reserves** of the NBS reached USD 1,594.6 million, representing an increase of USD 35.7 million compared with the previous month's level. The growth of reserves was positively affected by a transfer made by the Czech Republic for exceeding the credit limit in the clearing account, the favourable balance of NBS foreign exchange fixing, the drawing of the next tranche of the IMF stand-by loan, and the increased volume of accepted deposits. The development of resources was negatively influenced by debt service expenditures, regular payments to the IMF, other expenses, and the payment of principal on an IMF loan.

III. MONETARY DEVELOPMENTS

Indicators	1993	1994				
		Q1	M1	Q3	Oct.	Nov.
Inflation Rate						
Monthly (%) ^{1/}					1.3	0.7
Yearly (%) ^{2/}	25.1	2.6	4.1	4.6	10.2	10.9
Money Supply M2 ^{3/} (%) ^{7/}	18.1 ^{4/}	-2.4	-0.1	5.1	7.6	8.7
Credits from Commercial Banks (%) ^{7/}	13.0 ^{4/}	-1.8	-2.3	-1.5	-0.5	0.7
Deposits with Commercial Banks (%) ^{7/}	18.3 ^{4/}	-5.0	-1.8	3.1	5.8	7.8
Discount Rate (%) ^{5/}	12.0	12.0	12.0	12.0	12.0	12.0
Lombard Rate (%) ^{6/}	14.0				13.1	13.1
Average Interbank Deposit Interest Rates						
SKIBOR (%)						
1-day deposits	16.73 ^{8/}	20.00	20.82	7.28	3.82	3.75
7-day deposits	17.20 ^{8/}	20.54	21.47	8.32	4.80	4.45
14-day deposits	17.50 ^{8/}	20.73	21.89	9.47	5.92	5.13
1-month deposits	17.86 ^{8/}	20.90	22.34	11.78	7.94	6.29

^{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 November, the money supply of the Slovak economy expressed by the **monetary aggregate M2** amounted to Sk 275.4 billion, representing an increase of Sk 3,0 billion (1.1%) compared with the previous month's figure. The development of the basic components in the money supply widely varied.

The increase in the **monetary aggregate M1** (by Sk 3.0 billion, 2.5%) was mainly a result of the Sk 2.5 billion rise in fast-moving demand deposits, and the Sk 0.5 billion increase in the volume of currency in circulation outside banks (cash on hand in enterprises, households, post offices, etc.). By the end of November, the volume of M1 aggregate reached Sk 119.5 billion.

Within the framework of **quasi-money**, time deposits in crowns grew by 0.2%, while foreign currency deposits dropped by 0.5%. At the end of November, the volume of quasi-money amounted to Sk 155.9 billion.

The favourable development of **primary crown deposits** of nonbank entities with commercial banks and the NBS continued in November. At the end of November, the volume of crown deposits



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reached Sk 219.1 billion, representing an increase of Sk 5.4 billion compared with last month's figure, and Sk 10.2 billion since the beginning of the year. The increase included extra-budgetary deposits of central and regional authorities (Sk 2.6 billion) and the private enterprise sector (Sk 1.5 billion).

Crown deposits of households increased by Sk 1.3 billion and deposits held by non-sector legal entities, and companies under foreign control increased by Sk 0.8 billion. Compared with October, the deposits of state-owned enterprises fell by Sk 0.8 billion.

The increase in crown deposits included deposits from Slovak banks (38.9%), Slovak banks with foreign capital participation (37.0%) and branches of foreign banks (24.1%).

For the second time in 1994 (first time in September), the volume of **foreign currency deposits** recorded a Sk 0.2 billion decrease in November bringing total deposits to Sk 38.6 billion; compared with the figure at the beginning of 1994, the volume of deposits increased by Sk 8.8 billion.

At the end of November, the volume of crown and foreign currency deposits totalled Sk 257.7 billion, representing an increase of Sk 19.0 billion since the beginning of the year.

Compared with October, the total volume of bank **credit in crowns** increased by Sk 2.0 billion, reaching Sk 256.6 billion at end-November. Since the beginning of the year, the volume of loans dropped by Sk 4.2 billion.

