



NÁRODNÁ BANKA SLOVENSKA

# ANNUAL REPORT 1997



NÁRODNÁ BANKA SLOVENSKA

# ANNUAL REPORT 1997

Published by:

Národná banka Slovenska  
Štúrova 2  
818 54 Bratislava  
Slovakia

Public Relations Department  
Tel.: ++421 / 7 / 513 3501, 513 3547  
Fax: ++ 421 / 7 / 362 171

Internet: <http://www.nbs.sk>

## Contents

Foreword.....	1
A. The External Economic Environment.....	5
1. The World Economy.....	7
1.1 Global Trends.....	7
1.2 Overseas Developments.....	8
1.3 Western Europe.....	9
1.4 Meeting the Maastricht Criteria in EU Countries.....	10
2. Economic Development in Central European Transition Economies.....	13
B. Report on Monetary Development in the SR in 1997.....	17
1. Economic Development.....	19
1.1 Price Development.....	19
1.2 Gross Domestic Product.....	23
2. Balance of Payments.....	32
2.1 Current Account.....	32
2.2 Capital and Financial Account.....	34
2.3 Development of Foreign Exchange Reserves.....	35
2.4 The External Debt of the SR and its Servicing.....	37
2.5 Licensing Activity of the NBS.....	38
3. The Public Sector.....	41
4. Monetary Policy and Monetary Development.....	45
4.1 Monetary Development.....	45
4.2 Structure of the Money Supply.....	48
4.3 Bank Lending.....	50
4.4 Interest Rate Development.....	51
4.5 Implementation of Monetary Policy.....	53
4.6 Instruments of Monetary Policy.....	56
4.7 Monetary Calendar.....	58
5. Financial Markets.....	61
5.1 Money Market.....	61
5.2 Capital Market.....	66
5.3 Foreign Exchange Market.....	69
C. Banking Supervision in 1997.....	73
1. Development of the Banking Sector.....	75
2. Characteristics of the Banking Sector.....	76
3. Evaluation of Prudential Banking.....	77
3.1 Amendments to Prudential Banking Decrees.....	77
3.2 Capital Adequacy.....	77
3.3 Credit Exposure.....	78
3.4 Liquidity.....	79
3.5 Foreign Exchange Positions.....	79
3.6 Classification of Claims.....	80
D. Issuing Activity of the NBS and Currency Circulation in 1997.....	81
1. Issues of Slovak Banknotes and Coins.....	83
1.1 Currency in Circulation.....	83
1.2 Banknotes and Coins in Circulation in Proportion to Total Cash Supply.....	85
2. Counterfeit Money Seized in the Slovak Republic.....	87
2.1 Slovak Currency Counterfeits.....	87
2.2 Foreign Currency Counterfeits.....	87
2.3 Appraisal of Damaged Slovak Banknotes.....	88

E. International Activities.....	89
1. Cooperation with the European Union.....	91
2. Cooperation with International Institutions.....	92
F. Auditors' Report.....	95
G. Appendices.....	111

## Foreword

In 1997, the monetary policy of the National Bank of Slovakia aimed at maintaining the internal and external stability of the national currency, while restraining the development of monetary aggregates and adopting a new system of liquidity management in the banking sector. At a stable level of exchange rates, the country's inflation reached 6.4%, gross domestic product at constant prices grew by 6.5%, the budget deficit increased to Sk 37 billion, and the deficit in the current account of the balance of payments fell to 6.9% of GDP, according to preliminary data from the Statistical Office of the SR. In 1997, the rate of unemployment rose by 0.4 points, to 13.0%. Over the course of the year, the structure of gross domestic product gradually improved in favour of foreign demand, which may be regarded as a favourable development despite the slower growth in real economy in comparison with 1996.

In 1997, the chief priority of the country's monetary policy was to restrict the growth of domestic demand with a view to reducing the deficit of foreign trade. On the part of the central bank, the level of domestic demand can be best influenced by regulating the lending activities of commercial banks, which represent a source of disposable funds for the economy. In 1997, the modification of the central bank's monetary-policy instruments was based mainly on the quantitative operative management of liquidity in the Slovak banking sector. The gradual application of new monetary-policy measures as part of the overall monetary strategy of the National Bank of Slovakia, based on the regulation of the growth in the money supply and the provision of credits to the government sector, households and enterprises, was driven by the intention to renew the equilibrium of the country's economy.

The slowdown in the rate of growth in monetary aggregates and the prudent monetary policy favourably influenced development of consumer prices as well, where the accelerating price increase in the tradable sector during the last quarter of 1997, induced by a rise in the import surcharge from zero to 7% (which was not taken into account when the monetary programme for 1997 was prepared), was not reflected significantly in the development of other components of the consumer basket.

In comparison with the previous year, the funds allocated by the banking sector for the economy were employed mostly in the public sector, which thus became the main source of growth for the money supply. The surplus of demand for financial resources over supply led to a rise in the level of interest rates, as a result of which private investments are being replaced by government investments in accordance with the forecasts of the National Bank of Slovakia.

The increased volatility and price of money were due to the situation on the foreign exchange market in May 1997, when the National Bank of Slovakia managed to maintain the stability of the Slovak crown's exchange rate, by restricting the refinancing of commercial banks, which is a basic precondition for the transformation of the Slovak economy.

The continued high rate of investment during the previous year was realised mostly in infrastructural projects with long-term rates of return. The process of restructuring in the microeconomy did not accelerate substantially even in 1997, with regard to the lower share of investment in the modernisation of technological elements. During the period to come, the growing deficit of trade may negatively influence the level of the Bank's official reserves and the external debt of the SR. The net external debt - calculated as the difference between gross external debt, i.e. US\$ 9.9 billion, and foreign assets, i.e. US\$ 8.0 billion, reached US\$ 1.9 billion at the end

of December 1997. At the end of 1996, Slovakia's net external debt amounted to US\$ 0.7 billion.

In 1997, twenty-nine banking entities were operating in the Slovak banking sector. Of this number, twenty-four banks had the legal form of a joint stock company, two banks had been established as state-owned financial institutions, and four as branches of foreign banks.

The process of restructuring of transforming banks failed to achieve the parameters set by the National Bank of Slovakia. The process was affected by the situation on the money market; the present state of legislation in the field of accounting, tax regulations, and the possibilities for out-of-court settlement.

At the end of 1997, the National Bank of Slovakia imposed receivership upon Investičná a rozvojová banka, a.s. Bratislava (Investment and Development Bank), the first Slovak bank to experience this. The reason behind this decision was the deterioration in the bank's liquidity situation, caused mainly by unsolved problems in the structure of the loan portfolio, which is dominated by bank loans granted before delimitation. The economic results of the bank were also influenced by the behaviour of the main shareholders.

The year under review saw the establishment of EXIMBANKA SR, the Export-Import Bank of the Slovak Republic, charged with supporting foreign trade through providing export guarantees for Slovak entities and granting import and export credits.

The results achieved in 1997 indicate that the selected monetary policy was correct. The high level of interest rates, the low nominal and negative real increase in bank lending in 1997, however, limited, or even exhausted, the span necessary for the implementation of monetary policy, which in turn calls for the adoption of further measures in economic and fiscal policies. Interest rates can be best lowered by means of a conservative fiscal policy, which represents, at the same time, indirect support for the development of the private sector. The transformation of the economy; restructuring of the microsphere; adoption of sophisticated measures for strengthening the competitiveness of the economy; reducing import levels; encouraging domestic savings; supporting direct foreign investment, and reducing the involvement of the public sector in the economy, are crucial to the maintenance of the crown's exchange rate; reduction in price inflation, and improvement in the structure of gross domestic product in favour of foreign demand.

May 1998



Vladimír Masár  
Governor



#### Members of the Bank Board

from left:

Ján Mathes, Executive Director, Currency Division

Jozef Mudrík, Vice-Governor

Vladimír Masár, Governor

Marián Jusko, Vice-Governor

Elena Kohútiková, Executive Director, Monetary Division

Jozef Magula, Director, General Relations Department

A. The External Economic

Environment

# 1. THE WORLD ECONOMY

## 1.1 Global Trends

Forecasts for the development of the world economy in 1997 held that the year concerned would see the continuation of the long-term trend of global growth and general relative stability. In principle, the forecasts proved correct: the increase in real global output (GDP) reached 3% and the global rate of consumer-price inflation 4.2%. Within the major regions of the world economy, however, there occurred some marked deviations from the forecasts, including several unexpected events.

A marked deviation from the forecasts, positively influencing the advancement of the world economy, was recorded primarily in the development of the US economy, where the rate of growth further accelerated in contrast with the expected slowdown, as the top of the business cycle was supposed to have been reached in 1996. On the contrary, the rate of economic growth in Japan failed to accelerate in 1997, despite the signs of recovery from recession during the previous year. The long-term relative stability of the basic trends of development in the individual centres of the world economy and their contributions to the process of globalisation, was disturbed by the financial crisis that hit the countries of East Asia during the second half of 1997. In 1997, the development of the world economy was more or less unaffected by this event. The consequences of the crisis may, however, spread to other regions in the area if not the rest of the world.

In 1997, economic development on the European continent was determined by the generally favourable situation in overseas areas, and by the process of European integration. Within the European Union, which is already standing on the threshold of the final phase of preparation for monetary union, the fulfilment of the Maastricht criteria of financial stability in the individual member states remained the centre of attention. In terms of wider differentiation among the associated countries of Central and Eastern Europe, their positions in respect of prospects for serious talks about accession to the European Union have clarified.

The CEFTA group of Central European countries, except the Czech Republic and Rumania, achieved a higher rate of growth in output than western European economies. However, the rate of price inflation was higher than in western Europe, though in countries with two-digit inflation in the long run (Poland, Hungary), a certain reduction was achieved. Owing to the favourable climate in the area of external demand, the deficits in the balance of payment current accounts of these countries were usually lower than the previous year's figures. For the first time since the split of the former USSR, the Russian economy recorded a slight growth in output in 1997.

The favourable economic development in advanced industrial countries was also supported by moderate price developments on the world's leading commodity markets. First of all, a continuous fall was recorded in the price of crude oil, the stocks of which were replenished in Europe and the USA after a marked decline in 1996. At the end of December 1997, the price of crude oil (Brent - North Sea Oil) stood at US\$ 16.92 per barrel, that is 27.4% less than the figure recorded in December 1996.

There was a moderate rise in world prices of other commodities; the aggregate increase reaching roughly 2%. This increase was due mainly to a rise in the level of food prices, while the prices of non-food raw materials showed a tendency to fall. Therefore, despite an appreciation in the value of the dollar, the prices of fuels and raw materials imported into the main centres of final production had no significant effects on the level of consumer prices on domestic markets.

In 1997, the trend that determined the development of international foreign exchange markets was the strengthening of the dollar against all major currencies - the German mark and other currencies within the European exchange rate mechanism, as well as against the British pound and the Japanese yen. The strong exchange rates of the US dollar and the British pound were supported by the fast rate of economic growth and macroeconomic stability in these countries. The weakening of the yen was associated, among other things, with the low level of economic activity in Japan and the unlikelihood of a substantial change. The East Asian crisis gave rise to a certain depreciation in the value of the dollar against western European currencies during the last months of the year; at the same time, the exchange rate of the yen against the dollar further deteriorated owing to the more intense impact of the crisis on the Japanese yen.

The development of share prices on the stock markets of advanced economies (excepting Japan), marked by several years of steady growth, had a more volatile character in 1997. The first half of the year saw fluctuations accompanied by a sharp fall in prices due to tighter monetary policy in the USA, and by their rapid recovery due to the continued expansion of the American economy. During the second half of the year, a marked impact on international share prices was caused by the East Asian financial crisis. The share prices on East Asian stock markets fell by an average of 40% compared with the previous peak recorded in 1997; less significant decreases were recorded in shares prices on the stock markets of major industrial countries: from 8% in the USA to 21% in Japan (from 11% to 17% in the three leading countries of western Europe). Marked price fluctuations were also recorded on the stock markets of some transforming economies.

## **1.2 Overseas Developments**

In 1997, the US economy entered the eighth year of steady growth marked by a noteworthy year-on-year increase of 3.8% in GDP, pushing the rate of unemployment down to 4.7%. The high rate of expansion was achieved at an annual inflation rate of 1.7% and under conditions of relatively high central bank rates maintained already for two years in expecting the top phase of the business cycle. Paradoxically, the East Asian crisis seemed to have a stabilising influence on the American economy: as a result of a several percent's fall in the Dow Jones index at the end of October, it was not necessary to take measures to prevent the economy from being overheated at the end of the year.

In the long run, the dynamics of economic growth have been supported mostly by domestic consumer and investment demand. Thanks to the effects of technological innovations in the most progressive segments of the economy on the level of productivity in the individual sectors, however, the high export performance of the American economy has been maintained, despite the strengthening of the US dollar during the past two years. In principle, the non-inflationary development of the economy was a reflection of the high level of trust on the part of the American society in the continuation of the ongoing trend of prosperity.

In foreign trade, the increased volume of exports was exceeded by an even higher volume of imports, resulting in a trade deficit of roughly 2% of GDP. The year-on-year increase in American imports (approx. 20%) acted as a 'locomotive' of economic revival in other regions of the world, particularly in the countries of Latin America. Furthermore, the efforts of the American administration focused on the further liberalisation of international trade and extension of the free trade zone of NAFTA (including USA, Mexico, and Canada) to the countries of Latin America.

After a promising acceleration during the previous year, the Japanese economy returned to the phase of slow growth in 1997, which has been a characteristic feature

of development during the 90ies. The 1.7% year-on-year growth in GDP has confirmed the opinion that the extensive structural changes and internationalising processes implemented in the Japanese economy and society according to the western style of industrial civilisation precludes the possibility of a return to the high rate of growth that characterised previous decades. The main factor that caused a slowdown in the rate of expansion was the fall in domestic demand in the area of consumption as well as investment. Although the discount rate was maintained at an extremely low level (0.5%), the confidence of entrepreneurs has weakened. In the sector of foreign trade, the growth in exports was not fast enough to compensate for the fall in domestic demand, despite the export promoting effects of the yen's exchange rate depreciation. During the last months of the year, however, the consequences of the financial crisis in East Asian countries became apparent. The decline in imports into these countries caused huge losses for the Japanese economy, as more than 40% of Japan's total exports is directed towards this region. With regard to the close connection between the Japanese economy and the economies of newly industrialised countries in south-east Asia, however, the financial crisis in these countries has had a far more serious impact on Japan, particularly the country's financial system, where large brokerage houses and banks have failed for bankruptcy.

The East Asian financial crisis, which erupted during the summer of 1997, hit four countries - Thailand, the Philippines, Malaysia, and Indonesia. The crisis was basically of a regional nature, as it had resulted from the weaknesses of the unified Asian model of development based on the export oriented Japanese example. At times of shortage of internal resources, it was financed from foreign credits and led to the accumulation of large amounts of foreign, especially short-term debt. The growing competition among these countries and the worsening of their export possibilities resulted in marked trade-balance deficits. Despite a growth in economic imbalances, the national currencies of these countries remained pegged to the US dollar, which led to disproportionate overvaluation of their exchange rates. Speculations against these currencies during the summer of 1997, forced the affected countries to devalue their currencies significantly (approx. 40%). The monetary crisis resulted in an abrupt fall in share prices on stock markets. Due to currency devaluation, unprepared commercial banks became practically unable to repay foreign credits denominated in dollars. This, together with a depreciation in share capital, endangered the functioning of the banking system as a whole.

Despite the regional character of the crisis, it is necessary to take into account - with regard to its potential impact on the world economy - the fact that the high rate of devaluation significantly increased the competitiveness of the affected countries on the world markets, putting producers from other countries at a disadvantage, as reflected in the case of Japan already in 1997. The international dimensions of possible negative impacts on the global economy, which might arise from the inability to localise the possible consequences of the crisis, is confirmed by the large amounts of capital injections, which will be provided to this region by international financial institutions.

### **1.3 Western Europe**

Owing to the favourable economic situation in other parts of the world, economic development in western Europe in 1997 was characterised by a faster than expected rate of growth. The year-on-year increase in GDP reached 2.6% (compared with 2% in 1996) in western Europe due mainly to extended possibilities for export provided by growing domestic demand in the USA and numerous developing countries. The export performance of western European economies was also supported by the development of exchange rates of the dollar and the Japanese yen against the German mark and other European currencies. The marked appreciation of the dollar

(and, during the first half of the year, of the yen too) contributed to the strengthening of price competitiveness of western European production.

In 1997, a characteristic feature of the entrepreneurial climate in western Europe was the persisting business cycle disharmony between Great Britain and continental Europe. For several years, the British economy has experienced the most dynamic growth among western European countries, and has been functioning in Europe - as the USA in the world - as the locomotive of growth. As the rate of GDP growth reached 3.5% in 1997 (i.e. almost the same pace as the US economy), the utilisation of production capacities in Great Britain reached a level exceeding the long-term standard and thus domestic demand stimulated the export performance of other western European countries as well. This was also supported by the high exchange rate of the British pound against other western European currencies.

In the other three major European economies (Germany, France, and Italy), the ascending phase of the cycle that began in 1996 stabilised over the course of 1997, due mainly to the above-mentioned favourable conditions for export. The rate of year-on-year growth in GDP reached 2.3% in France, 2.4% in Germany, and 1.0% in Italy. In small countries, the GDP growth reached an average of 3.2% with relatively big differences between the individual countries. A steadily high, but falling rate of GDP growth was recorded in Ireland (7.5%) and Turkey (5.2%). In most western European countries, the ascending phase of the business cycle is indirectly indicated by the dynamics of growth in industrial production, which exceeded the rate of GDP growth in 1997. The only exception was Great Britain, where industrial production was stagnant on a year-on-year basis.

Although the rate of economic growth created favourable conditions for a rise in the level of employment, employers in most countries chose another approach, such as contracts for part-time or flexible working hours. A marked increase in the number of jobs was recorded only in Great Britain and in some small countries; however, this was offset by the continued fall in the level of employment in Germany. Changes in employment did not cause, even indirectly, any substantial decrease in the average rate of unemployment, which remained at the level of previous years, i.e. roughly 10%. Although there were marked differences between the individual countries, the problem of high unemployment was most serious in Finland, France, Germany, Italy, and Spain.

In western Europe, as in overseas countries, the ongoing economic cycle continued under conditions of relative price stability: the annual rate of consumer-price inflation fell below the level of 2% over the entire region. Among the four leading western European economies, a higher rate of inflation was only recorded in Great Britain (2.9%), which can be attributed to a marked increase in domestic demand. In other countries, however, the weak consumer demand, idle production capacity, and the slow increase in wages had a downward effect on the rate of price inflation. Though the strong dollar exerted a pressure on the prices of imported commodities, the effect of this pressure on the level of consumer prices was in fact negligible under conditions of fierce competition. The trend of non-inflationary acceleration in economic growth was also supported by the favourable development of labour productivity, which acted, in combination with the moderate wage increase, as a brake on the growth of unit labour costs.

#### **1.4 Meeting the Maastricht Criteria in EU Countries**

The ascending phase of the business cycle in Western Europe created favourable conditions for the member states of the European Union, which subordinated their economic and monetary policies in 1997 to the process of fiscal stabilisation corresponding to the Maastricht criteria for accession to the European

Monetary Union. Fiscal policy remained restrictive and was aimed at bringing the annual budget deficits down to the 3% level of GDP and further improving the ratio of overall government debt towards the 60% mark of GDP.

During consolidation of budget deficits, significant progress took place in 1997: in Greece only, the budget deficit exceeded 3% of GDP. The other countries all met the Maastricht criteria, even Germany, where the issue of public finances became rather complicated for a few years after the country's reunification. The criterion of an 'adequately convincing' reduction in government debt was followed by all countries; however, only four countries managed to lower the level below 60% of GDP (Luxembourg, France, Great Britain, and Finland). In 1997, the most indebted countries of the European Union were Belgium, Greece, and Italy, where the ratio of government debt to GDP continued to exceed 100%.

Due to the tight fiscal policy, the process of convergence was successful in all indicators of monetary stability, which consequently created conditions for further financial consolidation during the last year of preparation for the monetary union.

The average 12-month rate of inflation in EU countries remained below the level of 2%, with the exception of Greece. The Maastricht convergence criterion for inflation, representing 2.7% (the average of the three lowest annual rates of inflation plus 1.5%), was met by all countries with the exception of Greece.

In 1997, noteworthy results were achieved in the approximation of interest rates in EU member states. After the marked progress made by the individual countries in this area in 1996, an additional factor that supported the advancement of this process was the decision of the German central bank to raise repo rates by 0.3%, i.e. to 3.3% in October 1997. This increase, representing a response - within the policy of fine tuning - to the long-term weakness of the German mark against the US dollar, was immediately followed by the central banks of countries with low interest rates (Austria, Belgium, Denmark, France, and Holland), which slightly raised their official interest rates as well. This mitigated demands on monetary policy in countries with high short-term interest rates, where the process of convergence required a reduction in the level of interest rates. Due to the close dependence of short-term interest rates on national monetary policies, however, short-term interest rates in numerous EU member states (Italy, Portugal, Spain, Ireland) remained several percentage points above the level of the 'lowest' rates in Germany and France in 1997.