The development of crown credits by sector was differentiated. The most significant increase (Sk 3.3 billion) was recorded in loans allocated to the private sector. Loans to non-sector entities and companies under foreign control increased by Sk 0.5 billion. The volume of credit extended to central and local authorities recorded a month-to-month increase of Sk 0.3 billion. Credit extended to state-owned enterprises fell by Sk 1.9 billion, and loans to the household sector dropped by Sk 0.2 billion.

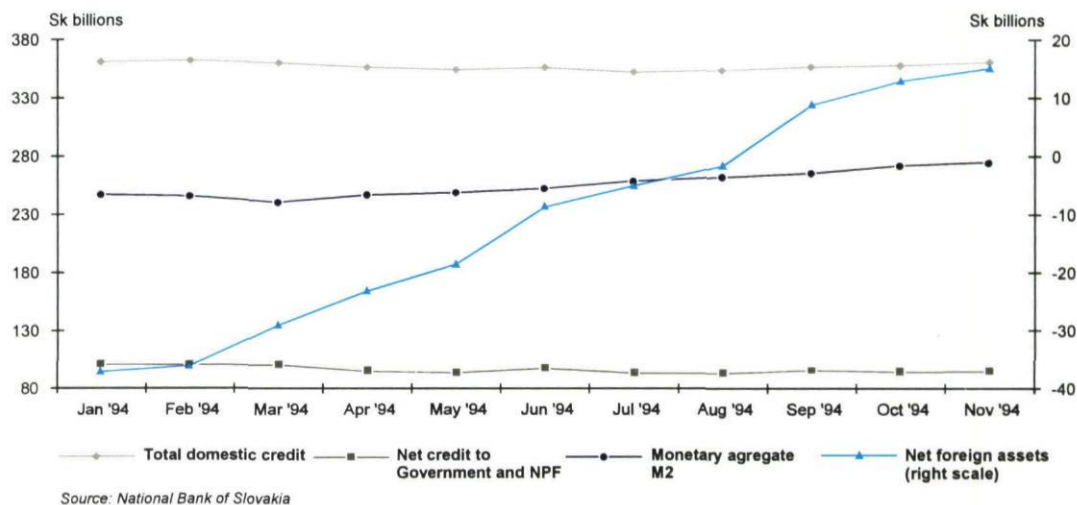
In November, **foreign currency loans** increased by Sk 1.3 billion, reaching Sk 14.3 billion by end-November 1994. Compared with the figure recorded at the beginning of the year, the volume of foreign currency loans increased by 76.5%.

By the end of November, the volume of risk-bearing loans increased by 165.0% (compared with their level at the beginning of the year), representing a month-to-month increase of Sk 4.5 billion (5.1%). This negative development, however, was not adequately offset by the increase in possible coverage resources.

In October, the average interest rates on crown deposits remained at last month's level, i.e. 9.41%. Compared with September, the average interest rates on the total volume of crown credits dropped by 0.10 percentage point, i.e. to 14.58%, and the average interest rates on loans fell by 1.08 points and reached 18.53%.

The development of interest rates reflected the change in volume of credit extended; therefore, the interest rates applicable to short-term loans dropped by 1.21 percentage points to 18.59%, and medium-term lending rates fell by 1.14 points to 18.81%. The credit margin of commercial banks slightly fell from 5.27 points in September to 5.17 points in October.

Development of the Money Supply



By 30 November, the balance of the NBS increased by Sk 5.0 billion (2.8%), in comparison with the end-October figure.

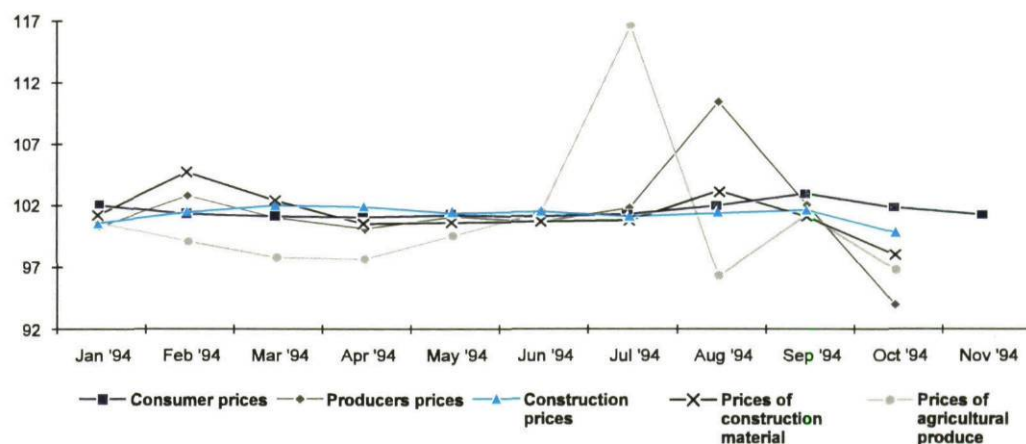
In **assets**, the most dominant increase was recorded in foreign currency assets (deposits with foreign banks, and securities denominated in convertible currencies), which showed a Sk 6.6 billion month-to-month increase (14.7%). Receivables from domestic banks rose by a total of Sk 0.7 billion, of which receivables in convertible currency represented Sk 0.5 billion and receivables in non-convertible currency amounted to Sk 0.2 billion.