***Fulfilment of the Maastricht criteria by EU member states***

	Inflation <sup>1/</sup>	Budget deficit /GDP	Government debt /GDP	Long-term interest rates
Germany	1.4	-2.7	61.3	5.6
France	1.2	-3.0	58.0	5.5
Italy	1.8	-2.7	121.6	6.7
Belgium	1.4	-2.1	122.2	5.7
Holland	1.8	-1.4	72.1	5.5
Luxembourg	1.4	1.7	6.7	5.6
Ireland	1.2	0.9	66.3	6.2
Austria	1.1	-2.5	66.1	5.6
Finland	1.3	-0.9	55.8	5.9
Spain	1.8	-2.6	68.8	6.3
Portugal	1.8	-2.5	62.0	6.2
Greece	5.2	-4.0	108.7	9.8
Great Britain	1.8	-1.9	53.4	7.0
Denmark	1.9	0.7	65.1	6.2
Sweden	1.9	-0.8	76.6	6.5

1/Annual average

Source: EMI

In contrast with short-term interest rates (which are not subject to the Maastricht criteria of convergence and the necessity of their approximation is dictated by the logic of a unified monetary policy and identical interest rates within the area of the

monetary union), the process of convergence in the development of long-term interest rates saw very convincing results in 1997. The range of yields earned on 10-year government bonds narrowed in general to 0.5% from the relevant 'benchmark' long-term interest rate in Germany (5.6%). The marked and effective pressure exerted in order to lower the level of long-term interest rates in some countries (especially in Italy, Spain, and Portugal) was supported by the consolidation of public finances and the low rate of inflation. This was, however, connected with the continuing hopes for the wider membership of the planned monetary union. From this point of view, it is notable that long-term interest rates in Great Britain, Denmark, Sweden, and Greece, i.e. countries that have declined to join the monetary union in the first round, remained 1.5% to 2.0% above the mentioned level even in 1997. The Maastricht criterion for long-term interest rates (the average rate on 10-year government bonds in three countries with the lowest rates of inflation, increased by 2%, i.e. 7.8%) was fulfilled by all countries with the exception of Greece.

In 1997, the European exchange rate mechanism functioned in a reliable manner: the exchange rates of most western European currencies against the German mark were relatively stable, and their fluctuations in relation to third currencies, or depreciation against the American dollar and the British pound, did not deviate in principle from the fluctuation of the German mark.

The lasting pressure of the appreciation of the US dollar against western European currencies was conditioned mostly by interest rate differentials in groups of both long-term and short-term financial assets in favour of assets denominated in dollars (for comparison: short-term interest rates in the USA in 1997 were roughly 2.5% above the level of interest rates in Germany; long-term rates on 10-year government bonds were roughly 0.5% higher in the USA than in Germany). The upward trend in the value of the dollar was also supported by continued uncertainty about the ultimate composition of the European Monetary Union (both in terms of time and the number of member states). During the last quarter, however, the exchange rate of the dollar weakened owing to the effects of the monetary crisis in south-east Asia and the consequences of monetary policy tightening in Germany.

The strong exchange rate of the British pound against continental EU currencies was maintained principally for the same reasons as against the American dollar, i.e. interest rate differentials, while the differential achieved from assets denominated in British pounds was still higher than in the case of dollar assets. A moderate fall in the exchange rates of the pound and the dollar was recorded in autumn.

## 2. ECONOMIC DEVELOPMENT IN CENTRAL EUROPEAN TRANSITION ECONOMIES

For the transition economies of Central and Eastern Europe, the year 1997 was significant as the first year of positive economic growth since the beginning of economic transformation. This development was due mainly to the achievement of the bottom of recession in Russia and the turn into a moderate growth (GDP grew by 0.4% after a 2.8% decline in 1996). The monetary upsets and natural disasters that took place during 1997, indicate that the stability of the reform economies under review is still very fragile and sensitive to external factors.

In CEFTA countries, economic growth showed signs of revival and stabilisation as early as the years 1992 to 1994; however, the level of GDP recorded at the beginning of transformation (in 1989) was reached only in Poland. Of the other member states, Slovenia came closest to this level. However, even Slovenia - the country with the strongest economic potential within the CEFTA group - has reached only 91% of the level of Greece in terms of GDP per capita in purchasing power parity.

For countries interested in joining the EU, it is vitally important, apart from approaching the level of advanced economies, to make structural changes with a view to adopting to the competitive pressure and market forces acting within the Union. An equally important task is to create adequate institutional mechanisms complying with the principles of democracy and the practical implementation of the 'acquis communautaire'. According to the opinion of the European Commission submitted to the European Parliament in July 1997, the following countries are best prepared to meet these criteria: Hungary, Poland, the Czech Republic, Slovenia, and Estonia.

### *Macroeconomic results of CEFTA countries*

	Slovakia	CR	Hungary	Poland	Slovenia	Rumania
Index of GDP growth						
1994	4.9	2.6	2.9	5.2	5.3	3.9
1995	6.8	4.8	1.5	7.0	4.1	7.1
1996	6.9	3.9	0.8	6.0	3.1	4.1
1997	6.5	1.0	3.1	6.9	3.2	-6.6
Consumer Price Index (average for the period)						
1994	13.4	10.0	18.8	32.2	19.8	136.8
1995	9.9	9.1	28.2	27.8	12.6	32.2
1996	5.8	8.8	23.6	19.9	9.7	38.7
1997	6.1	8.5	18.0	14.9	9.1	154.9
Unemployment rate (end-of-period figures)						
1994	14.8	3.2	10.9	16.0	14.2	10.9
1995	13.1	2.9	10.9	14.9	14.5	9.5
1996	12.8	3.5	10.7	13.6	14.4	6.3
1997	12.5	5.2	10.1	10.5	14.8	8.8
Balance of payments current account (% of GDP)						
1994	4.7	-0.1	-9.9	-1.1	3.7	-1.7
1995	3.7	-2.9	-6.3	-2.0	-0.0	-3.9
1996	-7.3	-7.1	-3.2	-0.4	-1.3	-6.9
1997	-6.9	-7.8	-2.1	-4.4	0.4	-5.0
State budget surplus / deficit (% of GDP)						
1994	-5.2	1.0	-7.3	-2.7	-0.2	-4.1
1995	-1.6	0.6	-2.4	-2.6	-0.0	-3.3
1996	-4.4	-0.1	-3.8	-2.8	0.3	-5.8
1997	-5.7	-1.2	-4.2	-4.0	-1.1	-4.5

Source: National Statistics

## **Gross Domestic Product**

In 1997, economic growth continued in CEFTA countries, except for Rumania, being a new member state. The most rapid growth was again recorded in Poland and Slovakia, where real GDP has increased by more than 6% during the last three years. In comparison with 1996, the rate of growth also increased in Hungary, after the country had finally overcome the period of stagnation resulting from the implementation of the stabilisation programme of 1995. In Slovenia, economic growth was maintained at the previous year's level. The problems of the Czech Republic stemming from the growing imbalance of the economy, led to a slowdown in the rate of growth. Rumania, the youngest member of the Association, focused on the recovery of the economy from a state of external and internal imbalance, which was accompanied by a decline in real GDP.

Economic growth in Poland, the Czech Republic, and Slovakia, was driven by domestic demand, though to a lesser extent than in 1996. A positive factor was the continued growth in foreign demand. In Hungary, the main pillars of economic growth were exports and the slightly increased domestic consumption. In Slovenia, the moderate economic growth was also driven by exports, while the rate of growth in domestic consumption slowed to some extent. In Rumania, domestic demand suffered a marked decline, but foreign demand remained unchanged in 1997.

## **Inflation**

In countries where year-on-year inflation reached single-digit levels, inflation rates remained virtually unchanged. With regard to the expected continuation of price deregulation, the room for a further reduction in inflation is considerably limited. In Slovakia, which achieved the lowest level of inflation among the compared countries in 1995, the rate of price inflation rose in 1997. In the Czech Republic, price development was affected by monetary instability, which led to a change in the country's exchange rate regime, and by adjustments in some regulated prices. In Hungary and Poland, the downward trend in the rate of price advance continued. With regard to the exchange rate regimes of these countries (i.e. the crawling peg), however, the rate of inflation can only be reduced at a slow pace. In Rumania, price liberalisation and renewed inflationary pressures resulted in a marked increase in the rate of consumer-price inflation.

## **State Budget**

In 1997, CEFTA countries were less successful in reducing their government budget deficits. Even in the Czech Republic and Slovenia, which officially pursued a policy of a balanced government finances, the budget deficits increased.

## **Labour Market**

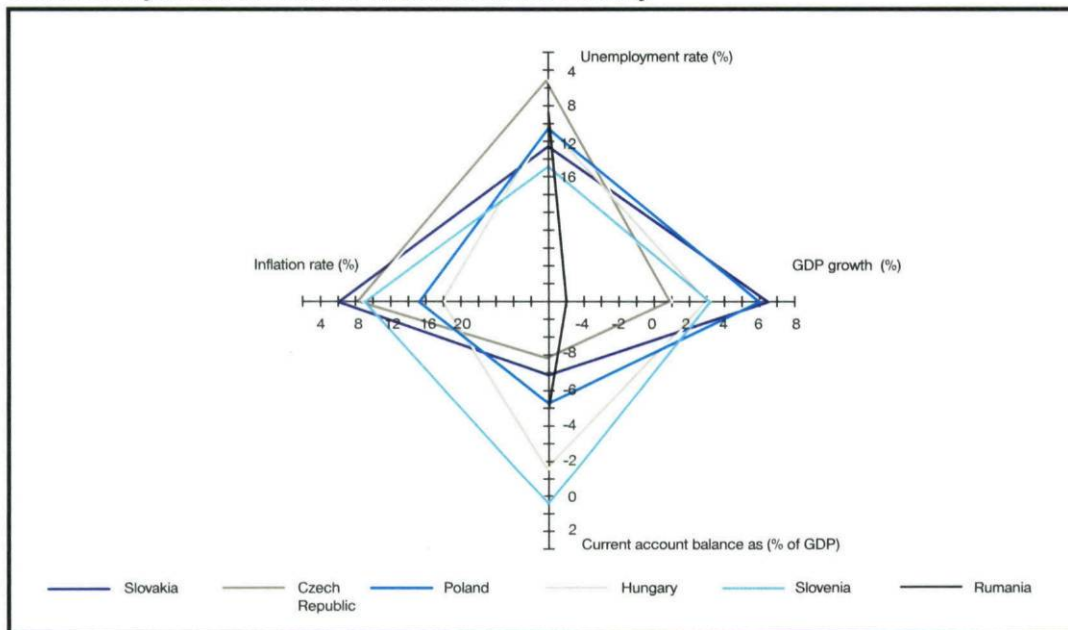
Despite the economic growth, rates of unemployment in CEFTA countries remained virtually unchanged. This clearly indicates that unemployment is of a predominantly structural nature in these countries. In 1997, a marked reduction in unemployment was reported only in Poland.

## **Foreign Trade**

The ominous increase in the size of trade deficits in the CR and Slovakia at the beginning of the year necessitated the imposition of administrative measures, which helped to reduce the imbalance between the rates of growth in exports and imports. In Slovenia, the trade deficit decreased in comparison with the previous year and the current account even produced a moderate surplus. The large volume of cross-

border trade in Poland, which is not recorded in official data, makes the size of the trade deficit rather relative. Hungary is successfully penetrating foreign markets owing to the increased competitiveness of the economy via industrial restructuring, and this is reflected in the country's improved balance of trade.

#### **Overall comparison in terms of macroeconomic stability**



On appraisal of the indicators of economic development in the areas of output, labour market, price stability, and foreign relations, illustrated in the above chart, it is obvious that there are differences between the individual countries. With regard to the high rate of inflation, Rumania 'loses' one of the tops of the quadrangle. In the cases of the Czech Republic and Slovakia, the current account of the balance of payments shows signs of disproportion, resulting from external imbalances.

## B. Report on Monetary Development

in the SR in 1997

## 1. ECONOMIC DEVELOPMENT

According to preliminary data from the Statistical Office of the SR, the country's gross domestic product (GDP), expressed at constant 1995 prices, increased year-on-year by 6.5% and reached, in absolute terms, Sk 586.8 billion at the end of 1997. A key role in GDP creation was played by services. With regard to demand, the development of GDP was influenced by domestic as well as foreign demand, the growth of the latter exceeding that of domestic demand. The share of the private sector in GDP generation increased year-on-year by 5.8 percentage points, to 82.6% in 1997.

The average annual rate of inflation, expressed in terms of the consumer price index, reached 6.1%. The average monthly rise in the level of consumer prices increased from 0.44% in 1996, to 0.52% in 1997. Over the course of the year, the 12-month rate of inflation fluctuated around the level of 6%, with maximums in April and August and a minimum in September, which was followed by an upward trend. At the end of the year, the rate of inflation stood at 6.4%.

In 1997, the Slovak economy employed an average of 2,029.1 thousand persons, i.e. 0.4% less than in 1996. The general level of employment was negatively affected by decreases in the numbers of employees in agriculture and fishery (9.0%) and in industry (2.0%), totalling 29.5 thousand in absolute terms. Employment was positively influenced by developments in other sectors, particularly in services. The share of non-productive sectors in total employment increased to 54.1% over the course of the year.

According to data from employment offices, the average number of registered unemployed reached 336.7 thousand in 1997, i.e. 3.8% more than in 1996. Thus the rate of unemployment increased by 0.4 points, to 13.0% at the end of 1997.

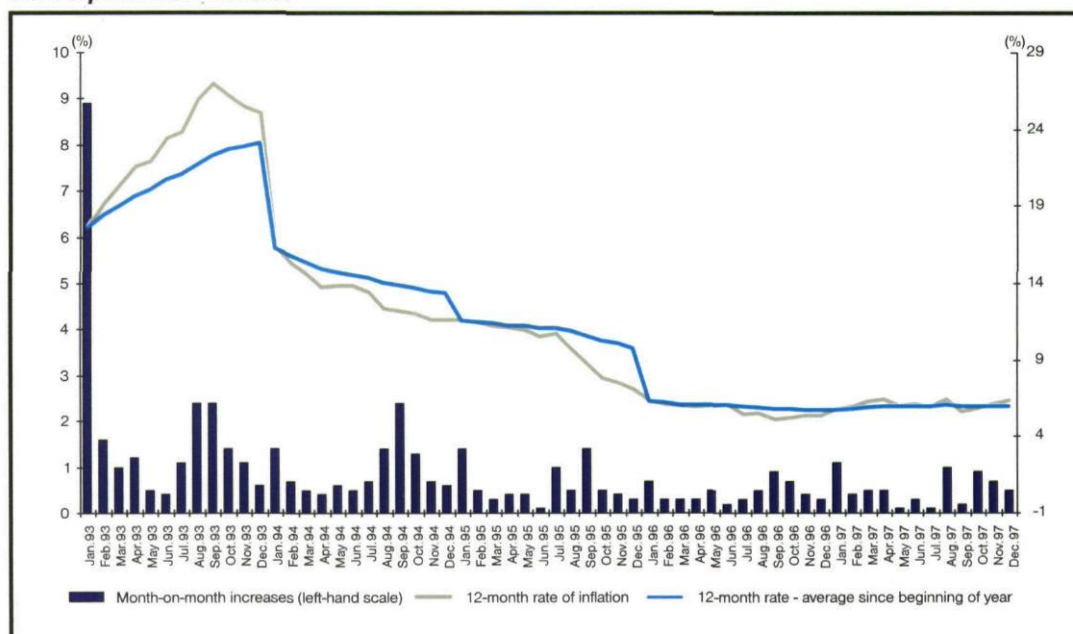
### 1.1 Price Development

The three years of desinflation (1993 to 1995) were replaced, after the slowdown in inflation had come to a halt in 1996, by a moderate acceleration in 1997. This development was induced by standard factors from previous years in combination with administrative measures, applied over the course of the year. The rise in the general price level was due primarily to the persistently high level of domestic demand and its relation to supply, which was rather intractable. The deepening external imbalance and related import-restricting measures, expansive fiscal policy and high interest rates, resulting mostly from excessive lending to the public sector, were other factors behind the increase in prices. The accelerating inflation caused a shift to less favourable expectations regarding inflation, which was based on fear of devaluation and expected price deregulation. With regard to the development of tradable and non-tradable commodities, particularly during the second half of the year, the import surcharge appeared to be a factor with an upward influence on the rate of inflation. In contrast with its previous application, the import surcharge applied to 78.3% of total imports. As the import surcharge was raised from 0% to 7% in July 1997, the price advance accelerated considerably in the area of tradable goods during the ensuing period. During the second half of the year, the development of inflation was significantly influenced by price deregulation.

A negative phenomenon in the course of inflation, recorded along with an acceleration in price development, was the widening price disparity between sectors on the consumer market. The difference between the rate of price increases in the tradable sector, which is exposed to competition from import prices, and that of price increases in the non-tradable sector (excluding regulated prices), widened still further during the period under review. In the non-tradable sector, the level of prices

exceeded that of tradable commodities by 2.65 percentage points, while the difference between the rates of price increase per sector reached 1.88 points in the previous year. The development of consumer prices in the individual areas of the tradable and non-tradable sectors is given in the table below.

#### Development of inflation



The general rise in the level of consumer prices was reduced by food prices, particularly during the last quarter. The rate of year-on-year increase in consumer prices slowed and the dynamics of food prices (excluding non-alcoholic beverages) had fallen to 4.52% by the end of the year. During the first half of 1997, the development of food prices accelerated the rate of inflation; during the 3rd quarter, the price level fell and inflation was again stabilised by the consumer market for foodstuffs. The market maintained this position despite a moderate acceleration in the rate of price increase during the last quarter, which affected the entire tradable sector, not only foodstuffs.

#### Development of consumer prices in the tradable and non-tradable sectors

	Weight in %	Increase in consumer prices in %		Change in %
		Dec. 1996	Dec. 1997	
Tradable sector	64.30	4.91	5.74	0.83
Food prices	26.76	5.13	4.52	-0.61
Prices of other commodities	37.54	4.75	6.60	1.86
Non-tradable sector	35.70	6.14	7.57	1.43
Regulated prices	20.46	5.65	6.95	1.30
Market prices of non-tradable services	15.24	6.79	8.39	1.60
Total	100.00	5.35	6.40	1.05

1/ December of the previous year = 100

The accelerated rise in the level of consumer prices in the tradable sector during the last quarter was a consequence of the increase in the import surcharge (from 0% to 7%), which was not taken into account when the monetary programme for 1997 was drafted. The existing competitive environment failed to put a brake on the price increase induced by administrative import-restricting measures and the problem of external imbalance was solved to the detriment of inflation. Of all categories under review, the most rapid increases were recorded in the prices of tradable commodities (excluding food prices). If the price increase in the given group were to remain at the level of the previous year (assumption in the monetary programme), inflation would

be kept at the projected level. The rate of increase in the prices of tradable commodities excluding foodstuffs (mainly footwear, clothes, tobacco, and non-alcoholic beverages) accelerated already during the first three quarters of 1997 in comparison with the previous year. One may assume that the prices of other tradable commodities reflected (apart from the consequences of the export surcharge) the influence of the Slovak crown's short-term weakening and the additional effects of the price deregulation in 1996.

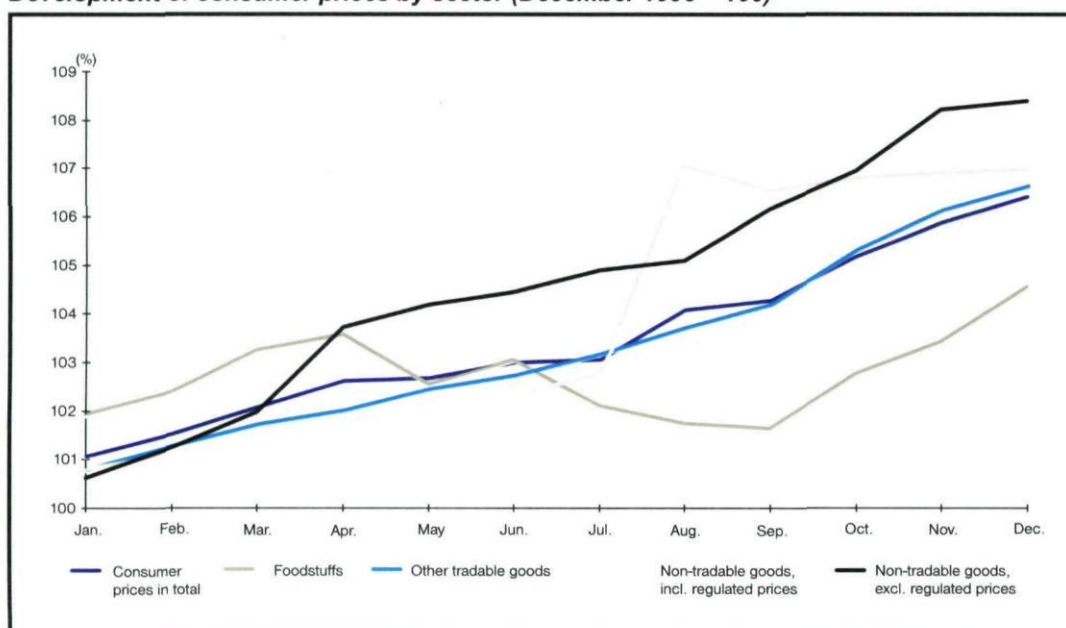
In the sector of regulated prices, the following adjustments were made to consumer prices over the course of the year:

- increase in nursery-school fees, fees for school clubs, and the price of meals at school canteens (in January);
- increase in the costs of public transport (particularly in January and August), increase in driving-school fees (in April);
- adjustments to the prices of domestic and imported Pharmaceuticals, sanitary aids, and some health services (continuous);
- increase in the price of postal services (in April);
- adjustments in consumer fuel prices (in April, August, November);
- adjustments to telephone charges (in July);
- increase in the maximum price of supplying water to households, sewage disposal from households, and heating for households (in August);
- increase in concession licence fees (in August);
- increase in the price of seat reservation in railway traffic (in September);
- reduction in the parental contributions to the partial coverage of non-investment costs at pre-school establishments (in September).

In addition to these price adjustments, the level of prices was additionally influenced by a number of other measures. Increases were recorded in the price of natural gas (April), the price of electricity for entrepreneurs (August), and in the price of inter-state railway transport (August). Additional expenses arose in connection with the application of an import deposit (May - July).

The prices of goods and services, which are subject to price regulation, had increased by 6.95% by the end of the year under review. The rate of inflation, calculated without taking into account the increase in regulated prices, reached 6.25%.

**Development of consumer prices by sector (December 1996 = 100)**



The inflationary tendency in individual areas of the economy was absorbed by the sector of non-tradable services. In December 1997, the prices of non-tradable commodities were 8.39% higher than in last December. Due to the lack of effective price competition on the domestic market, the sector in question recorded the fastest rate of price increase.

According to the classification of individual consumption by purpose, the inflation rate was affected by price increases in the categories of health service, clothes and shoes, rental costs, water, electricity, gas, and other fuels. The highest price increase was recorded in health service. The dynamic rise in the prices of selected sanitary goods, with a low share in final consumption, did not have a marked influence on the overall quantification of the rise in consumer prices. The price advance in the category of clothes and shoes was due primarily to the prices of tradable goods (mainly footwear). In the category of rental charges, the most rapid increases were recorded in prices of non-tradable services.

### Producer Prices

The comparison of price developments in 1996 and 1997 indicates that the most significant increases were recorded in the prices of industrial producers. The prices of agricultural products and building materials increased only slightly, while the dynamics of construction prices slowed.

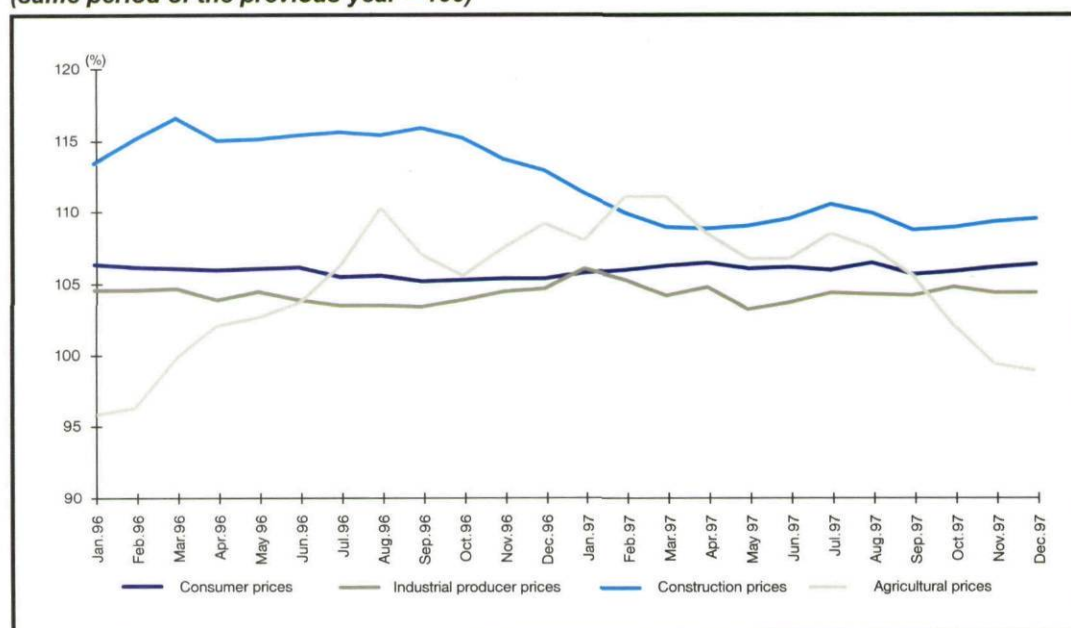
#### Comparison of consumer and producer prices in 1993-1997

Average annual price index (same period of last year = 100)	1993	1994	1995	1996	1997
Consumer prices	123.2	113.4	109.9	105.8	106.1
Industrial producer prices	117.2	110.0	109.0	104.1	104.5
Construction prices	124.1	111.0	112.0	115.0	109.7
Building material prices	113.6	109.2	112.2	107.4	107.6
Agricultural prices	114.6	110.8	103.3	105.4	105.6

Source: Statistical Office of the SR

#### Development of consumer and producer prices in 1996-1997

(same period of the previous year = 100)



In the category of industrial producer prices of 1997, the most rapid increases were recorded in the prices of electricity, gas, steam, and hot water (7.7%), timber and timber goods (7.5%), and other industrial products (7.5%). The second half of

1997 saw adjustments in the full-rate price of electricity for entrepreneurs and organisations, the price of heating and hot water for households, and an increase in charges for water supply and sewage disposal. The price of food, beverages, and tobacco rose by 1.7 points, to 6.2%. Marked reductions were recorded in the prices of pulp and paper, paper products, printing services (5.0%), handling equipment (3.6%), and leather and leather articles (2.6%).

Agricultural prices increased by an average of 0.2 points year-on-year, to 5.6% in 1997. The rate of increase was slower than the rise in the producer prices of foodstuffs and beverages, or the consumer prices of foodstuffs. The most rapid increase (6.3%) was recorded in the price of plant products, which, however, represented a slowdown of 3.6 points on a year-on-year basis. The prices of animal products increased by 5.9%.

A marked slowdown (5.3 points) was recorded in the dynamics of construction prices, which rose year-on-year by 9.7%. This was also influenced by the prices of building materials and products used in construction, which increased by 7.6% year-on-year.

## 1.2 Gross Domestic Product

The rate of year-on-year growth in gross domestic product (GDP) slowed to 6.5%, compared with the figures for 1995 and 1996, when GDP grew at a rate of 6.9% and 6.6% respectively. In comparison with other transforming economies, however, the achieved rate of growth is still high. The creation of GDP was influenced mainly by the continued increase in added value in the service sector, whereas the utilisation of GDP was affected by the growth in domestic and foreign demand.

Gross production at current prices reached Sk 1,634.1 billion, representing an increase of 11.0% compared with the 1996 figure, while intermediate consumption grew by 10.0%. The development of GDP was substantially influenced by the added value, which increased year-on-year by 12.9% and accounted for 89.7% of GDP, i.e. 0.3 points less than a year earlier. The growth in net production was affected by a moderate year-on-year decrease in the proportion of intermediate consumption to gross production (by 0.6 points, to 64.1%).

<i>Creation of gross domestic product</i>	<i>(Sk billions, current prices)</i>				
	1995	1996	1997	Index 1996/95	Index 1997/96
Gross production	1,274.6	1,472.1	1,634.1	115.5	111.0
Intermediate consumption	817.8	952.7	1,047.6	116.5	110.0
Added value	456.8	519.4	586.5	113.7	112.9
Indirect taxes	60.0	56.3	67.4	93.8	119.7
GDP	516.8	575.7	653.9	111.4	113.6

### 1.2.1 Aggregate Supply

A favourable phenomenon in the development of the economy was a moderate year-on-year fall in the material and service intensity of gross production. The slowdown in the growth of aggregate demand reduced the pressure on sectors which are less effective in terms of added value.

The relatively high share of intermediate consumption in gross production was, despite a moderate decrease, associated with the persistent material and power-intensive structure of GDP. The reason behind this is the high material intensity of industry, which was, with regard to the obsolescence of existing plants and the slow creation of new capacities, unable to react in an adequate manner to the high level of aggregate demand of previous years.

The creation of GDP can be characterised by data on the development of the added value by sector. Compared with the previous year, the most rapid increase was recorded in added value in construction and market services, while the lowest figures were reported in agriculture and industry. The different courses taken by added value in the individual sectors influenced the structure of GDP by sector. In comparison with the previous year, the most significant change took place in the share of market services in GDP, which increased by 1.6 points, to 43.4%. The share of industry, however, decreased by 1.6 points, to 28.2% in 1997.

The structure of GDP by cost was influenced by the slower rate of growth in added value than GDP and a steep increase in indirect taxes (value-added tax, net tax on imports, and taxes from previous periods). The proportion of the added value to GDP decreased year-on-year by 0.3 points, to 89.7%, and the share of indirect taxes reached 10.3%.

#### **Added values in selected sectors**

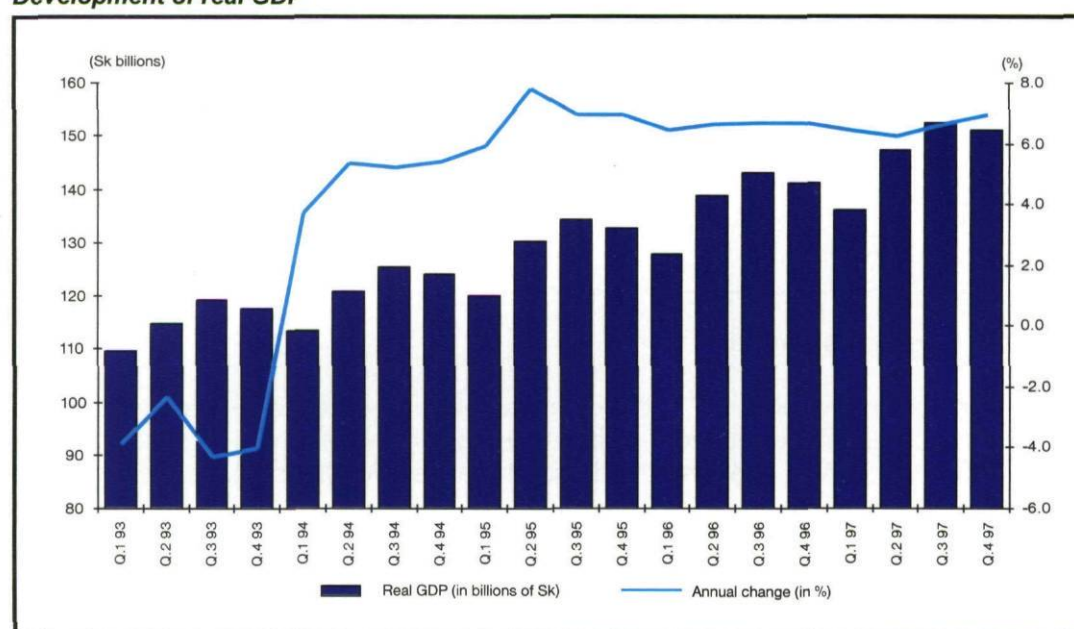
(Sk billions, current prices)

	1995	1996	1997	Index 1996/95	Index 1997/96
Gross domestic product	516.8	575.7	653.9	111.4	113.6
Added value in total	456.8	519.4	586.5	113.7	112.9
of which					
Agriculture	-	29.9	31.6	-	105.7
Industry	-	172.9	184.1	-	106.5
Construction	-	27.3	34.5	-	126.4
Market services	-	240.5	283.9	-	118.0
Non-market services	-	48.8	52.4	-	107.4

### **Services**

In 1997, a significant role in the creation of gross domestic product was again played by services. Trade and services accounted for 33.4% of the added value (representing an increase of 0.2 points). The generation of gross domestic product at constant prices was positively influenced by a year-on-year increase in postal and telecommunications services (12.4%) and in the volume of trade and services (6.8%).

#### **Development of real GDP**



Market services, which generated added values in the amount of Sk 283.9 billion, recorded the second most rapid growth (18% at current prices) after construction. The biggest share (69.0%) in market services was taken by trade and services.

Proceeds from retail sales increased year-on-year by 4.6%. The share of the private sector in proceeds from retail sales increased by 1.3 points year-on-year and reached 95.9%.

In freight transport, the volume of transported goods increased year-on-year by 8.1%. Road transport, which is predominantly in private ownership, recorded a 18.3% growth in volume and a 3.4% increase in the share of total transport. In railway transport, the volume of freight exceeded the 1996 figure by 2.3%, while its share of total transport decreased by 3.3 points. The volume of goods transported by water continued to fall (by 6% year-on-year). In passenger transport, the number passengers decreased by 2.4% in all types of public transport except for air and water transport. In railway and road transport, budgetary performance deteriorated over the course of the year.

In the category of postal and telecommunications services, the dynamic growth in market services continued to be influenced by the increase in number of telephone stations (an increase of 16.6%). The number of mobile telephones increased 5.7 times in comparison with the previous year's figure.

In 1997, the turnover of accommodation facilities was 13.2% higher than in 1996. Proceeds from other market services increased year-on-year by 5.8%, while a substantial part (56%) was formed by incomes from other commercial services, mainly architecture and civil engineering. The most dynamic increases (25.1%) were recorded in advertising, computer engineering (21.4%) and architecture (20.5%).

## **Industry**

In industry, the volume of added value, expressed in current prices, increased by 6.5% in comparison with the 1996 figure. Industry accounted for 31.4% of the total added value created in the economy.

In the category of firms with 20 or more employees, the most significant contribution to the creation of added value was made by the generation and distribution of electricity, and gas and water supply. In the category of manufacturing industries, the largest share was achieved in metal working and the processing of food, beverages, and tobacco.

A marked increase in added value (64.1%) was recorded in the production of coke, refined oil products, and nuclear fuels. Decreases were recorded in the processing of leather and leather goods (16.6%), the manufacture of handling equipment (7.3%), chemicals, chemical products, and artificial fibres (6.1%).

The volume of industrial production at constant prices increased year-on-year by 2.7%. The share of production in the private sector increased to 73.2%, compared with 68.2% in 1996.

With regard to sectors (firms with 20 or more employees), marked increases were recorded in the production of electrical and optical instruments (16.8%), and the manufacture of vehicles (14.6%). Positive changes were recorded in the production of metal and metal goods (from a decrease of 8.4% in 1996 to an increase of 6.3% in 1997) and in the production of coke, refined oil products, and nuclear fuels (from a fall of 3.9% to a growth of 3.2%). Production continued to decline in wood-working industry, textiles and clothing industry, leather processing and the manufacture of leather goods.

## Construction

The trend of gradual revival in construction continued in 1997. The value of construction projects at current prices reached Sk 74.1 billion, i.e. Sk 12.1 billion more than a year earlier. The rate of growth in the volume of construction work accelerated by 4.8 points, representing a year-on-year increase of 9.2% at constant prices, while average daily production increased by 10.5%.

Entrepreneurial entities operating in the construction sector created added values in the total amount of Sk 34.5 billion. In comparison with 1996, the proportion of construction to GDP creation increased at current prices by 26.4% and the share of construction in GDP increased from 5.2% in 1996 to 5.9% in 1997.

The favourable development in demand for construction work, which was due mainly to the implementation of infra-structural (construction of motorways) and power engineering projects, increased the effectiveness of enterprises operating in the public sector. The year-on-year increase in the output of this sector (16.5%) was 8.7 points higher than the figure for the private sector. At the same time, the share of the private sector in the output of the construction sector increased slightly, from 83.4% in 1996 to 82.2% in 1997.

In comparison with 1996, the volume of domestic construction orders increased, while that of construction projects abroad declined. The fall in construction abroad was halted to some extent:

	Index	
	1996/1995	1997/1996
Domestic construction orders	110.3	112.9
Construction projects abroad	69.4	74.1

Source: Statistical Office of the SR

With regard to domestic construction projects, the volume of new construction, reconstruction, and modernisation work increased year-on-year by 13.5%; the volume of other orders grew by 12.1%, and that of repairs and maintenance by 11.0%.

## Agriculture

In 1997, the share of agriculture in the creation of GDP reached 4.4%, representing a year-on-year decline of 0.3 points.

Proceeds from the sale of agricultural products at current prices reached Sk 35.5 billion, i.e. 5.1% more than in the previous year (0.5% less at constant prices). While the purchase price of agricultural products contributed directly to the rise in inflation until the end of the 3rd quarter, it was still below the level of the average year-on-year increase in consumer prices. However, agricultural inputs increased by 10.6%.

In 1997, the volume of grain crops (3.7 million tons) exceeded the previous year's figure by 12.6%. The reduction in quality of grain due to extreme climatic conditions (floods, draught), including the shortage of disposable resources, complicated the situation in crop production. During the second quarter, the domestic grain market was characterised by a marked surplus of fodder crops in relation to demand, as prices fell sharply and excessive stocks piled up (discharge of obligations arising from primary production of goods). The situation was also complicated in the sugar-beet market, as the 1997 beet season resulted in a surplus of 50 thousand tons. Nonetheless, licences were issued for the import of sugar, which was realised in the amount of 8,300 tons.

The persisting surplus of demand over supply on the market for animal products (mainly beef and milk) was the reason for the continued year-on-year decline in the volume of farm animals (beef cattle: 9.9%; pork: 8.8%). The parameters of efficiency in animal production did not improve in any substantial way in 1997.

Of the total number of agricultural units (1,296), 742 (i.e. 61.5%) ended the year with a loss. Problems with insolvency continued. Almost two thirds of agricultural entities reported primary insolvency. Liabilities (Sk 29.2 billion) were more than twice higher than receivables. Investment (Sk 9.3 billion) increased year-on-year by 22.2%, thanks to the utilisation of resources offered by the State Support Fund (which granted loans to agriculture in the amount of above Sk 2.6 billion from 1994 to the end of 1997). In 1997, funds invested in the repair and overhaul of machinery amounted to Sk 4.5 billion, of which domestic appliances accounted for only 15%.

With regard to the need for the revival of financial flows and the stabilisation of the agricultural market, the NBS increased the annual limit on bills-of-exchange rediscounted for the support of agriculture from Sk 1.5 billion, to Sk 3.0 billion in 1997. By 31 December 1997, the said limit had been utilised to 89.4%.

### 1.2.2 Aggregate Demand

The growth in aggregate demand was due to the development of domestic demand, which increased by 1.2% at constant prices. The slower rate of year-on-year growth in domestic demand in comparison with the previous year, led to a decrease in its share of the total demand from 65.1% in 1996 to 64.0% in 1997. In contrast with the previous year, the growth in GDP was accompanied by a rise in foreign demand (export of goods and services), which increased year-on-year by 6.1% at constant prices.

While exports grew at the above rate and imports saw a 2.3% decline, the negative balance of foreign trade (net exports) fell year-on-year by 51.4%, to Sk 27.1 billion (at constant prices). The fall was due partly to administrative measures taken by the government in the form of a surcharge on imports, stricter measures relating to the certification of products, and by monetary-policy measures adopted by the NBS.

The faster growth in GDP than in exports led to a fall in the export performance of the economy (exports of goods and services as a share of GDP) by 0.3 points, to 58.7%. The import intensity of GDP (ratio of the imports of goods and services to GDP) decreased year-on-year by 5.7 points, to 63.4%, as a result of the decline in imports.

**Structure of GDP in terms of utilisation** (Sk billions, constant 1995 prices)

	1995	1996	1997	Index 1996/95	Index 1997/96
Gross domestic product	516.8	550.8	586.8	106.6	106.5
Domestic demand	507.4	606.6	613.9	119.6	101.2
of which					
Final consumption in total	360.8	400.2	417.2	110.9	104.2
Final household consumption	252.7	270.2	287.1	106.9	106.3
Final government consumption	108.1	130.0	130.1	120.3	100.1
Gross capital formation	146.6	206.4	196.7	140.8	95.3
Gross fixed capital formation	141.5	197.8	226.4	139.8	114.5
Change in stocks	5.1	8.6	-29.7	-	-
Net exports	9.4	-55.8	-27.1	-	-
Exports of goods and services	325.8	324.9	344.7	99.7	106.1
Imports of goods and services	316.4	380.7	371.8	120.3	97.7

The dynamics of domestic demand was slowed by the development of final consumption in State administration, which increased year-on-year by only 0.1% and its share of GDP decreased by 1.4 points, to 22.2%, due to a significant rise in the level of spending in State administration in 1996 (unblocking of receivables from the Russian Federation, expenditures on the new territorial and administrative division of the SR).

In domestic demand, the most dynamic component was gross fixed capital formation, despite the fact that its year-on-year growth had slowed considerably.

Of the total volume of investments, 65.7% was realised in the non-financial sector, 12.7% in the government sector, and 11.4% in the household sector. In the non-financial sector, most capital was invested by organisations specialising in industrial production, electricity generation, gas and water supply, postal and telecommunications services, and trade. Investment in the non-financial sector increased year-on-year by 21.3%, in the government sector by 12.8%, and in the household sector by 3.9%. Regarding the basic structure of investments, the share of investment in machinery and equipment increased by 1.6 points, to 49.5%, and that of investment in building and construction grew by 1 point, to 41.6%.

**Development of investments and savings** **(Sk billions, current prices)**

	1995	1996	1997
Gross domestic product	516.8	575.7	653.9
Gross investment	146.6	226.7	232.1
Gross domestic savings <sup>1/</sup>	156.0	157.5	185.4
Investment rate (%) <sup>2/</sup>	28.4	39.4	35.5
Savings rate (%) <sup>3/</sup>	30.2	27.4	28.4
Coverage of investments by savings (%)	106.4	69.5	79.9

1/ GDP less total final consumption

2/ Share of gross investment in gross domestic product

3/ Share of gross domestic savings in gross domestic product

Despite a slowdown in the growth of investment demand, the rate of investment (35.5%) was very high in international terms. However, this high level of investment was not connected with an adequate level of gross domestic savings, which is documented by data on the coverage of investment by savings. Although the difference between the rates of investment and saving reduced, the volume of domestic savings did not suffice to cover the investment demand, which was reflected in the persistent pressure on the replenishment of domestic savings from foreign resources. As the inflow of direct foreign capital was low, this pressure was exerted through drawings of foreign loans and was one of the causes of the continued external imbalance. The large volume of credit resources, drawn from abroad by business entities, led to an increase in the level of external debt.

Apart from demand for investment, the development of domestic demand reflected the growth in final household consumption, which absorbed almost 50% of GDP in the short term. In 1997, it recorded a relatively dynamic rate of growth, i.e. 12.7% at current prices and 6.3% at constant prices. However, the dynamics of growth slowed somewhat in comparison with the previous year's figure.

The volume of final household consumption, influenced by the development of current incomes and expenditures on the one hand and by the rate of gross savings on the other, recorded a slowdown in the year-on-year growth at current prices (0.5 points).