Receivables from the state budget fell by Sk 3.4 billion, whereas state financial liabilities dropped by Sk 3.5 billion, and the stock of government securities increased by Sk 0.1 billion. Other assets experienced an increase of Sk 1.1 billion.

In **liabilities**, the volume of currency in circulation rose by Sk 0.9 billion. Liabilities to foreign banks and securities in convertible currencies increased by Sk 2.2 billion (by 11.2%). Deposits from

domestic banks rose by Sk 0.9 billion (5.3%), mainly owing to the increased reserve requirements. Liabilities to the state budget dropped by Sk 0.7 billion. The budget deficit dropped by Sk 1.0 billion (44.6%). Government funds increased by Sk 0.3 billion (by 103.5%). Other liabilities grew by Sk 1.8 billion.

Trends of Individual Prices (in %, previous period = 100)



Source: Slovak Bureau of Statistics

Owing to increases in assets and liabilities, the net foreign exchange position improved by Sk 4.5 billion, resulting in a favourable balance of Sk 9.6 billion. Compared with the previous month's figure, the net debt of the government sector dropped by Sk 2.7 billion, to Sk 38.2 billion.

For the 4th quarter of 1994, the credit limit for bank lending to households and enterprises was set at Sk 276.2 billion, of which Sk 1.8 billion was set aside as reserves. By 30 November 1994, commercial banks utilized this limit to 95.9% by making loans in the total amount of Sk 265.0 billion.

The total volume of bank credit was earmarked as follows:

- credit allocated under the binding credit limits to five major banks. The volume of these loans amounted to Sk 227.5 billion (the monthly credit limit was utilized at 97.4%),
- credit allocated under preliminary credit limits to other commercial banks and branches of foreign banks in the amount of Sk 37.5 billion (91.7% of the monthly credit limit was used).

Since the commercial banks have had enough liquid assets, the NBS provided refinancing funds to the banking sector only through discount loans in the form of bills of exchanges rediscounted for the support of agriculture, and bills of exchanges discounted for the promotion of domestic exports. Of the total volume of bills of exchange deals, rediscounting represented 82.8%, discounting 44.2%, with a falling tendency to utilize funds offered by the NBS.

For November, **required minimum reserves** were set at Sk 13.7 billion for the whole banking sector. The actual monthly average volume of reserves reached Sk 14.8 billion (the minimum reserve requirement was fulfilled to 108.04%).

In November, the Ministry of Finance of the SR floated two **Treasury bill** issues each with a 9.5-month maturity. At the first auction, the issuer satisfied 73.2% of the demand; at the second, only 64.6% of the total demand. The volume of the first Treasury bill issue amounted to Sk 3.5 billion (average interest rate 8.92%), and that of the second issue was Sk 2.5 billion (average interest rate 8.99%). The average rate of interest on the one-month issue (worth Sk 4.4 billion) was 3.52%. By the end of the month, the average volume of negotiable Treasury bills represented Sk 17.8 billion.

The subscription of **government bonds** (issue No. 009) to cover the 1993 state budget deficit started in November. The total demand represented Sk 8.31 billion in nominal value. The issuer accepted Sk 3.52 billion in nominal value, i.e. 42% of the total demand. In total, bonds worth Sk 3,526.047 million were sold at the auction. The maximum price was Sk 10,234, the average price Sk 10,017, and the minimum Sk 9,965, with a corresponding minimum yield of 8.9%, an average yield of 10.75%, and a maximum yield of 11.2%.