During the period under review, the current income of households (predominantly wages and salaries) increased year-on-year by 11.4%, exceeding the rate of growth in current expenditures by 1.8 points. The most significant contribution to current

incomes was made by the compensation of employees (57.2%), which increased year-on-year by 11.5% (while their dynamics fell by 1.3 points). The gross operating surplus (combined income from business and employment) increased year-on-year by 13.0% (compared with 20.4% in 1996) and its share in current incomes represented 19.0% (18.7% in 1996). The share of incomes from unrequited current transfers (18.6%) was the same as the figure a year earlier (90% consisted of transfers of a social nature), but their growth (10.9%) was 2.1 points lower than a year earlier. A relatively high rate of growth (7.2%), i.e. 5.7 points higher than in 1996, was recorded in incomes from ownership (interest, dividends, income from rented land, etc.). With regard to their weight (4.8%), however, they had no marked influence on current income.

	1996 Sk billions	Index p.y. = 100	1997 Sk billions	Index p.y. = 100
Compensation of employees	271.1	112.8	302.2	111.5
of which: gross wages and salaries	207.7	118.2	233.2	112.3
Gross operating surplus	88.9	120.4	100.6	113.1
Income from ownership and business	21.3	101.5	22.9	107.2
Accident insurance transactions	4.5	103.9	4.5	99.9
Unrequited current transfers received	88.6	113.0	98.3	110.9
Contributions to pension insurance	-		52.5	110.8
Contributions to health insurance	-		22.7	107.0
Contributions to unemployment fund	-		2.8	145.5
Other social security contributions	-		10.5	120.7
Social security contributions in total	79.2	110.0	88.5	111.7
Current income in total	474.4	113.5	528.3	111.4
Income from own property and business	5.5	121.0	4.3	77.7
Accident insurance transactions	5.7	153.7	6.7	117.4
Unrequited current transfers paid	120.1	113.8	132.9	110.7
of which: personal income tax to SB	20.4	129.0	25.6	125.7
contributions to funds <sup>1/</sup>	-		93.0	108.5
Current expenditures in total	131.4	114.9	143.9	109.6
Gross disposable income	343.0	113.0	384.4	112.0
Final household consumption	286.1	113.2	322.3	112.7
Gross savings of households	56.9	112.0	62.1	109.0
Rate of savings <sup>2/</sup>	16.6		16.15	

1/ Social security contributions paid by employers, employees, self-employed and free-lance persons, non-residents and others.

2/ Savings rate = gross savings of households / gross disposable income.

Source: Macroeconomic indicators from quarterly national accounts for the 1st and 2nd quarters of 1997; Statistical report on the basic trends of development in the Slovak economy in 1997; the index for 1996 was based on absolute figures.

Current expenditures (mostly income taxes and contributions to funds) absorbed 27.2% of the current incomes of households, i.e. 0.5% less than in 1996. Of the gross disposable income after the payment of expenses, 83.8% was used for final consumption and the rest (Sk 62.1 billion) was converted into gross household savings. Apart from cash, deposits, and securities, the gross savings of households included household expenditures on investment from own resources, including investment for the development of small business and the purchase or construction of housing (real estate). The rate of gross savings, i.e. proportion of gross savings to gross disposable income, decreased somewhat in 1997.

The average monthly nominal wage or salary earned by persons working in the Slovak economy reached Sk 9,226, representing a year-on-year increase of 13.1%, in real terms 6.6%, while labour productivity (as % of GDP at current prices) increased by 14.4%, and at constant prices by 7.3%.

Development over the course of the year was characterised by an acceleration in the rate of year-on-year growth in labour productivity, while the rate of wage increase

slowed at both constant and current prices. Labour productivity at current prices increased from 8.9% in the 1st quarter, to 15.8% in the 4th quarter; at the same time, the dynamics of wages fell from 14.9% in the 1st quarter to 10.8% in the 4th quarter. The development followed a different course in comparison with the trend in 1996. As a result, the rate of growth in labour productivity exceeded the dynamics of wages by 1.3 points at current prices, or by 0.7 points at constant prices. During the previous two years, wages had increased at a faster rate, but in 1997 labour productivity grew faster.

***Development of labour productivity, wages and employment in the national economy***

		Index (same period of last year = 100)		
		1995	1996	1997
Gross domestic product	curr.p.	117.3	111.4	113.6
	con.p. <sup>1/</sup>	106.9	106.6	106.5
Labour productivity of GDP	curr.p.	114.0	110.4	114.4
per employee	con.p. <sup>1/</sup>	103.9	105.6	107.3
Average monthly wage per	nom.	114.3	113.3	113.1
employee	real	104.4	107.2	106.6
Total number of employees		102.2	100.8	99.6

1/ Constant prices = average of 1995 = 100

The lowest rate of growth in wages and salaries was recorded in the 4th quarter, due probably to the effects of wage regulation applied in accordance with the provisions of Decree No. 335 issued by the Slovak Government in November 1997. It is not possible to quantify or estimate the extent to which the slowdown in the rate of growth in nominal wages was influenced by the above measures. However, we may assume that the slowdown in the dynamics of wages during the year was caused by the continuing unfavourable development of the financial situation in the corporate sector.

According to NBS estimates, the year-on-year increase in labour productivity was due mostly (97%) to a fall in the level of employment and, to a lesser extent (about 3%), to the influence of other intensifying factors. The development of this indicator and the relation between wages and labour productivity must be seen in the light of the aforementioned facts.

In the basic sectors of the national economy (organisations with 20 and more employees, or registered companies), the level of wages and the relationship between labour productivity and wages developed differently. In industry, average monthly nominal wages increased by 12.0%; in construction by 14.5%; in transport by 12.6%; while the rate of year-on-year growth slowed by 2.6 or 1.9 or 2.1 points respectively. The comparison of real wages and labour productivity at constant prices indicated that, when the growth in labour productivity in construction exceeded the increase in wages by 2.6 points, the rate of year-on-year increase in labour productivity in industry fell behind the growth in wages by 0.4 points. In transport, labour productivity remained behind the growth in wages by 1.6 points.

### **Financial Results of Organisations**

In 1997, financial and non-financial organisations generated a profit of Sk 60.6 billion (before tax), i.e. 6.3% lower than in 1996. The fall in profit was due primarily to the faster growth in expenses than revenues at both financial and non-financial organisations.

In the non-financial sector, companies generated a profit of Sk 52.2 billion, representing 86.1% of the total profit. The most significant contributions were made by trade (37.3%); the generation and distribution of electricity, gas, and water (30.1%); and the rental of real estate, commercial services, research and

development (17.2%). The most serious losses were recorded by enterprises in industry, e.g. manufacture of machines and equipment (Sk 7.4 billion, an increase of 42.3%) and wood working and wood products (Sk 1 billion, an increase of 300%). Losses were also recorded in agriculture and fisheries (a decrease of 63.6%), textile and clothing industry (an increase of 38.9%), leather processing and leather articles (an increase of 18.5%), and metal working, which had generated a profit a year earlier.

Of 6,381 non-financial organisations with 20 or more employees, only 3,056 achieved a positive result (47.9%), the remaining 3,325 ended the year with a loss 10% higher than in 1996. At the end of 1997, the total liabilities of these organisations reached Sk 428.3 billion, representing an increase of 9.3% since the beginning of the year. Liabilities due for payment amounted to Sk 118.8 billion, representing 27.7% of total liabilities and an increase of 25.3%.

## 2. BALANCE OF PAYMENTS

With regard to external relations, the year 1997 was marked by a partial change in the trend that started at the end of 1995, which consisted in a steep increase in domestic demand and decline in foreign demand. By the combined use of stricter monetary policy and import-restricting administrative measures, the development of domestic demand and the rate of growth in imports moderated during the 2nd half of the year, following a period of increased current account deficit during the first six months. On the other hand, the dynamics of exports also slowed during the second half of the year. On account of a year-on-year increase in the exports of goods and services (10.3%), which remained behind the rate of growth in GDP at current prices, the export performance of the economy (expressed as the ratio of exports of goods and services to GDP) fell from 58.0% in 1996 to 56.4% in 1997. Due to faster growth in the export of goods and services than in import, the current account deficit fell year-on-year by Sk 19.2 billion and its share of GDP decreased to 6.9%.

### 2.1 Current Account

At the end of 1997, the current account of the balance of payments resulted in a deficit of Sk 45.1 billion, i.e. US\$ 1.3 billion, due to an increase in the trade deficit to Sk 49.5 billion (preliminary data from the Statistical Office of the SR). Another deficit item was the balance of income amounting to Sk 4.1 billion. In 1997, the balances of services and current transfers also generated surpluses, which, however, reached together only Sk 8.5 billion and covered less than 16% of the deficit of trade and income balances. In 1997, prices of imported goods and services continued to increase year-on-year at a faster rate than prices of exported goods and services. Price developments, including exchange rate fluctuation, accounted for Sk 7.3 billion of the total current account deficit.

In 1997, Slovakia imported goods in the amount of Sk 345.0 billion (according to preliminary data from the Statistical Office of the SR). Over the course of the year, the growth in imports experienced a marked slowdown, with the rate of year-on-year increase reaching only 1.2%. Compared with the previous year, the volume of imports was substantially higher in the 1st half of 1997; it was stagnant during the 3rd quarter and, in the last quarter, 17% lower than in the same period of 1996. The rise in the level of interest rates led to an increase in the price of bank loans and gradual decline in demand for investment, which resulted in a fall in the export of machines and equipment. In addition to handling equipment, which saw the sharpest decline in import, a fall was recorded in the import of machines and equipment for investment in the modernisation of individual sectors of the Slovak economy (imports in category 72 'machinery for certain sectors' fell by 12.4%). The import surcharge acted as a brake on the import of consumer goods, even if its effect was partially mitigated in the case of imports from the CR, Germany, and Austria, by the strengthening of the Slovak crown against the Czech crown and the German mark.

In 1997, Slovakia exported goods in the total amount of Sk 295.6 billion, representing a year-on-year increase of 9.2%. While exports increased during the first three quarters by more than 10% year-on-year, their growth came to a halt in the last quarter. In Slovak exports, there are several key commodities, which play a more and more significant role. Such commodities are: cars, telecommunications equipment, sound recording equipment, instruments and electrical appliances, where higher figures were recorded than in import. The growth in exports influenced by these commodities (which resulted in a shift in structure), however, cannot be attributed to recovery in the corporate sector, but only to a few restructured enterprises, which depend on co-operation with foreign companies, and which have strengthened their positions on foreign markets.

On the other hand, year-on-year declines were also recorded in traditionally strong sectors, such as chemical and rubber industry, iron and steel production. These categories of products are very sensitive to price fluctuations and developments on export markets, where cheap competition is continually on the rise, not only from post-communist countries, but from south-east Asia as well.

In the services sector, the rate of growth in receipts was faster (15.2%) than that of payments (13.2%), so the overall balance increased year-on-year by Sk 1.4 billion, to Sk 2.5 billion. Transport and foreign tourism, i.e. items influencing the positive balance of services, showed conflicting trends of development. While income earned from transport recorded a marked improvement, income from foreign tourism continued to fall.

Revenues most exceeded expenditures in transport services, which generated a surplus of Sk 13.4 billion, representing a year-on-year increase of Sk 5.8 billion.

In the category of transport services, the most significant item was income earned from the transport of gas and crude oil from Russia to the CR and Western Europe via Slovakia. The import of natural gas from the Russian Federation in settlement of transit charges was worth Sk 13.0 billion and represented 64.1% of the total volume of gas supply from the Russian Federation. The surplus generated by the transport balance was also increased by freight transport, where transit charges created conditions for growth in income derived mainly from road transport.

The trend in the area of travel that had characterised its development already during the past year, continued in 1997. The comparative advantages of Slovakia, which led to an increase in the number of visitors and growth in foreign exchange income from tourism, gradually came to an end over the course of 1996 and 1997. In 1997, foreign exchange income from foreign tourism totalled Sk 18.3 billion, representing a year-on-year decrease of 11%. Its contribution to GDP creation showed a downward trend, reaching only 2.8%.

Within the individual items of the services balance, the greatest deficit was recorded in other services (Sk 14.4 billion), which include the whole range of trade and non-trade services. In the Slovak economy, there is insufficient room for the expansion of services serving to increase the effectiveness and competitiveness of material production through feedback. More than a half of the stated deficit was produced in other trade services, which are directly connected with the ability of Slovak firms to succeed on foreign markets.

The competitiveness of Slovak firms in the area of services, especially on the domestic market, is connected with the entire range of other services, where payments have exceeded receipts during the last few years. These services included legal, accounting, and consulting services (Sk 1.0 billion); insurance services (Sk 0.9 billion); licensing (Sk 1.4 billion); and advertising (Sk 0.8 billion), etc., where the range and quality of services are unable to compete with services abroad.

The only category of services in which a significant balance surplus was achieved in 1997, was construction and assembly work where the year-on-year growth in exports made it possible for receipts from abroad to exceed payments abroad by Sk 1.1 billion.

Another area where payments have exceeded receipts since the beginning of the year, was the income balance. The income balance deficit (Sk 4.1 billion) was due mostly to the interest paid. Interest payments accounted for more than 85% of payments in the area of income balance, which reflect the inflow of long and short-term capital and indirectly the rise in the level of indebtedness. The increase in payments of interest on the growth in debt owed by companies and banks was partly

offset by interest received from the foreign exchange reserves of the NBS and commercial banks.

## **2.2 Capital and Financial Account**

The capital and financial account of the balance of payments generated a surplus of Sk 54.7 billion, representing a 8.4% share of GDP. Regarding the financing of the current account deficit, an important factor was that the inflow of long-term capital (liabilities less assets) reached Sk 41.1 billion and covered more than 90% of the current account deficit. This largely offset the influence exerted by the movement of short-term capital.

The inflow of foreign capital in the form of direct investment in the Slovak economy, totalled Sk 5.4 billion (US\$ 161.4 million). Direct foreign investment in the establishment or enlargement of companies in the SR, that is direct foreign investment associated with the establishment of ownership rights and the management of companies, failed to reach high levels even in 1997. Growth in 1997 took place mainly in industrial production (32%), trade (33%), finance and insurance (14%), and telecommunications (10%). In industrial production, the most significant increases were recorded in the manufacture of machines and equipment, metal products, and chemicals. The increase in investment in the form of direct foreign investment in machines and equipment during the last two years, creates conditions for a revival in this sector, which used to play a significant role in Slovakia's industrial production. Foreign investors participated mostly in the trade sector. Interest in this sector originated from the persisting low labour costs and possibility of increased sales of goods in the SR and more resources being available for export promotion. Most foreign capital came, as in previous years, from Austria (27%) and Germany (26%).

The effort to find suitable ways of increasing the exports of Slovak companies led to growth, since the second half of 1996, in the export of capital in the form of direct foreign investment, though only in a small number of cases which do not always show signs of stability. Last year, direct investment by Slovak companies abroad increased by Sk 3.1 billion. The allocation of capital investment was dominated by the CR, where more than a half of the amount was employed. Apart from the CR, significant amounts were invested in Ukraine and Croatia. Regarding the structure of investment by sector, the largest volumes were directed to the sectors of electricity generation and distribution, gas and water supply, industry, and trade. With regard to the yields of direct investments abroad, it would be more advantageous economically for these investments if their share of trade and services were to increase, which would in turn create conditions for the export of investment in other sectors as well.

While the level of direct foreign investment remained low, the inflow of capital was dominated by debt items. The year 1997 was marked by interaction between the fiscal policy of the Government and the monetary policy of the NBS. Owing to the rise in the level of interest rates on the domestic market, the financial expenses of enterprises increased, so they had to look for financial resources abroad. In 1997, financial credits remained the most significant source of long-term financing in the corporate sector. By drawing financial credits directly from abroad, the corporate sector obtained funds in the total amount of Sk 42.6 billion, i.e. Sk 9.0 billion more than in the same period of the previous year. The credits were granted for the purchase of investments and technologies. The increased demand for investments was satisfied according to the degree of success of companies in foreign markets. With regard to structure by sector, roughly 50% of the credits was directed to the sectors of electricity generation and distribution, gas and water supply. The funds were channelled through companies charged with financing the construction of the nuclear power plant at Mochovce and hydroelectric projects in Slovakia. More than

17% of the loans from abroad were obtained by companies specialising in the production of coke, petroleum refinery products, and nuclear fuels. The third largest amount was employed in the sector trade and services, with a share of roughly 16.5% of the total volume of credit.

The increased drawing of long-term financial credits, which has been ongoing since 1995, contributed to growth in the volume of investment by Slovak enterprises, and the rise in the level of external debt and increased demands on debt servicing, as well as an exchange rate risk arising from fluctuations of the USD and DEM, and SKK against the currency basket, which may increase the costs of these loans. Long-term financial credits were repaid in the corporate sector in the amount of Sk 10.3 billion, which did not represent a marked increase as it had done in previous year. Regarding the structure of borrowings by term and the postponement of date for repayment, the year 2000 is expected to see a breakthrough in repayment.

The volume of short-term capital, including portfolio investment, increased by Sk 13.6 billion, due to increased capital movements in both assets and liabilities. Although short-term capital accounted for only 25% of the total capital and financial account, the turnover of short-term operations represented a substantially higher share of the turnover of the balance of payments capital and financial account. The increase in short-term liabilities in the banking sector accounted for 56% of the total increase in liabilities. A significant role in the inflow of short-term capital was played by the banking sector. The inflow of short-term bank capital in the amount of Sk 38.0 billion was the largest form of capital inflow in 1997. The increase in short-term liabilities in the banking sector was due primarily to growth in foreign exchange deposits held by non-residents at banks operating in Slovakia, in the amount of Sk 25.1 billion.

The increase in the deposits of non-residents at Slovak banks was due to the introduction of a new monetary instrument in the form of the foreign exchange position of banks for monetary purposes, which led to an increase in short-term assets, while short-term deposits abroad grew by Sk 31.0 billion.

## **2.3 Development of Foreign Exchange Reserves**

At the end of 1997, the foreign exchange reserves of the NBS amounted to US\$ 3,284.9 million, representing a fall of US\$ 188.4 million compared with the figure for the end of December 1996. Over the course of the year, the total foreign exchange reserves of the NBS were influenced by various factors. A key factor that positively influenced revenues was borrowing from international financial institutions. During this period, the expenditure side was influenced by debt service payments by the Government and the NBS. However, it is necessary to emphasise that the level of NBS foreign exchange reserves was significantly influenced by the development of exchange rates between fully convertible currencies on the world financial markets. The positive balance of revenues and expenditures (US\$ 46.0 million) was offset by the negative exchange rate differential (US\$ 234.4 million), which reflected the actual exchange rate of the D-mark against the US dollar on international financial markets.

The revenue side of foreign exchange reserves was determined by the following factors:

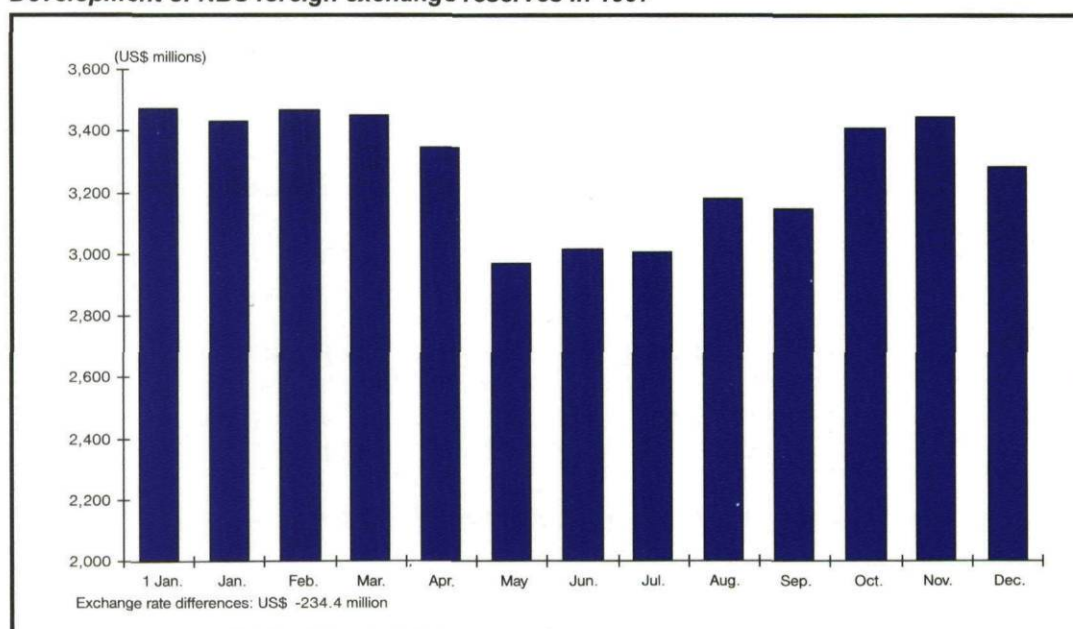
- the drawing of government loans from international financial institutions (State Road Fund, Mochovce) in the amount of US\$ 361.8 million (52% of the total revenue);
- the drawing of NBS loans from international financial institutions (EXIM Bank of Japan, EIB) in the amount of US\$ 166.7 million;
- other receipts of the NBS in the amount of US\$ 41.5 million, connected with the realisation of cross-border payments for NBS clients;

- income from deposits and securities in the amount of US\$ 110.7 million;
- repayments of government assets, proceeds from the sale of government assets and the rectification of principle within the CDZ (Central Foreign Exchange Resources) block, in the amount of US\$ 17.2 million.

The expenditure side of the foreign exchange reserves was affected by:

- debt service payments by the Government in the amount of US\$ 219.2 million (34% of total expenditure), of which principal and interest actually paid within the CDZ block accounted for US\$ 97.1 million;
- debt service payments by the NBS in the amount of US\$ 142.7 million, while the repayment of principal on loans accepted from the IMF amounted to US\$ 65.1 million;
- negative balance of NBS foreign exchange fixing amounting to US\$ 164.8 million;
- other expenditures of the NBS in the amount of US\$ 125.2 million, incurred in connection with the realisation of cross-border payments for NBS clients.

#### **Development of NBS foreign exchange reserves in 1997**



At the end of December 1997, the foreign exchange reserves of the NBS were 3.2 times greater than the expected volume of average monthly imports of goods and services to Slovakia in 1997. Although the coverage of imports with reserves recorded marked deviations over the course of the year (3.4 in January to March, and 2.8 in May to July), the ratio was the same at the end of December 1997 as at the end of 1996. The moderate fall in the level of foreign exchange reserves in 1997 was accompanied by a slight decrease in average monthly imports of goods and services (in US\$ equivalent: 4.0%) compared with the previous year's figure.

The foreign exchange reserves of commercial banks may be viewed as short-term foreign exchange assets of commercial banks vis-à-vis non-residents. At the beginning of 1997, the volume of such assets stood at US\$ 2,209.2 million. At 31 December 1997, commercial banks held foreign exchange reserves in the total amount of US\$ 3,203.6 million, representing an increase of US\$ 994.4 million.

At the beginning of the year, the volume of total foreign exchange reserves in the banking sector (including the NBS) amounted to US\$ 5,682.5 million, and reached US\$ 6,488.5 million at the end of December.

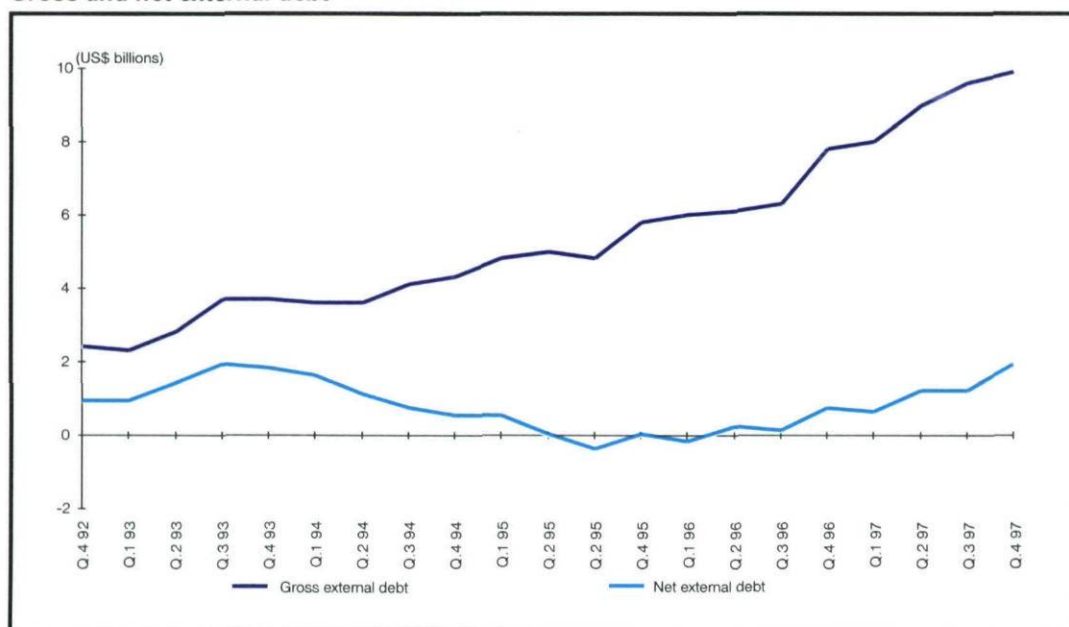
## 2.4 The External Debt of the SR and Its Servicing by the NBS and the Slovak Government

At 31 December 1997, the total gross external debt of the Slovak Republic stood at US\$ 9,896 million. (At the end of December, the actual level of the country's external debt was greater by approx. US\$ 800 million. The level of foreign debt was reduced temporarily by means of an accounting operation conducted by a commercial bank in December 1997.) At the end of December, the official debt of the Government and the NBS reached a level of US\$ 1,696 million, of which short-term government debt accounted for US\$ 190 million. The indebtedness of the commercial sector, i.e. commercial banks and entrepreneurial entities, stood at US\$ 8,021 million at the end of December, and the debt owed by municipalities (municipal bonds issued by the city of Bratislava) amounted to US\$ 50.3 million.

As other foreign debt, the official external debt of the SR included the foreign debt inherited from the former CSFR vis-à-vis the former German Democratic Republic, and was estimated by the National Bank of Slovakia at US\$ 127.8 million at the end December 1997.

Regarding the structure of the country's gross external debt, total gross medium and long-term liabilities accounted for US\$ 5,602 million, while the short-term liabilities of commercial banks and entrepreneurial entities amounted to US\$ 4,104 million. At the end of December, the volume of short-term debt totalled US\$ 4,294 million.

**Gross and net external debt**



By the end of December, Slovakia's per-capita external debt had increased to US\$ 1,867, from US\$ 1,473 at the end of the past year.

The net external debt of the SR - calculated as the difference between gross foreign debt, i.e. US\$ 9.9 billion (liabilities of the Government and the NBS, liabilities of commercial banks and the corporate sector - import commitments and financial credits) and foreign assets, i.e. US\$ 8.0 billion (foreign exchange reserves of the NBS, foreign assets of commercial banks and the corporate sector - export claims and financial credits), reached US\$ 1.9 billion at the end of December 1997, compared with US\$ 0.7 billion at the end of 1996.

**Foreign exchange liabilities of the commercial sector****(US\$ millions)**

	31 December 1996	31 December 1997
Total foreign exchange liabilities of the commercial sector, of which:	5,956.0	8,021.5
Commercial banks	2,202.2	2,905.5
Entrepreneurial entities	3,753.8	5,116.0
Debt owed by municipalities	0.057	0.050
Long and medium-term foreign exchange liabilities, of which:	3,010.4	3,917.4
Commercial banks	778.5	680.2
Entrepreneurial entities	2,231.9	3,237.2
Debt owed by municipalities (long-term)	0.057	0.050
Short-term liabilities, of which:	2,945.6	4,104.1
Commercial banks	1,423.7	2,225.3
Entrepreneurial entities	1,521.9	1,878.8

**2.5 Licensing Activity of the NBS**

In 1997, foreign exchange permits and foreign exchange licences were issued in accordance with the current foreign exchange regulations, based on the gradual liberalisation of transactions on the capital account of the balance of payments.

In 1997, foreign exchange permits and foreign exchange licences were issued for operations in the following areas:

- capital account of the balance of payments: 1,398 foreign exchange permits and 60 supplements;
- current account of the balance of payments: 318 foreign exchange permits and 191 supplements;
- 14 foreign exchange licences and 1 supplement were issued for transactions in foreign securities; 37 foreign exchange licences and 13 supplements were granted to exchange offices outside banks for trading in foreign exchange and traveller's cheques; and 2 licences for dealing in foreign exchange derivatives.

**2.5.1 Foreign exchange permits for capital operations****Investment abroad**

In 1997, a total of 64 foreign exchange permits and 6 supplements were issued, of which 61 permits were for direct investment abroad in the amount of Sk 119.17 million, and 3 permits were for portfolio investment in the Czech Republic in the amount of Sk 0.33 million.

Country	Number of licences and supplements	Investment (in millions of Sk)
Ukraine	31	92.84
Croatia	6	8.30
Russian Federation	9	6.08
Uzbekistan	3	3.13
Brazil	1	2.32
Yugoslavia	2	2.31
Bulgaria	5	1.58
Lichtenstein	1	0.72
Tunisia	2	0.70
Czech Republic	5	0.51
Other	5	1.01
Total	70	119.50

Note: Direct investment in OECD and EU countries has been liberalised.

## Acceptance of financial credits from abroad

Over the course of 1997, the NBS granted 125 foreign exchange permits and 48 supplements in a total amount of Sk 16,951.8 million, of which 100 foreign exchange permits were for the acceptance for financial credits totalling Sk 16,585.4 million; 20 permits were for repayment of credits accepted without a foreign exchange permit in the amount of Sk 366.4 million; and 5 foreign exchange permits remained unused.

At the same time, exceptions to the surrender requirement were allowed in 24 cases in a total amount of Sk 5,509.9 million, and there were 4 exceptions to the transfer requirement totalling Sk 153.6 million.

**Credits with a maturity of up to 3 years, valid until 31 December 1997:**

**Estimated drawing and repayment**

**(Sk millions, exchange rate at 31/12/1997)**

	1997	1998	1999
Drawing	15,000.3	1,622.2	0.0
Repayment	2,210.4	10,001.8	4,739.3
Balance	12,789.9	-8,379.6	-4,739.3

With regard to structure by term, credits with a maturity period of one year represented 51.3% (Sk 8,699.6 million) up to two years: 48.6% (Sk 8,231.8 million), and those maturing in up to three years accounted for 0.1% (Sk 20.0 million). One foreign exchange permit in the amount of Sk 0.4 million was granted for the repayment of a long-term credit accepted before Decree No. 335/1996 Z.z. came into force.

Of the total number of credits approved, 57 were provided by non-bank entities (Sk 3,320.4 million) and 63 by foreign banks (Sk 13,631.4 million). Bank guarantee was granted in 67 cases (Sk 5,265.4 million).

The largest volumes of credits (including international loans) were provided by entities based in Great Britain (Sk 11,902.6 million); Germany (Sk 1,847.2 million); Austria (Sk 1,480.6 million); Switzerland (Sk 1,025.3 million); and France (Sk 359.4 million).

Credits in the amount of Sk 10,307.3 million were earmarked for the coverage of operating expenses (60.8%), credits in the amount Sk 6,605.7 million for the financing of investments (39.0%), and credits in the amount of Sk 38.8 million for privatisation (0.2%).

### Structure of credits by sector

Sector	Number of licences	Volume in Sk millions
Generation and distribution of electricity	2	4,267.6
Transport, tourism, telecommunications	4	3,801.9
Industrial production	45	3,986.0
Building and construction	8	2,336.4
Trade, public catering, hotel services	40	909.4
Extraction of raw materials	1	47.5
Other	20	1,602.9
Total	120	16,951.7

Note: The acceptance of credits with a maturity of three or more years, and loans from OECD countries for the purchase of goods and services, have been liberalised.

## Covering the obligations of non-residents by residents

To secure the obligations of subsidiary companies abroad arising from credits accepted from foreign banks and the issues of eurobonds, the Bank issued 59 foreign exchange permits including 2 supplements in the total amount of Sk 2,512.3 million.

### **Provision of financial credits**

During the period under review, 4 foreign exchange permits were issued for the granting of financial loans abroad in the amount of Sk 47.1 million.

Regulations for granting credits to OECD countries with a maturity of five or more years, and loans to OECD countries for payments for goods and services, have been liberalised.

### **Trading in foreign securities**

For the sale of foreign securities, the Bank issued 1,118 foreign exchange permits and 3 supplements in a total amount of Sk 38.4 million. For the purchase of foreign securities, 25 foreign exchange permits were issued for the amount of Sk 82.6 million. Three permits and one supplement were issued for the purchase of foreign securities in the form of employee shares.

### **Trading in financial derivatives**

The Bank issued two foreign exchange permits for the conclusion of option contracts with foreign companies for the purchase of lucrative foreign securities.

## **2.5.2 Foreign exchange permits for current account operations**

### **Establishment of foreign-currency accounts at foreign banks**

- 72 foreign exchange permits and 22 supplements were issued for the purpose of covering necessary expenses incurred in connection with construction, assembly, or repair work abroad, and which ensured that entrepreneurs could carry out construction and assembly work, in a total amount of Sk 2,248.5 million;
- five special foreign exchange permits for the purchase of foreign exchange and paying into the accounts of foreigners in connection with trading on the commodity market;
- one foreign exchange permit was issued for the placement of funds derived from loans and used for the payment of imported technology.

### **Establishment of foreign-currency accounts at domestic banks**

- the NBS issued a total of 185 foreign exchange permits and 153 supplements, of which 95 permits and 72 supplements were for re-export operations; the remaining permits were granted for the promotion of exports and factoring transactions;
- 31 foreign exchange permits and 3 supplements were issued for the acceptance of credits from abroad.

### **Purchase of foreign exchange in cash and exceptions to the surrender requirement**

- 13 foreign exchange permits and 11 supplements were issued for the purchase of foreign exchange to finance the business journeys of employees;
- 8 foreign exchange permits and 1 supplement were granted for the payment of royalties and fees to foreign participants in international events;
- 2 foreign exchange permits were issued to travel agencies for the purchase of foreign exchange from foreign exchange outlets;
- 1 foreign exchange permit and 1 supplement were issued in connection with forwarding activities.

### 3. THE PUBLIC SECTOR

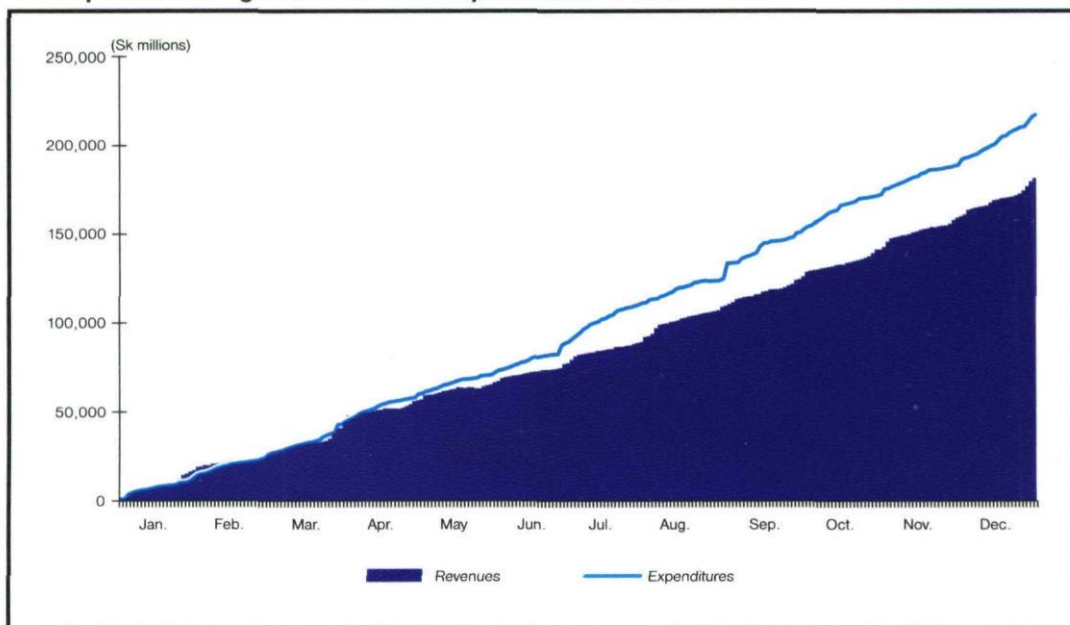
#### Budgetary Performance

The State budget of the Slovak Republic for 1997 was approved, in the amount of Sk 36.9 billion, by Decree No. 386/1996 Z.z. passed by the National Council of the SR. At the end of December, the budget deficit reached Sk 37.0 billion.

At the end of 1997, the total revenue of the State budget reached Sk 180.8 billion, representing a fulfilment of 105.7%. Revenue exceeded the budgeted figure by Sk 9.7 billion. Tax revenue (Sk 145.5 billion) remained below the budgeted level. Expected budget revenues from taxation amounted to Sk 154.6 billion; however, the actual revenue reached only 94.1% of this amount.

The non-fulfilment of tax revenues was due mainly to a shortfall in corporate income tax revenue (Sk 17.1 billion). Further shortfalls in tax revenues (Sk 2.1 billion) were recorded in the area of excise duties. With a total volume of Sk 21.9 billion, they represented a fulfilment of 91.1% of the budgeted figure. Within the category of income taxes, profits and capital gains, a very favourable result was achieved in personal income tax revenue, which exceeded the budgeted figure by Sk 3.2 billion, due mostly to tax revenues from persons earning a wage or salary. A substantial increase was recorded in the category of tax levied on international trade and transactions, which is linked to the introduction of an import surcharge as one of the measures designed to improve the balance of foreign trade. In budgetary terms, the import surcharge increased revenues by Sk 7.5 billion, which represented a significant source of income and offset to a large extent the shortfall in corporate income tax revenue. Value-added tax revenue (Sk 54.9 billion), which represented almost 38% of the country's total tax revenue, offset the nine month shortfall during the last quarter so that the annual figure corresponded to that forecast in the original budget.

**Development of budget revenues and expenditures in 1997**



Total budget expenditure (including principal repayments) reached Sk 217.8 billion, representing 104.7% of the figure budgeted for 1997, while the annual budget was exceeded by Sk 9.8 billion.

The greater part (70.8%) of total expenditure was formed by current expenditure, whereas capital expenditure accounted for 15.7%; principal repayments represented 11.5%, and the remaining 2% belonged to the category of capital stakes and loans. In comparison with the budget expectations, there was a shift in favour of capital expenditure to the detriment of current expenditure.

For current expenditure, Sk 158.2 billion was set aside in the State budget. The actual volume of current expenditure (Sk 154.1 billion) accounted for 97.4% of the annual figure. The structure of these expenditures was dominated by public consumption in the household and government sectors (Sk 82.9 billion), of which the expenditures of central budgetary organisations accounted for Sk 71.3 billion, and the remaining amount (Sk 11.6 billion) was used for debt service payments (debit interest). The actual amounts of these expenditures did not exceed the budgeted figures. Within the individual chapters of the budget, annual current expenditures exceeded the budgeted figures in the sectors of education (109.4%), the interior (104.2%), and regional courts (108.1%).

Further current expenditures in the amount Sk 71.2 billion were accounted for by transfers to non-profit organisations, entrepreneurs, and local governments. The annual plan was fulfilled to 96.5%. With regard to structure, subsidies to the enterprise sector were exceeded (fulfilment to 106.6%). This was due mainly to subsidies on household heating costs, representing a fulfilment of 160.4%; the budgeted figure had been passed at the end of the 1st half of 1997. Subsidies granted to municipalities and non-profit organisations were drawn in accordance with the annual budget. During 1997, capital expenditure on the investment needs of the budgets of non-profit organisations, entrepreneurial entities and municipalities in the total amount of Sk 34.3 billion represented a fulfilment of the budget to 160.3%. Of the total sum realised, a large amount was spent on the acquisition of capital assets for budgetary organisations, the volume of which (Sk 25.5 billion) significantly exceeded the budgeted figure (243.5%). This fulfilment was closely connected with the use of extra-budgetary funds, particularly in the case of the Ministry of Transport, Postal and Telecommunications Services, which were taken from the resources of the State Road Fund and which had been earmarked for the construction of motorways and the road repairs. Budgetary expectations in the category 'property participation and credits' had been fulfilled to 140.2% by the end of 1997. For the year 1997, the repayment of State liabilities were budgeted in the amount of Sk 25.2 billion, while actual repayments of principal had reached roughly the same figure at the end of the year.

According to NBS estimates (based on IMF methodology), the fiscal deficit of the public sector amounted to Sk 29 billion, i.e. 4.4% of GDP. Definitive data will be available only after the State Closing Account for 1997 is approved by the National Council of the SR.

### **Relationship Between the NBS and the State Budget**

The relationship between the State budget and the National Bank of Slovakia is regulated by the provisions of Act No. 566/1992 Zb. on the National Bank of Slovakia. Interest on government claims and liabilities registered at the NBS was credited during the whole year in accordance with the 1997 State Budget Act of the Slovak National Council, in which the rates of interest are defined for the individual activities of the State administered in accounts with the NBS. The rate for State receivables was 3% p.a., except for time deposits in State financial assets. In comparison with previous years, marked changes took place in the rates of interest on State liabilities: apart from the crediting of interest on the 1991 budget (at a rate of 9% p.a.), zero interest rates were set for the other items.

In 1997, the National Bank of Slovakia transferred Sk 1.1 billion to the State budget, in compliance with the provisions of Article 2 of Act No. 386/1996 Z.z. on the State Budget for 1997.

State financial assets (SFA), maintained in the form of deposits on accounts at the NBS, amounted to Sk 6.2 billion at 31 December 1997. Over the course of the year, a change took place in the administration of State financial accounts, as the NBS established - at the request of the Ministry of Finance - a time deposit account for SFA with a maturity period of 1 year, with effect from 1 April 1997. Funds from 12 SFA accounts were transferred to this time deposit account in the total amount of Sk 5.6 billion.

At the end of December, the value of State financial liabilities stood at zero; on 23 December 1997, State financial liabilities were written off from the account in the amount of Sk 21.7 billion, due to the application of Article 3, Section 1 of Act 358/1997 Z.z. in connection with the repudiation of liabilities resulting from the division of SBCS.

### **State Funds**

At the end of the period under review, the total position of State funds was that of creditor in the amount of Sk 11.0 billion. This was due mainly to domestic and foreign credit resources, which had reached a level of Sk 15.5 billion by the end of December. The largest credit transfers (88%) were made to the State Road Fund, for the financing of motorway construction in the SR. Excluding credit resources, State funds disposed of financial means in the amount of Sk 4.5 billion. The State funds used these funds for the financing of their tasks.

### **Internal Debt of the Government vis-à-vis the Banking Sector**

According to preliminary data, the net position of the government sector vis-à-vis the banking sector stood at Sk 70.2 billion at the end of the year.

The internal debt of the public sector vis-à-vis the banking sector gradually increased over the course of the year (until December), due primarily to the size of the budget deficit. During the eleven months of the year, the deficit widened by Sk 16.4 billion, to Sk 87.7 billion in November. In December, however, State liabilities to the NBS were written off on the basis of an amendment to the State Budget Act of 1997, which resulted in a reduction in the level of internal debt of the Government vis-à-vis the banking sector. Owing to this operation, the share of the National Bank of Slovakia in the crediting of the country's internal debt changed: prior to December, the Bank had contributed to covering the Government's internal debt with 16.2% to 30.7%; however, due to the aforementioned repudiation of liabilities, the Bank's position became that of debtor.