IV. THE GOVERNMENT SECTOR

Indicators	1993	1994				
		Q1	M1	Q3	Oct.	Nov.
Budget Revenues ^{1/} (Sk billions)	144.5	32.5	67.8	101.2	113.0	124.0
Budget Expenditures ^{1/} (Sk billions)	167.5	38.5	78.3	118.4	128.8	140.7
State Budget Balance (Sk billions)	-23.0	-6.0	-10.5	-17.2	-15.8	-16.7

^{1/} Cumulative values

After a temporary decline in October, the **state budget deficit** in November recorded an increase of Sk 0.9 billion, falling behind the aliquot part of the 1994 budget deficit by Sk 0.2 billion. Value added tax revenues remained below the budgeted level by Sk 0.4 billion (Sk 4.4 billion since the beginning of the year). The corporate income tax revenue for 11 months surpassed the aliquot part of the annual budget by Sk 1.9 billion, and the personal income tax revenue exceeded the budgeted level by Sk 1.7 billion.



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After excluding the effect of clearing with the Czech Republic, the total budget expenditures remained below the budgeted level by Sk 11.0 billion, especially the non-investment expenditures of budgetary organisations. By the end of November, the net state budget deficit (excluding the amount credited to the Czech Republic under clearing trade) totalled Sk 7.1 billion at end-November.

At the end of November, the internal debt of the Government vis-a-vis the banking sector reached a level of Sk 67.5 billion, representing an increase of Sk 0.8 billion, compared with the previous month's level. Of this amount, the NBS receivables represented Sk 38.2 billion, and those of commercial banks amounted to Sk 29.3 billion.



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V. INFORMATION

- The Slovak Guarantee Bank, a state-owned financial institution established for the support of small- and medium-sized businesses, has provided support for 1,456 business projects. The total value of these business projects amounted to Sk 3.9 billion. The Bank's primary function is to provide bank guarantees for credits extended by commercial banks, rather than making direct loans to small and medium-sized entrepreneurs. Depending on the type of a guarantee programme, the Slovak Guarantee Bank may assume 75 to 85% collateral of the principal amount. These support programmes enable the Bank to offer guarantees for loans granted for capital investments or for operating purposes. In 1994, the Bank introduced the following new programmes: Programme for Small Hydro Power Plant Construction and Reconstruction, and the Programme for the Development of Combined Transportation. There are two other programs specially designed for small and medium-sized entrepreneurs in agriculture: the Programme for the Support of Agricultural Businesses, and the Programme for the Support of Seasonal Agricultural Work.
- On 15 December 1994, Creditanstalt, a.s., Bratislava started its operations in the Slovak financial market. Creditanstalt became one of the eight banks with a full foreign exchange licence operating in the Slovak Republic. Creditanstalt a.s. Bratislava is 100% owned by its parent company Creditanstalt, Wien; its equity capital amounts to Sk 300 million. The Bank provides services to commercial banks as well as private customers. However, the Bank focuses on commercial customers. In Central Europe, Creditanstalt is represented by daughter banks in Prague, Warsaw, Budapest, Lyublyana, and has branch offices in Munich, Singapore, New York, London, and Hong Kong.
- Members of the Credit Card Association - VÚB, IRB, Tatra banka, Poštová banka, Poľnobanka, ČSOB, Agrobanka, Ľudová banka, Istrobanka, Priemyselná banka, Banka Hana, and COOP Banka have made an agreement on the use of shared automated teller machines (ATMs). According to this agreement, cash card owners will be able to draw cash from any cash machine owned and operated by these banks throughout Slovakia. Credit cards may be used for payments in shops, hotels and petrol stations with POS terminal cash machines. At present, there are 33 POSs in Slovakia; by year-end this number should rise to more than 500. At present, the credit card users of Slovenska sporiteľňa a.s. (Slovak Savings Bank) cannot enjoy the advantages of the common network.
- On 20 January 1995, the Slovak Government held a three-day meeting with representatives of the Employers' Association, trade unions, banks, and the corporate sector in Soporna (in the Galanta district). Agenda topics included the social and economic development of Slovakia. Besides Prime Minister Vladimir Mečiar, deputy prime ministers Katarina Tóthova, Sergej Kozlík, and Juraj Kalman took part in the meeting. Also present were NBS Governor Vladimir Masár, Jozef Markuš, Chairman of Matica Slovenska, and other important representatives from finance, business, and science.

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