Over the course of 1997, the development and structure of internal government debt were influenced by the following factors:

- the deficit financing of the State budget over the course of the whole year, made a significant contribution to the discharge of debt service commitments, which reached Sk 25.2 billion (i.e. 68.1% of the State budget deficit recorded in 1997). The budget deficit was fully covered by issues of Treasury bills, while revolving financing was significantly supported by the National Bank of Slovakia, which, e.g. made 10 special 7-day issues in September alone, when it replenished its portfolio to the legal maximum of Sk 8.3 billion (in July, the NBS made 15 rapid issues of this kind; in October, there were 13, etc.);
- owing to the credits granted to the State Road Fund, through which the construction of railways was financed in Slovakia within the extra-budgetary activities of the Government, the minus position of State funds deteriorated;

- issue of two-year government bonds in the amount of Sk 1.5 billion earmarked for the financing of housing projects;
- over the course of 1997, Treasury bills (issued for the coverage of the 1996 State budget deficit) were gradually converted into one-year government bonds with zero impact on the internal debt of the Government;
- due to the payment of principal on an SAL loan granted by the World Bank and the EXIM Bank of Japan, the volume of State financial assets suffered a decline (Sk 3.2 billion compared with the figure for the beginning of the year);
- after the Government's commitment to the NBS was written off in December in accordance with Article 3, Section 1 of Act No. 358/1997 Z.z., the account of State financial liabilities was closed and the size of the State budget deficit for 1991 was reduced accordingly.

### **The National Property Fund**

At 31 December 1997, the obligations and recognised claims of the Fund vis-à-vis commercial banks totalled Sk 1.2 billion (excluding the bonds of the NPF for owners included in the second wave of voucher privatisation). The volume of deposits amounted to Sk 2.9 billion. This indicates that the position of the Fund vis-à-vis the banking sector was at a creditor level (Sk 1.7 billion).

At 31 December 1997, the funds of the National Property Fund of the SR resulting from privatisation, which are held in a separate account of the Ministry for the Administration and Privatisation of National Property, amounted to Sk 1.3 billion. Including these funds, the total financial position of the NPF vis-à-vis the banking sector was that of creditor at the level of Sk 3.0 billion.

Over the course of 1997, bonds issued by the Fund were redeemed in a total amount of Sk 4.6 billion, representing a much lower amount compared with the forecasted figure (NPF forecast Sk 11.1 billion, and the NBS Sk 7.2 billion). At 31 December 1997, NPF bonds remained in circulation in the amount of Sk 26.5 billion, i.e. 79.7% of the total issue.

### **Government Guarantees for Bank Loans**

During the last quarter of 1997, the Government of the SR decided to grant a government guarantee for a bank loan to the Slovak Railways in the amount of roughly Sk 5.1 billion (the credit was provided in US dollars, principal amounted to US\$ 135 million, the rest being interest), which was the only state guarantee provided in 1997. The total limit for government guarantees was set at Sk 19.2 billion, in accordance with the State Budget Act for 1997.

## 4. MONETARY POLICY AND MONETARY DEVELOPMENT

### 4.1 Monetary Development

Slovakia's annual inflation, expressed in terms of the consumer price index, reached 6.4% in 1997. In the monetary programme, the rate of price inflation was set at 4.9 to 5.8%, but the import surcharge was not expected to be increased over the course of 1997. The exchange rate of the Slovak crown fell in December by only 0.55% in comparison with the beginning of the year, despite fluctuations on the foreign exchange market at the end of May and the beginning of June. During the period under review, the structure of receipts and payments by currency corresponded to the structure of the currency basket of the Slovak crown, i.e. 60% DEM and 40% USD.

The real effective exchange rate of the Slovak crown (Sk), reflecting the development of domestic prices in comparison with the country's eight major trading partners (excluding the CR), appreciated in 1997 by 9.3 percentage points (or by 7.2 percentage points) on the basis of consumer prices (or producer prices respectively) in comparison with 1996, when it appreciated by 2.8% (or 4.9 percentage points respectively). Including the Czech Republic in the calculation of the crown's real effective exchange rate, it appreciated in terms of the consumer price index (or the producer price index) in 1997 by 10.3 percentage points (or 10.7 points respectively), in comparison with a depreciation of 2.8 percentage points (or 0.2 percentage points respectively) in 1996.

Although the appreciation in the crown's real effective exchange rate might have reduced the competitiveness of Slovak entities on foreign markets to the extent that the actual rate of appreciation in the exchange rate was higher in 1997 than a year ago, the dynamics of growth in exports improved during the period under review. The acceleration in the rate of year-on-year growth in exports in 1997, was significantly influenced by the improved marketing strategies of Slovak exporters and more effective utilisation of production potentials. The increased dynamics of exports were reflected mainly in companies with foreign capital interests.

The year 1997 can be characterised as a year of favourable development in monetary aggregates and improvement in the current account deficit of the balance of payments. In 1997, dynamics of wages gradually approached the rate of growth in labour productivity. Along with the development of bank lending, a moderate increase was achieved in domestic demand in 1997, which led to a decrease in the relation between the current account deficit of the balance of payments and the gross domestic product.

At the end of 1997, the deficit in the current account of the balance of payments was below the level of 7% of gross domestic product (GDP). This was due to monetary-policy measures designed to slow down the rate of growth in monetary aggregates and to administrative measures taken by the government (import deposits and the import surcharge).

With regard to monetary development, it should be added that the acceptable development of the money supply and net domestic assets, which are the intermediary goals of monetary policy, could only be maintained through a marked reduction in bank lending, owing to the expansive development of the public sector.

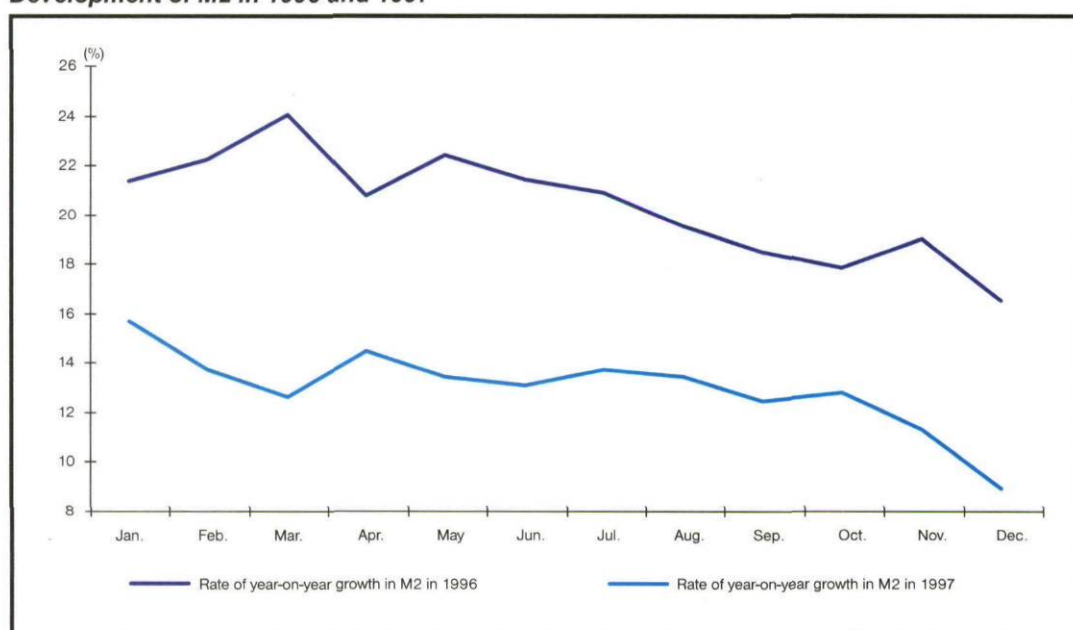
Monetary development in 1997 was marked by high and volatile interest rates, the upward trend of which was due primarily to increased demand in the public sector for financial resources. Another cause of increase in the price of money was the attack on the exchange rate of the Slovak crown in May, when the high interest rates

(exceeding the level of 100%) made it necessary to maintain a fixed exchange rate regime. Speculations of foreign investors on the exchange rate of the Slovak crown in 1997 were supported by the overall situation on international financial markets resulting from developments in south-east Asia and the CR, and by the deterioration in the external imbalance of the SR, particularly in 1996. The deficit in the current account of the balance of payments exceeding 5% of gross domestic product, the high and persistent fiscal deficit along with the country's increasing external debt, and growing fears of devaluation on the part of both domestic and foreign entities, represented a set of indicators signalling the country's impaired ability to maintain the stability of the national currency.

The high interest rates and restrictions on bank lending in 1997 represented an inevitable reaction to the persistent deficit in the current account of the balance of payments, and the inconsistency between monetary and fiscal policies.

Monetary development in 1997 was influenced by monetary measures introduced during the second half of 1996. These measures were designed to reduce the deficit of trade by regulating the level of domestic demand through the lending activities of commercial banks. In 1997, the NBS applied the decree relating to the foreign exchange position of banks for monetary purposes, and a modified system of liquidity management. In this way, the NBS managed to slow the dynamics of bank lending to the economy, and to maintain the stability of the Slovak currency. During 1997, the exchange rate of the Slovak crown (with the exception of fluctuations in May) ranged from +0.9 to -2.4% within the fluctuation band. The Decree of the NBS stipulating the foreign exchange position of banks for monetary purposes fulfilled its goal, specifically in the area of foreign-currency lending to residents, the dynamics of which slowed to 15.9% in December 1997, from 31.7% in 1996, or over 100% during 1996.

**Development of M2 in 1996 and 1997**



The money supply, being one of the intermediate goals of monetary policy, recorded a slowdown in 1997, when its volume reached Sk 453.9 billion in December (at fixed exchange rates), representing a year-on-year change of 8.9%, i.e. 1.7 percentage points less than the figure set in the monetary programme. Over the course of 1997, the rate of growth in the M2 aggregate nearly halved in comparison with the 1996 figure. In 1997, the growth of M2 was influenced mainly by the development of net domestic assets, which increased by Sk 30.6 billion compared with Sk 60.1 billion in 1996. Net foreign assets increased by Sk 6.4 billion over the course of 1997.

The slowdown in the rate of growth in the M2 aggregate during 1997 was due primarily to a marked reduction in the dynamics of bank lending to households and enterprises, which increased in absolute terms by Sk 8.1 billion year-on-year, compared with Sk 54.8 billion in 1996. In relative terms, the growth in loans to households and enterprises slowed from 17.9% in December 1996, to 2.2% in December 1997. In this connection, foreign resources became a significant source of growth for gross domestic product. Over the course of 1997, the level of foreign debt in the corporate sector rose from US\$ 1.4 billion to US\$ 5.0 billion, which increased the sensitivity of companies to exchange rate fluctuations.

Over the course of 1997, the volume of net credit to the government sector increased by Sk 28.9 billion and, in comparison with the previous year (an increase of Sk 4.6 billion), a considerably greater amount of funds were released into the economy, as a result of which the resources of commercial banks were reduced and the room for credit exposure to other entities constricted. In this way, private activities were crowded out by public activities. In 1997, net credit to the Government grew at a rate of 40.4%, and accounted for 78% of the absolute year-on-year increase in M2, compared with 7.8% in 1996. The influence of lending activities on the growth of M2 slackened from 93.2% in 1996 to 21.9% in 1997. In budgetary performance, a marked tension developed between revenues and expenditures during 1997. To keep the budget deficit within the set limits, part of expenditures incurred in 1997 was blocked and transferred to the following period. The financing of the budget deficit was also problematical with regard to the existing imbalance between the budget's demand for resources and their availability on the financial markets, which was reflected in the level of yields demanded. Over the course of the year, the price of money increased and the average cost of budget refinancing reached approx. 25% in December 1997.

The shortage of resources in the banking sector and the non-acceptance of requirements relating to yields on the part of the Ministry of Finance of the SR, was reflected in the fulfilment of the limit set for the purchase of Treasury bills for the central bank's portfolio. During the last quarter of 1997, rising interest rates on government securities were influenced by the uncertainty of investors in connection with the retroactive taxation of income from Treasury bills. In November 1997, the market for short-term securities was opened to foreign investors, with the aim of improving the budget deficit and lowering interest levels on government securities. However, non-residents did not show much interest in Treasury bills, due in all probability to the long period of maturity, which carries an increased exchange rate risk for short-term investors.

During the second half of 1997, the development and dynamics of growth in M2 was significantly influenced by seasonal changes in the volume of net credit to the Government and that of other net items.

The seasonal nature of the development of net credit to the Government changed in 1997 in comparison with previous years. During the first half of 1997, net credit to the Government deteriorated by Sk 6 billion, compared with an improvement of Sk 11 billion in the same period in 1996. During the second half of 1996, the volume of net credit to the Government recorded a moderate increase, which was followed by a marked month-on-month deterioration (Sk 11.7 billion) in December 1996, compared with Sk 3.7 billion in 1997. The change in the character of net credit to the Government, as one of the sources of M2, affected the seasonal development of the money supply over the course of the year, but mainly in December 1997, when the substantially less upward influence of net credit to the Government was a factor behind the slowdown in the rate of year-on-year growth in M2 from 11.3% in November 1997, to 8.9% in December.

In December 1997, the slowdown in the dynamics of M2 was also affected by the development of other items net, among which a change was reported in the development of accrued expenses. Funds for the crediting of interest to accounts at 31 December, were accumulated here. The effort to maintain liquidity levels led commercial banks to introduce deposit products with high interest rates and short maturity. This caused a change not only in the structure of M2, but also in the crediting of interest to accounts and its spread over the year, as a result of which the amount of interest credited to accounts in December decreased. The rate of growth in M2 was also affected by the development of other items net, whose influence was less in December 1997, than a year earlier.

The change in behaviour of depositors was reflected in an upward trend of development in short-term deposits. At the same time, demand deposits declined and the increase in the volume of currency in circulation outside banks (Sk 5.2 billion) halved in 1997 in comparison with the figure recorded a year earlier. The competitive offers of banks in the area of short-term resources resulted from their efforts to maintain the level of liquidity. At the same time, however, structure of the banks' primary resources by term deteriorated in favour of short-term funds, which further widened the difference between the short-term nature of resources and the need for long-term loans.

In 1997, the trend of development in foreign-currency deposits changed for the better, while the most significant increase was recorded in June 1997, due mainly to the expected depreciation in value of the Slovak crown. The development of foreign-currency deposits reflected the increased sensitivity of economic entities to the actual development of exchange rates on the one hand, and uncertainty about the future exchange rate regime of the Slovak Republic.

The savings rate of households, expressed as the proportion of increase in potential purchasing power to current income during the year, gradually decreased to 7.3% at the end of the year. Slovak-crown deposits accounted for 89% of the volume of increase in potential purchasing power (Sk 38.8 billion). The share of crown deposits in the potential purchasing power of households increased by 10 percentage points in comparison with the 1996 figure, due to the transfer of cash into short-term bank products paying interest at advantageous rates. In 1997, part of crown resources in the household sector was transferred to foreign currency accounts due to fears of devaluation; this distorted the actual rate of savings to a certain extent. If household deposits in foreign currency had been included in the potential purchasing power, the rate of savings would have been 8%. The savings rate decreased year-on-year by 1.2 percentage points (by 0.6 percentage points including household deposits in foreign currency), due to a decrease in the share of current household incomes in GDP from 82.4% in 1996 to 80.8% in 1997, while the proportion of potential purchasing power (including household deposits in foreign currency) of GDP fell from 7.1% in 1996, to 6.5% in 1997.

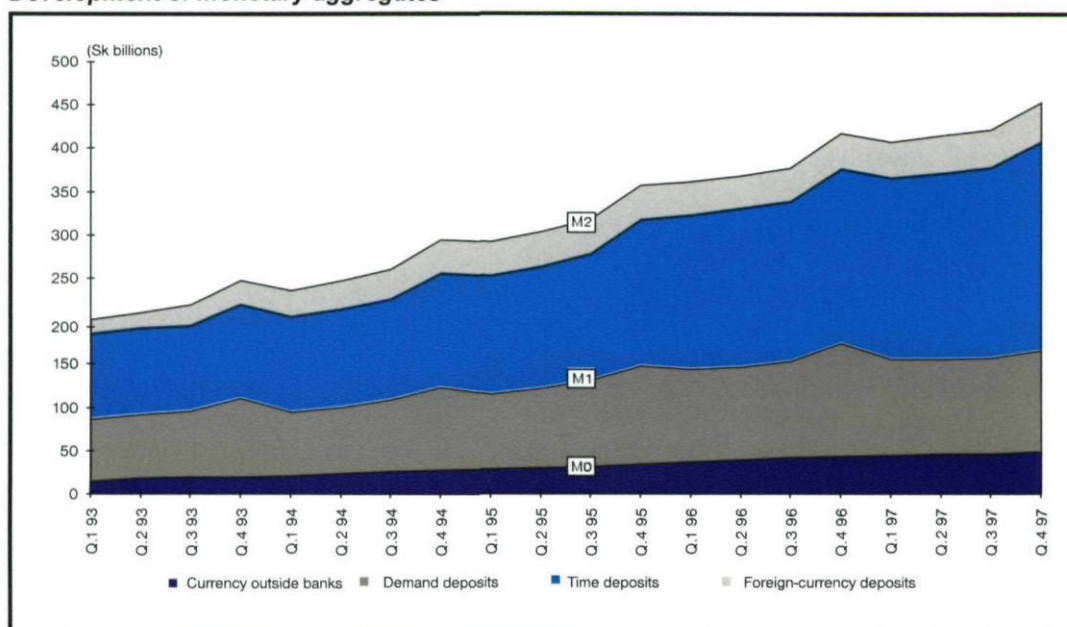
## **4.2 Structure of the Money Supply**

Over the course of 1997, the M2 money supply (at fixed exchange rates) increased by Sk 37.0 billion, reaching Sk 453.9 billion at the end of the year. With regard to individual sub-aggregates, the growth in M2 was due exclusively to an increase in quasi-money (Sk 44.8 billion), while the M1 aggregate suffered a decline of Sk 7.8 billion. In comparison with 1996, when the money supply grew by Sk 59.2 billion, the absolute increase was much lower in 1997. Over the course of the year, the dynamics of year-on-year growth in the M2 money supply was characterised by a downward trend; by the end of December 1997, the annual rate of growth had reached 8.9%.

In 1997, the volume of currency outside the banking sector increased by Sk 5.2 billion. In comparison with previous years, the issue of currency was characterised by a slowdown in the rate of growth.

Compared with the course of development in 1996, when demand deposits increased by Sk 16.5 billion, the year 1997 saw a change in the trend of development (a decline of Sk 13.0 billion), which was influenced significantly by the high level of interest rates on short-term time deposits, where the dominant part of the said increase took place. The development of demand deposits was determined by demand deposits in the corporate sector (amounting to approx. 56% of the total volume of demand deposits in 1997), the seasonal nature of which is conditional upon the deadlines for the discharge of liabilities to the State budget. In the household sector, demand deposits were stagnant during 1997: the annual increase amounting to Sk 0.1 billion. Over the course of the year, the development of demand deposits was influenced by the payment of annual and quarterly premiums, and the level of interest rates on short-term deposits. Demand deposits in the insurance sector fell by Sk 0.1 billion, and experienced only negligible month-on-month changes during the year.

#### Development of monetary aggregates



Time deposits (term and savings deposits) grew by Sk 39.2 billion, due mostly to an increase in household deposits (Sk 34.4 billion). Over the course of the year, time deposits in the household sector recorded positive month-on-month increases, which accelerated in July and September, as a result of a rise in the level of short-term interest rates to roughly 20%. The largest increase was recorded in December, due to the crediting of interest to deposit accounts at the end of the year. The development of interest rates significantly influenced the structure and volume of time deposits in the household sector. While deposits at up to 1-month notice accounted for only 0.5% of time deposits in the household sector at the beginning of the year, at the end of the year they had increased to 13.7%, representing 70.6% of the total growth. The year 1997 was marked by a downward trend in the proportion of home savings deposits to the increase in time household deposits. In 1996, this share represented nearly 40%; then in 1997, it fell to 22.5%, the sharpest decrease being recorded in the 3rd quarter of 1997. In the corporate sector, the volume of time deposits increased by Sk 6.4 billion during 1997. The most significant increase took place in January. During the following period, month-on-month increases fluctuated and were influenced by the actual need for, or surplus of free resources (mainly in

connection with the settlement of liabilities vis-à-vis the State budget). In the enterprise sector, most funds were allocated to short-term deposits at up to 1-month notice, whose share in total time deposits of enterprises increased from 40.0% to 66.7% over the course of 1997. This group absorbed 211% of the increase in time deposits held by enterprises, when almost all the other groups of time deposits declined (mainly deposits at up to 3-month and up to 1-year notice). Time deposits in the insurance sector fell by Sk 1.6 billion in 1997.

Foreign-currency deposits recorded an increase of Sk 5.6 billion, the greater part of which took place during the months June to August, as a consequence of the pressure on the exchange rate of the Slovak crown. The increase in foreign-currency deposits was due mostly to household deposits in foreign currency, which grew by Sk 4.1 billion and recorded positive month-on-month increases throughout the year. In 1997, corporate deposits increased by Sk 1.5 billion and followed a different course of development than that of household deposits. From the beginning of the year to May (except March), corporate deposits declined. In June, however, corporate deposits increased month-on-month by Sk 3.0 billion, in response to the situation on the foreign exchange market. During the following period, this development moderated, along with the stabilisation of the foreign exchange market. The relatively marked reaction of foreign currency deposits to the attack on the exchange rate of the Slovak crown at the end of May and the beginning of June was due to fears of devaluation. However, a positive development was that crown deposits were not switched into foreign currency accounts on a mass scale and foreign exchange was not purchased by households in excessive amounts. This was a sign of the monetary policy's effectiveness and credibility in relation to households as well as enterprises.

### **4.3 Bank Lending**

Bank lending in Slovak crown and foreign currency to the entrepreneurial sector, households, central and local authorities for extrabudgetary purposes, by commercial banks and the NBS (to residents and non-residents), was rather uneven over the course of the year (it ranged from an increase of Sk 5.4 billion in March and Sk 4.4 billion in August, to a fall of Sk 4.9 billion in January and Sk 2.5 billion in July). This development reflected the general problems of external and internal disequilibrium of the economy, liquidity of commercial banks, and the situation on the interbank money market. While month-on-month increases in crown loans ranged from Sk -3.9 billion to Sk 4.8 billion, the month-on-month increases in foreign currency loans were more or less stable and fluctuated around Sk 1 billion, except for a month-on-month increase in June (Sk 3.1 billion), which was one of the highest since 1993, and a decline in October (Sk 1.6 billion).

Of the total increase in bank lending in 1997 (Sk 14.5 billion), crown loans accounted for 24.1% and loans in foreign currency 75.9%. At the end of December, the volume of bank credit totalled Sk 388.9 billion, of which crown loans accounted for Sk 342.3 billion and loans in foreign currency Sk 46.6 billion.

A characteristic feature of bank lending in 1997, was that the increase in crown loans took place predominantly in the financial (Sk 3.0 billion), household (Sk 2.6 billion), and entrepreneurial sectors (Sk 2.2 billion). The volume of loans to non-financial organisations declined by Sk 5.3 billion. A considerable part of credit resources was used by the public sector for the construction of motorways and other projects, as a result of which the total annual increase in crown loans to the entrepreneurial sector (residents and non-residents), households, and the extra-budgetary needs of central and local bodies reached only 1.0%. As a result of restrictions on crown resources, solvent entrepreneurial entities drew foreign loans at advantageous interest rates. Lending in foreign currency increased significantly mainly during the 2nd, 3rd, and 4th quarters; the total increase since the beginning of

the year being 30.9%. At the end of the year, however, foreign-currency loans accounted for only 12% of total credit.

The structure of loans by term was characterised by a slight increase in the share of short-term loans (by 1.5 points, to 43.4%), medium-term loans (by 0.8 points, to 22.3%), and a decrease in the share of long-term loans (by 2.3 percentage points). The increases in total credit took place in short-term (Sk 11.6 billion) and medium-term loans (Sk 6.2 billion). Long-term loans declined by Sk 3.3 billion. Such a distribution of loans failed to contribute to the structural reform of the economy, the introduction of modern technology, and innovations in production.

A significant increase was recorded in the share of short-term loans in foreign currency (11.5 percentage points), while medium-term loans decreased by 7.2 points and long-term loans by 4.3 points in proportion to total credit in foreign currency.

Over the course of the year, the structure of loans by sector was fairly stable, the change in the share of crown loans ranged from 0 to 1.1 percentage points. The largest part of the total volume of crown loans was consumed in the manufacturing industry (33.4%), almost a half of which (13.7%) in metallurgy, and 21.9% in machine engineering, trade, sales, catering, and hotel services (average figures for the year).

**Structure of loans in Sk and foreign currency**

(%)

	1 January 1997	31 December 1997
Bank lending in total	100.0	100.0
of which		
Short-term loans	41.9	43.4
Medium-term loans	21.5	22.2
Long-term loans	36.6	34.4

Of the total volume of credit extended (Sk 272.5 billion), bank loans to the entrepreneurial sector accounted for 94.3%. These were mostly short-term loans with a maturity of up to 3 months, which in fact indicated that the total volume of loans in the sector fell by Sk 0.2 billion, due mainly to the entrepreneurial sector.

Regarding the structure of loans by purpose, operating loans accounted for 49.1%. Loans granted for development programmes represented only 9.7% of the total volume of bank lending during the given period, which was associated with their structure by term. Due to the relatively low level of interest rates on loans granted to households (10% to 12.5%), their volume remained at the same level; however, demand had not been fully satisfied as a result of the limited amount of funds earmarked for these purposes. The structure of new loans by purpose did not provide adequate support for the development projects of entrepreneurial entities. Short-term loans with a maturity of up to 1 year accounted for 84.5% of the volume of new loans, while most large banks provided loans with a maturity of up to 3 months, which were later renewed for solvent clients over the course of the year. A significant volume was represented by 1-day loans provided for operating purposes. Other significant items were loans granted for the coverage of credits, which the clients were unable to repay and which reduced the actual volume of loans applicable for the financing of specific development projects.

#### 4.4 Interest Rate Development

At the beginning of 1997, marked fluctuations and increases were recorded in interest rates on the interbank money market (mainly in May and June), which affected the rates of interest for clients as well. The high level of interest rates was also influenced by the large volume of risky claims, which were concentrated at large banks, and in effect determined the country's interest rate policy. Over the course of

the 3rd and 4th quarters, interest rates on new loans stabilised to a certain extent, but at a relatively high level, fluctuating around 20%.

Compared with the figure for December 1996, the average interest rate on the total volume of loans rose by 3 percentage points, the level being influenced by further factors such as the structure of loans by term, the structure of customers, and the structure of loans by purpose. A marked increase was recorded in the average lending rate for short-term loans (by 6.05 points, to 19.91%), a virtually instantaneous response to changes in economic and other factors. The average interest rate on medium-term loans rose by 1.13 points (to 16.41%) and that on long-term loans by 0.54 points (to 11.9%), while these rates were constantly influenced by loans granted in previous years at fixed and low interest rates.

Over the course of 1997, commercial banks raised the level of interest rates on short-term loans first at the beginning of the year (by 1 to 3 points), then in April (by 1.5 points), July (by 1.25 to 2 points), and later in November (by 1 to 4 points). The actual increase in the price of new loans was 7.47 points (to 20.92%) in comparison with December 1996. With regard to the dominant share of short-term loans (84.5%), the average interest level (21.60%) influenced the development of average lending rates for new loans. Lending rates for new short-term loans followed, to a significant extent, the development of interest rates on the interbank money market. In December 1997, interest rates on new medium and long-term loans increased to 16.30% (by 3.25 points) and 15.4% respectively (by 1.72 points), compared with the figures for December 1996. This reversal in development of interest rates continued in 1997.

Over the course of the year, the development of interest rates by purpose was characterised by marked fluctuations in lending rates for operating loans, which ranged from 15.4% to 21.4%; in rates for development loans, fluctuating between 13.9% and 19.1%; rates for standard loans (15.6% to 24.6%), and in rates for overdrafts (14.3% to 26.0%). Average interest rates on consumer loans to households fluctuated between 7.8% and 11.6%.

Real interest rates on new loans increased by 6.6 points, to 16.53% (in terms of industrial producer prices); of this, the rates for short-term loans rose by 6.9 points, to 17.2%.

Commercial banks raised the level of interest rates on deposits at the beginning of the year (by 1 to 1.5 points), in July and August (by 1 to 2 points), and then in November (by 1.5 to 6 points), particularly the rates for short-term deposits.

This led to an increase in actual average interest rates on crown deposits: they rose by 2.51 points in comparison with the level of December 1996, to 8.69% in December 1997. In the effort to obtain short-term crown resources, commercial banks raised the level of interest rates considerably, particularly on deposits at up to 3-month notice (by 6.2 to 7.6 points), with preference for deposits above Sk 100 thousand. The total increase in time deposits (Sk 37.4 billion) was fully absorbed by 1-month and 7-day deposits. With regard to the marked external and internal disequilibrium of the economy, commercial banks failed to create an adequately stimulating environment for the expansion of long-term deposits, which resulted in a lack of interest on the part of households in long-term deposits (except building savings deposits, totalling Sk 29.7 billion in December). The latter represent a special deposit product, which attract a state premium and offer the possibility of obtaining advantageous loans for households. The volume of other long-term deposits (mainly certificates of deposit) remained basically unchanged during the period under review (Sk 3.4 billion). For deposits at up to 1-year notice, commercial banks offered mostly flexible interest rates, while deposits at over 1-year notice attracted fixed interest rates.

In comparison with December 1996, actual interest rates on demand deposits rose by 0.63 points, to 3.5%; and those on time deposits by 2.99 points, to 11.62%. In the category of time deposits, marked increases were recorded in interest rates on deposits at up to 7-day notice (7.59 points), deposits at up to 1-month notice (7.38 points), and deposits at up to 3-month notice (6.15 points). The average interest rate on time deposits at up to 7-day notice was significantly influenced by the development of interest rates on the interbank money market (the value of the correlation ratio was 0.99).

In December 1997, the actual interest rate on one-year deposits (4.79%) increased year-on-year by 0.6 points, due to a higher rise in the level of nominal interest rates on one-year deposits (by 1.6 percentage points) than in the 12-month rate of inflation (by 1.0 percentage point).

## **4.5 Implementation of Monetary Policy**

The monetary policy of the NBS was implemented in accordance with the Monetary Programme for 1997, the priority of which was to maintain, through mitigating the imbalance of foreign trade, the external stability of the currency as a precondition for the favourable development of inflation (and vice versa).

In 1997, the goal of monetary policy was to regulate the dynamics of domestic demand by influencing the lending activities of banks through quantitative liquidity management. Over the course of 1997, the attainment of this goal was hampered by problems in financing the deficit of the State budget on the part of commercial banks, which increased the central bank's interest in purchasing Treasury bills for its own portfolio. As part of its monetary policy, the NBS took account of the planned issues of government securities, which influenced its implementation in favour of supplying liquidity to the banking sector. The conduct of monetary policy was influenced significantly by the attack on the Slovak crown in May 1997, when the NBS responded by suspending the refinancing of the banking sector with the aim of warding off the threat of currency devaluation.

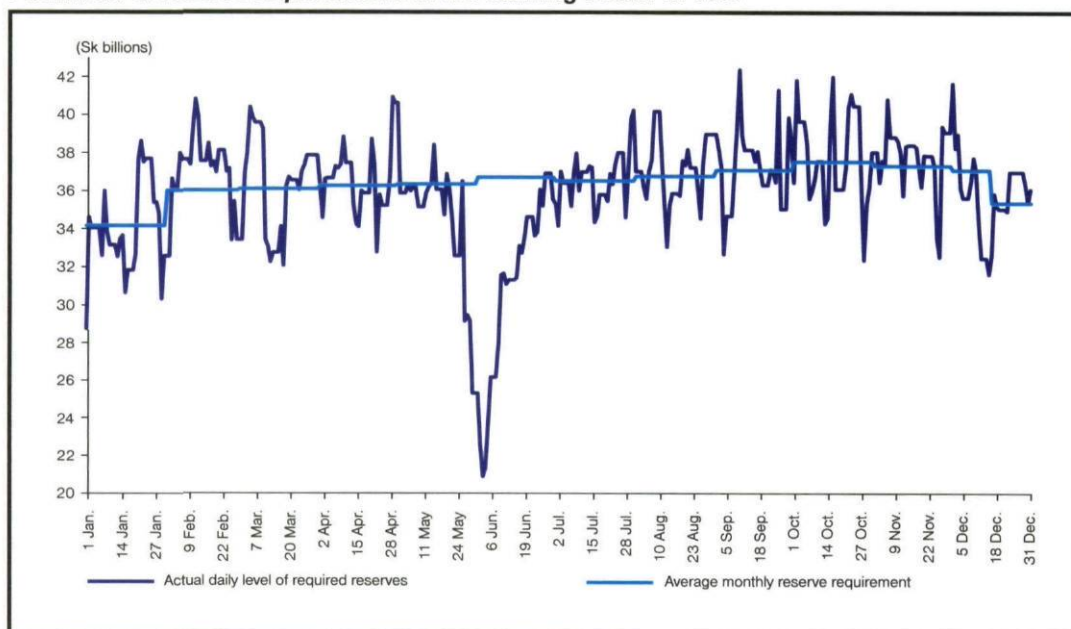
The official exchange rate of the Slovak crown (Sk), listed by the NBS, depreciated by 0.07% over the course of May. However, the exchange rates at commercial banks were, on some days, on the edge of the devaluation zone of the fluctuation band. The exchange of crown liquidity for foreign exchange liquidity by banks (non-resident and resident) and non-bank entities, caused a shortage of crown liquidity in the banking sector. During this period, the goal and strategy of the central bank was to maintain the stability of the Slovak crown; to this end, the Bank subordinated the implementation of monetary policy as well, mainly in the form of a restriction on refinancing.

Commercial banks began raising interest rate levels and subsequently stopped listing rates for non-residents in order to prevent their crown resources from being further reduced through sale of foreign exchange to non-residents. After the situation on the interbank market calmed down, the NBS started to replenish crown liquidity by conducting refinancing operations, as a result of which monetary-policy factors increased month-on-month by Sk 11 billion in June 1997. During this period, the pressure on the foreign exchange reserves of the NBS was dependent upon the crown liquidity of commercial banks; the volume of deposits held by non-residents in the banking sector; the purchase of foreign exchange by individuals, and acceleration of cross-border payments and the holding of money received from abroad by entrepreneurial entities. The attack on the currency at the end of May 1997, was due to a combination of factors, of which the most significant was not direct speculation on the part of foreign investors. This situation affected mainly domestic banks and non-bank entities (including households).

The high interest rates, which exceeded the level of 20%, persisted until the end of the year, despite the smooth fulfilment of minimum reserve requirements in the banking sector after the second period of July. During the second half of 1997, the price of money was influenced, apart from the uncertainty of commercial banks about the attitude of the NBS to refinancing; by the growing demand of the State budget for financial resources, where Treasury bills issued to cover the new deficit of the State budget and government bonds used for the financing of old debts culminated and overlapped during the second half of the year.

The liquidity of commercial banks was significantly influenced by the net foreign assets of the NBS, which increased during the year by an average of Sk 4.1 billion, after the NBS reserves were replenished subsequent to the attack in May. The growth in net foreign assets was influenced by the development of trading in foreign exchange fixing, where commercial banks sold foreign exchange to the NBS, with the aim of replenishing crown liquidity. The decline in deposits of State funds and the State budget at the NBS (by an average of Sk 2.8 billion) also had a favourable influence on the level of liquidity in the banking sector, despite the high pressure on the resources of banks. The favourable influence of the public sector on bank liquidity was due in part to the issue of short-term Treasury bills for the portfolio of the NBS, which represented another form of refinancing. The supply of liquidity took place in the form of central bank operations through increased bills-of-exchange rediscounting and purchase of government securities from commercial banks.

**Fulfilment of reserve requirements in the banking sector in 1997**



The creation of minimum required reserves, which had been set for banks as the minimum level of liquidity in the banking sector, followed a rather uneven course of development in 1997. Regarding the fulfilment of reserve requirements, the most problematical period was that from the second period of May to the first period in July. During that period, the shortage of reserves in the banking sector reached a level of Sk 15 billion for a short time, i.e. the first period of June 1997.

During the individual periods, the average volume of excess reserves ranged from Sk 2.8 billion to a shortage of Sk 4.3 billion. More detailed data on minimum reserves is given in the table below.

In connection with the shortage of liquidity in the banking sector during the period from May to July and developments on the domestic money market, three Lombard loans were granted in the amount of Sk 4.9 billion.

**Development of required reserves in 1997**

**(in Sk billions and %)**

	Set level of RR	Actual level of RR	Fulfilment in 1st period		Fulfilment in 2nd period	
			average	%	average	%
January	34.23	34.10	33.38	97.50	34.69	101.35
February	36.08	37.05	37.21	103.14	36.87	102.20
March	36.16	36.37	36.34	100.50	36.39	100.63
April	36.33	36.60	36.73	101.11	36.48	100.41
May	36.41	34.53	36.41	99.99	32.76	89.96
June	36.76	30.99	27.28	74.21	34.71	94.42
July	36.58	36.69	36.55	99.91	36.81	100.63
August	36.82	37.19	37.06	100.65	37.32	101.38
September	37.13	37.33	37.46	100.88	37.21	100.21
October	37.57	37.77	37.72	100.39	37.82	100.67
November	37.36	37.85	38.21	102.28	37.49	100.35
December <sup>1/</sup>	37.14	35.83	35.83	96.45	-	-
December <sup>2/</sup>	35.41	35.88	-	-	35.88	101.34

1/ Set level of RR (required reserves), including IRB(Investičná a rozvojová banka, a.s.)

2/ Set level of RR, excluding IRB, after the imposition of receivership on 19 December 1997.

The rediscounting of bills of exchange, conducted by the National Bank of Slovakia with commercial banks as one of the forms of refinancing, was increased twice over the course of the past year. In September 1997, the National Bank of Slovakia increased the bills-of-exchange limit from Sk 1.5 billion to Sk 2.0 billion, in support of the purchase of agricultural crops from 1997 (certain preferred commodities). Another adjustment to the bills-of-exchange limit was made by the National Bank of Slovakia in November. The rediscounting of agricultural bills was increased from Sk 2.0 billion to Sk 3.0 billion, while the discounting of export bills was suspended, as export promotion is regarded as the special remit of organisations established to this end, e.g. EXIMBANKA SR.

In 1997, the volume of issued currency increased by an average of Sk 6 billion, which reduced the level of liquidity in the banking sector. However, the growth in the volume of currency in 1997 was less than half the figure for 1996, due probably to an increase in the expenses of household and enterprises arising from their non-interest-bearing cash holdings and the transfer of a part of these holdings into short-term deposit accounts with advantageous interest rates. To obtain liquidity, commercial banks reduced the levels of cash in their vaults, which also led to a reduction in the need for currency issue.

The structure of monetary policy was determined by the need to make corrections in the unfavourable structure of gross domestic product, which was dominated by domestic demand fuelled from foreign resources. This situation was reflected in the growing deficit in the country's foreign-trade balance, particularly in 1996. The implementation of monetary policy was influenced mainly by the character of the economic policy as a whole, which predetermined - during the expansion of the public sector - the 'policy mix', i.e. correction, or supplementing one policy by the other (fiscal policy by the monetary policy). Naturally, the situation on the foreign exchange market in May affected the implementation of monetary policy during the remaining period of the year. By means of its monetary-policy instruments, the NBS managed to resist the pressures of devaluation and the expectations of domestic as well as foreign economic entities.

## **4.6 Instruments of Monetary Policy**

### **1. Interest rate policy**

- a) From 13 January 1996:  
Discount rate = 8.8%
- b) From 17 July 1996:  
Lombard rate = 15.0%

### **2. Reserve requirements**

- a) With effect from 1 August 1996, the ratio of primary deposits for the calculation of minimum required reserves was set at 9%, irrespective of the term of deposit, for all commercial banks, with the exception of home savings banks, which are required to maintain minimum reserves amounting to 3% of primary deposits. At the same time, required reserves commenced bearing interest at the rate of 1.5%, up to the level of required reserves set for the period under review.
- b) With effect from 1 January 1997, the ratio for required reserves of the volume of non-fulfilled obligatory foreign exchange position for monetary purposes was set at 9% (non-interest-bearing) and the ratio for required reserves of mortgage and municipal bond issues at 3%.

### **3. System of refinancing**

The refinancing of commercial banks took one of the following forms:

- a) Redistribution loans:
  - Traditional - at a rate of 9.5%;
  - Soft loans - at a rate of 7.5%;
- b) Lombard loans - loans backed by the pledge of securities granted at Lombard rate;
- c) Bills-of-exchange deals - bills of exchange are discounted and rediscounted at the discount rate; this form of refinancing included bills discounted for export promotion and bills rediscounted for the support of agriculture; with effect from 17 November 1997, the NBS ceased discounting bills of exchange for export promotion;
- d) Open market operations.

### **4. Treasury bills**

- a) An operative means of financing the State budget deficit;
- b) A means of managing the liquidity of commercial banks through:
  - secondary sales and purchases;
  - REPO operations (repurchase agreements).

### **5. NBS bills**

- Instrument used by the central bank to influence the liquidity of commercial banks via the same trading sectors as for Treasury bills.

## 6. Exchange-rate and foreign-exchange policy

a) The currency basket of the Slovak crown (Sk):

Currency	USD	DEM
Weight	40%	60%
Exchange rate Sk	31.209	20.227

Absolute definition of the currency basket:

$$1 \text{ IDX} = 0.012817 \text{ USD} + 0.029663 \text{ DEM}$$

b) Evaluation of the currency basket of the Sk:

- The turnover of foreign exchange operations under payment items specified in groups 1 to 6 in convertible currencies (excluding other convertible currencies, i.e. Czech crown, Hungarian forint, etc.) reached Sk 702.8 billion during the period from January to December 1997. The average monthly turnover (Sk 58.6 billion) increased by 10.2% year-on-year. The deficit in foreign exchange receipts and payments reached a level of Sk 37.5 billion during the twelve months of 1997. The currency structure of the turnover was dominated by DEM (41,6%) and USD (36.3%). The other European currencies, with a strong correlation to DEM, accounting for 20.1%. Together with DEM, these currencies represented 61.7% of the total volume. The percentage of non-continental currencies including GBP was 2.0%, and together with USD accounted for 38.3% of the total turnover.
- The turnover of foreign exchange receipts and payments, including other convertible currencies (mainly the Czech crown), reached Sk 794.4 billion from January to December 1997. The balance of foreign exchange receipts and payments resulted in a deficit of Sk 77.4 billion. The large share of CZK in the achieved turnover (Sk 91.0 billion, i.e. 11.5%) and its inclusion in total turnover (converted according to the original currency basket of the CZK, i.e. 65% DEM and 35% USD) changed the structure of the total turnover in favour of DEM (62.1%) and to the detriment of USD (37.9%).

c) Nominal exchange rate of the Slovak crown:

- The nominal exchange rate of the Slovak crown (Sk) against the currency basket depreciated in 1997 by 0.55% compared with 31 December 1996, when it reached 2.30% within the devaluation band. During the period under review, the currency structure of receipts and payments for goods and services corresponded to the structure of the crown's currency basket, i.e. 60% DEM and 40% USD. The development of the crown's official exchange rate, listed and set by the NBS, depends upon the development of cross-currency rates of the D-mark and the US dollar on the world markets; the supply of, and demand for foreign exchange, expressed as the balance of foreign exchange fixing at the NBS; and upon the policy and goals of the central bank.

d) Real effective exchange rate of the crown:

- The real effective exchange rate of the Slovak crown, calculated on the basis of the consumer price index, compared with those of Slovakia's eight trading partners having a significant share in the country's foreign trade turnover (USA, Great Britain, Austria, France, Germany, Italy, Holland, and Switzerland), appreciated by 9.3 percentage points during 1997; or, when compared with the country's nine trading partners (including the Czech Republic), it appreciated by 10.3 percentage points.
- The real effective exchange rate of the Slovak crown, calculated on the basis of the producer price index, compared with those of Slovakia's eight trading partners having a significant share in the country's foreign trade turnover, appreciated by 7.2 percentage points over the course of 1997; or, compared with the country's nine trading partners (including the Czech Republic), appreciated by 10.7 percentage points.

e) Management of the foreign exchange positions of banks:

- Commercial banks have free access to NBS foreign exchange fixing; they can adjust their foreign exchange positions by selling or purchasing foreign exchange by foreign exchange fixing. On the day of purchase, however, the ratio of foreign exchange assets to foreign exchange liabilities may not exceed 1.05.
- The foreign exchange position of banks for monetary purposes: The ratio of foreign exchange position for monetary purposes is calculated as the proportion of foreign exchange assets of non-residents to the sum of total liabilities of non-resident banks denominated in Slovak crowns and foreign exchange liabilities, less capital in foreign currency. The value of this ratio was first set at 0.65, and banks were required to achieve it by 31 December 1996.

Calculation of the foreign exchange position (FXPMP):

$$FXPMP = \frac{FXAN}{FXL + LNSk - C}$$

FXAN - Foreign exchange assets of non-residents

FXL - Foreign exchange liabilities in total

LNSk - Liabilities of non-residents in Slovak crowns

C - Capital and non paid-up capital in foreign currency

*Obligatory values of the FXPMP ratio:*

As of 31 December 1996 - min. 0.65;

As of 31 March 1997 - min. 0.70;

As of 30 June 1997 - min. 0.80;

*Penalties for non-fulfilment of the obligatory FXPMP ratio:*

9% of the volume of the non-fulfilled ratio of FXPMP.

*Period of monitoring the FXPMP ratio:*

Before 10 July 1997, the FXPMP ratio had been calculated on the basis of average data from the 2nd and 3rd periods of the month N-2 and from the 1st ten-day period of the month N-1 of Survey of Assets and Liabilities V(NBS) 6-36. With regard to the fact that banks, especially branches of foreign banks, circumvented the Decree by increasing FXAN and FXL vis-à-vis non-residents (FXLN) only at the end of the ten-day periods, the NBS issued a decree whereby FXPMP is monitored on a daily basis, with effect from 16 July 1997.

f) Exchange rate fluctuation:

- The exchange rates of foreign currencies against the crown in NBS foreign exchange fixing are regulated by the IDX/Sk rate, reflecting the influence of demand and supply on the part of commercial banks. The IDX/Sk rate moves within a fluctuation band of  $\pm 7\%$  (as of 1 January 1997) and is subject to decisions passed by the Auction Committee of the NBS. In 1997, the initial level of the IDX currency basket was 1.0175; at the end of the year, the value of the unit reached 1.0230. The maximum level of the IDX stood at 0.989 (7 February 1997) and the minimum was 1.024 (3 December 1997).

## 4.7 Monetary Calendar

*January*

- The NBS and the Ministry of Finance of the SR issued a decree (Decree No. 16) on the register of mortgages and the activities of mortgage controllers.

*February*

- The rating agency JBRI paid a regular visit to Slovakia, without changing the country's BBB- rating.

- The law on protection against dumping of commodity exports (of 6 February 1997) came into force on 1 July 1997.

#### *March*

- Law No. 80/1997 Z.z. pertaining to the Export-Import Bank of the Slovak Republic came into effect on 1 July 1997.

#### *April*

- The NBS returned the completed EU Questionnaire for Slovakia, containing information for the evaluation of the country's application for EU membership.
- The NBS issued a decree amending and augmenting Decree No. 1 dated 21 December 1995, stipulating the minimum level of liquid assets.
- The Ministry of the Economy issued a decree on the introduction of import deposits.

#### *May*

- The Board of the NBS approved some adjustments to the Monetary Programme of the NBS for 1997 and the Report on Monetary Development in the SR for 1996.
- Due to instability on world financial markets, the Slovak crown was also exposed to devaluation pressure. The crown's depreciation was prevented by a set of measures adopted by the NBS. In this connection, Slovak commercial banks suspended the listing of the BRIBOR rate.
- With effect from 30 June 1997, the National Bank of Slovakia issued Decree No. 5, dated 16 May 1997, relating to the capital adequacy of banks.

#### *June*

- The rating agency Standard and Poor's confirmed the high credibility of the Slovak Republic. The agency assigned a BBB- hard currency long-term liability rating (on the scale between AAA, the highest, and D, the lowest grades) and an A internal debt rating to Slovakia.
- The NBS issued the first licence for the conduct of mortgage banking operations to VÚB, a.s.
- With effect from 1 July 1997, the NBS passed a decree (Decree No. 3) amending and supplementing the provisions of Decree of 24 October 1996, stipulating the foreign exchange position of banks for monetary purposes, and Decree No. 4 amending the provisions of Decree No. 15 of 22 November 1996, on the submission of reports by banks and branches of foreign banks to the NBS.
- The decree on bank liquidity (of 1994) was amended by Decree No. 7, dated 23 June 1997, stipulating the rules of liquidity management for banks, with effect from 31 August 1997.

#### *July*

- The National Council of the SR approved a law on the revitalisation of companies, a law pertaining to import protection measures, and an amendment to the law on securities, which has liberalised trading in foreign securities in Slovakia.
- The National Council of the SR approved an amendment to the law regulating the duty on hydrocarbon fuels and lubricants. The amendment has increased the rate of excise duty.
- The Government of the SR approved an issue of Eurobonds in the amount of US\$ 250 million. The bonds were issued by the Ministry of Finance and managed by Nomura International. The Japanese investment company granted a US\$ 70 million loan to Slovakia for the start-up of EXIMBANKA SR.
- On 21 July, the Decree of the Ministry of Finance, introducing a seven percent surcharge on imports, came into effect. At the same time, import deposits were cancelled.

### *August*

- The Bank Board of the NBS approved a credit agreement for a JPY 20 billion Two Step Loan III granted by the EXIM Bank of Japan to the NBS. The loan was provided for the support of small and medium-sized businesses, with a maturity of 13 years.

### *September*

- A long-term syndicated loan agreement was signed by the representatives of the Ministry of Finance and five foreign banks for a US\$ 120 million loan; the loan was earmarked for the construction of motorways in Slovakia.
- The National Council of the SR approved an amendment to the law pertaining to wages, salaries, and average incomes. The said amendment creates a legal framework for the regulation of wages in the corporate sector, where the increase in wages exceeded the growth in labour productivity.
- The NBS approved the application of the Ministry of Agriculture for an increase in the limit on the volume of bills-of-exchange deals from Sk 1.5 billion to Sk 2.0 billion.
- The Decree of the NBS, amending the provisions of Decree No. 1, dated 21 December 1995, stipulated the minimum level of liquid assets.

### *October*

- The National Bank of Slovakia and the selected intermediary banks (Všeobecná úverová banka, a.s., Poľnobanka, a.s., Tatra banka, a.s., Poštová banka, a.s., and Priemyselná banka, a.s.) signed credit line agreements for the realisation of the third Two Step Loan from the EXIM Bank of Japan.
- On 16 October, the official BRIBOR rate appeared again, for the first time since the attack on the Slovak crown.

### *November*

- During the period from 28 October to 12 November 1997, the Mission of the International Monetary Fund (IMF) revisited Slovakia to hold consultations with the Slovak Government in accordance with Article IV of the IMF Agreement.
- The rating agency IBCA confirmed the existing rating of the SR at the level of BBB-.
- With effect from 1 January 1998, the NBS issued Decree No. 11, dated 28 November 1997, imposing restrictions on risky foreign exchange positions of banks.

### *December*

- On 19 December 1997, the National Bank of Slovakia placed IRB, a.s. (Investment and Development Bank) under receivership.
- In connection with the amendment to the 1997 State Budget Act, the debt arising from the division of the SBCS was written off from the accounts maintained at the NBS.
- The Bank Board of the NBS approved the Monetary Programme of the NBS for 1998.
- The NBS granted licences to Slovenská sporiteľňa, a.s. (Slovak Savings Bank) and HYPO-BANK, a.s. for the conduct of mortgage transactions.

## 5. FINANCIAL MARKETS

### 5.1 Money Market

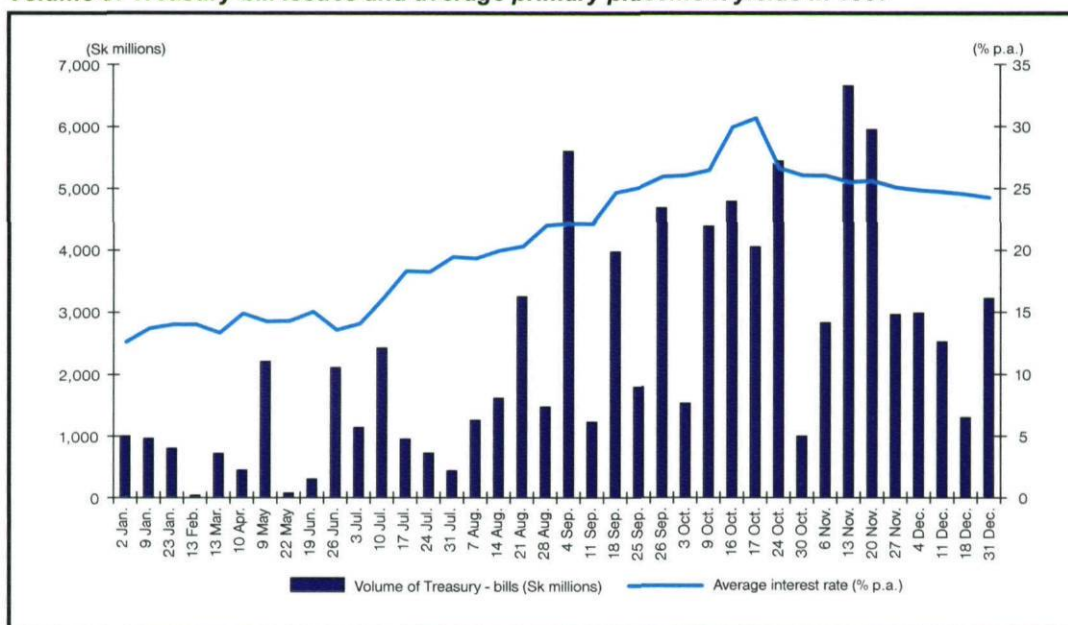
#### 5.1.1 Primary Treasury-bills Market

During 1997, the Ministry of Finance of the SR staged auctions of Treasury bills in line with its schedule for government security issues. In addition to that, the Ministry (MFSR) resorted to 4 ad-hoc Treasury-bill auctions during the second half of the year, bringing the total of auctions to 51.

In 1997, the market for short-term securities took in 38 Treasury-bill issues (placed at auctions) with maturity ranging from 21 to 315 days, worth an aggregate Sk 88.813 billion, some Sk 2.345 billion more than in 1996. The average size of an issue worked out at Sk 2.337 billion, falling short of the previous year's average by Sk 0.065 billion. One improvement from the previous year was that the issuing schedule for government securities was arranged in quarterly intervals. Also on the positive side, there was a greater variety of maturities on sale in individual periods. Along with the 1-, 3-, and 9-month redemption periods available in 1996, last year further enriched the offer with 2-, 6-, 7-, 8-, 10- and 11-month Treasury bills.

In primary sales, Treasury bills were sold at American-style auctions (except for a single auction in October, which was carried out in the Dutch way), with no volume announced in advance and no interest rate limit. The average interest rate at Treasury-bill auctions reached 23.54% p.a., with the year's average low at 12.549% p.a. and the average high at 30.617% p.a.

**Volume of Treasury-bill issues and average primary placement yields in 1997**



Out of 51 auctions announced, the issuer (the MFSR) decided not to accept any bid at 11 of them. Most of the auctions that failed occurred in the first half of the year, when the liquidity situation in the banking sector held demand for Treasury bills earthbound. Failed auctions, especially those staged in late May and early June, were affected by adverse shifts in interbank deposit rates. Those, in turn, were triggered by a shortage in liquidity in the banking sector under pressure on the devaluation of the Czech crown, which eventually spread over to the Slovak market as well. At that point, it was next to impossible to finance the running budget deficits

by proceeds from Treasury-bill auctions. The situation in the financing of the current budget deficits took another turn in June, when a series of past bond issues fell due. That, coupled with Treasury bills used to cover the state budget deficit in 1996 maturing in July, explains the heavier issuing activity of the Ministry of Finance. All these factors combined with the 1997 deficit projections to lift the level of average interest rates at auctions. In the second half of the year, interest rates have tended to grow due to the MFSR original intention to impose a retroactive tax on Treasury-bill discount and government bonds coupons as well. A revision of the Income Tax Act went into force on 5 November. As a result, interests earned on Treasury bills issued from that date are subject to a 15-percent withholding tax. At last, the primary market Treasury-bill interest rates came to a halt in late October. The time remaining to the end of the year was marked with Treasury-bill issues redeemable in 1998 with interest rates showing a moderate trend downwards.

In November, the NBS, in its capacity as administrator of the short-term securities market, let in foreign investors, which are now allowed to bid at auctions through an agent who is a direct participant. The ranks of direct participants, previously limited to national commercial banks, have been expanded by insurance companies and securities dealers based in the Slovak Republic. Direct market participants have subscribed an entire 92% of Treasury bills auctioned. Indirect participants' share reached 5 percent, representing a 3.3% rise from a year ago. Above all, the latter group of investors was attracted by the rising interest rates available at auctions. The NBS share in primary market Treasury-bill auctions was a mere 3%, only an echo of the 10% share of the central bank in 1996. The NBS trading on the Treasury-bills market was primarily of short-term nature, as the bank purchased and consequently sold to commercial banks 7-day issues.

A growing gap between budget revenues and expenditures caused a term mismatch between the running budget deficit and the auction placements of Treasury bills. It was these problems that made it quite difficult to finance the deficit with issues sold at auctions. For that reason, the issuer conducted several technical issues sold straight to the NBS, without auction, in the first half of 1997. In the second half of the year, technical issues have proceeded almost without a break. Save for two auctions, this was the method of choice for the NBS in delivering its share of help to cover the State's debts. All of these Treasury-bill issues were redeemable in short periods of time (1-8 days), with 7 days being the most frequent maturity.

### **5.1.2 Secondary Market**

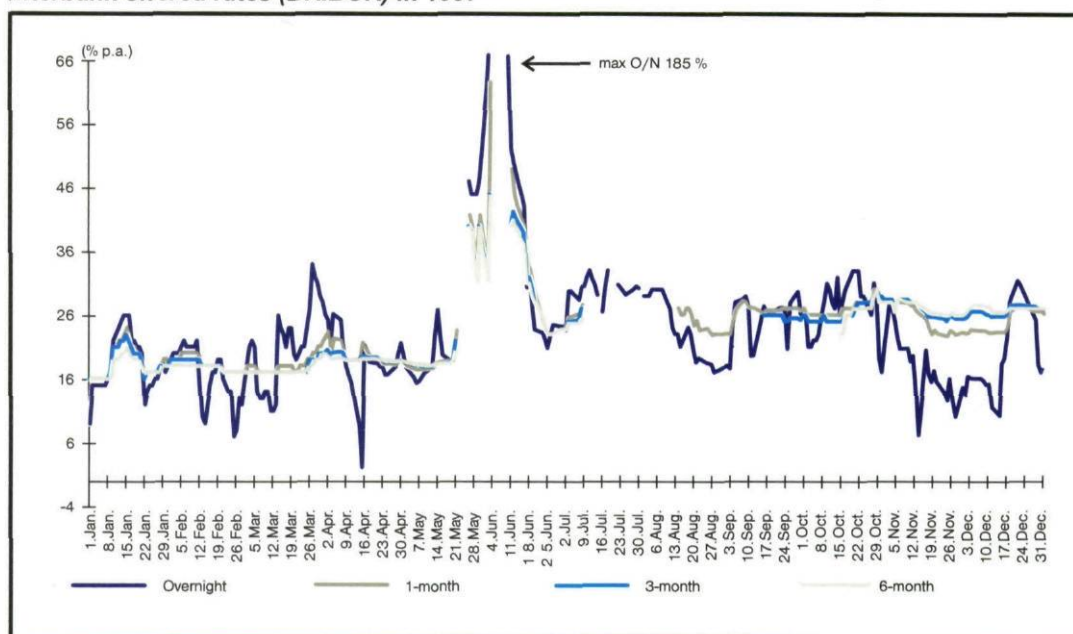
In 1997, the money market was influenced by a newly-approved monetary program and, in particular, by its implementation. In pursuit of its monetary policy, the central bank's prime concern was to achieve quantitative goals, with an internally-set percentage of minimum required reserves chosen for the immediate target. Unlike in the previous period, money market interest rates ceased to be one of the final goals and, instead, were considered to be a product of the implementation of monetary policy. Interest rates were allowed to respond to actual market supply and demand, reflecting current shortages or surpluses of resources in the banking sector, even though the NBS could no longer regulate them at will. The uncertainty of the banking sector over liquidity injections from the central bank became an important momentum in the implementation of its monetary program. To that end, the listing of rates for individual repurchase operations (REPO) had been stopped, on the first business day of the calendar year. At the same time, the National Bank of Slovakia announced that block REPO deals - REPO tenders - would become the principal vehicle for open market operations. By moving to REPO tenders as the major money market instrument, the NBS completed its departure, started in 1996, from the market-making function to the adoption of an intervention-only strategy.

The NBS first few one-day tenders in both January periods fell short of actual refinancing needs of the banking sector. The money market response was instantaneous. Interest rates, depending on maturity, shot up from 400 to 1,000 base points and even when the situation somewhat subsided, stayed well above 18%, except for 6-month deposits. Additionally, a failure to meet the minimum reserve requirements on the first January check was followed by the aforementioned uncertainty effect, forcing banks to look for ways to break their refinancing dependence on NBS by raising money elsewhere. In the first period, banks tried to do this by foreign exchange fixing with the NBS at the cost of shortening some of their foreign exchange positions. Thanks to that, however, the banks were even able to surpass their reserve requirements in the second January period. On the other hand, this sort of uncertainty had its repercussions in rising and fairly erratic interest rates. That notwithstanding, the yield curve, showing expectations of possible developments, displayed an inverse relationship during the period. It may also be viewed as a positive thing that the NBS had a relative success in its first sterilisation REPO tenders, with which it tried to pull commercial banks back into their refinancing dependence. Apart from the upsurge in interest rates mentioned above, among other negative reactions to NBS policy was a general contraction of the money market, which was betrayed by a halving of trading volumes quoted and actually executed by the market's pacemakers - the reference banks. They also stopped listing a developing interbank REPO market for government securities. Although the market bounced back later in the month, it could not make it back to its original level by the end of year. February found the money market calming down, as average rates in all maturities edged down. A similar trend was observed in March. With banks still not knowing what the central bank was up to, interest rates stayed highly volatile, swaying between 6.8% and 21% in February and rising and falling between 11% and 33.8% in March. During that period, the NBS was mostly trying to drain liquidity by 7-day REPO tenders and by selling off parts of its portfolio. That was the picture until the end of the first quarter, when refinancing REPO tenders came back as the leading transaction, mostly with one-day redemption periods. In late March, the NBS influenced the crown market by conducting several individual transactions. All in all, the NBS refinancing activities in the first quarter had a slightly decreasing tendency, in particular owing to direct sales, and, at times, the balance of March transactions had a sterilising character.

In the second quarter, it was a different picture in the money market. Despite continued refinancing policy, average interest rates on all maturities, except one-day money, crossed the 19% mark in April already. At the same time, the yield curve began to level out. A breaking point came in May, when the situation in the national money market was largely affected by developments in the foreign exchange market. In the last ten-day period, the heavy demand of non-residents for foreign currencies depleted the foreign exchange reserves of domestic banks, which had to forfeit some of crown liquidity to fill up in NBS foreign exchange fixing. This led to a general decline in aggregate foreign exchange reserves. The NBS responded by winding down its refinancing activities, pressing banks to curb sales of foreign exchange. Prompted by a critical shortage of liquid crown funds, reference banks made an agreement to cut back on foreign exchange transactions, thereby helping to stabilise the foreign exchange market. When interest rates passed the 100% mark, trading in the money market stopped. Since interest rates were no longer bidding, BRIBOR ceased to be quoted on 29 May 1997. However, banks continued to follow the rate, calling it "interest rates monitoring". The only moving item was overnight money in limited amounts. Afflicted by a major shortage of liquid funds, the sector closed both May periods far below the prescribed required reserves target. The tensions in the money market continued in the last month of the second quarter. Driven by a lack of crown liquidity, average interest rates used as indicators climbed well above 30%, with overnight rate reaching 70% in the first ten-day period. The NBS, combining refinancing tenders with individual REPO transactions, started to increase its refinancing activities. During the first period, the refinancing through open market

operations amounted to Sk 8.8 billion, rising to Sk 12.2 billion at the end of the second period. With Lombard loans provided during the period added, the NBS total refinancing activities in the period reached an even higher figure. The end of the first half of the year brought a paradoxical situation where, despite a lingering shortage of crown resources, rates charged in refinancing tenders tumbled from nearly 55% to almost 5% as a result of exhausted refinancing facilities of under-supplied banks. Taking advantage of the situation were banks involved in the redistribution of missing crown funds. The NBS responded with setting a lower interest rate limit at the level of the discount rate applied in its refinancing tenders. In foreign exchange, which had a major impact on the money market in the previous period, the NBS managed to check negative trends and bring its foreign exchange fixing back to a surplus in June. Despite signs of stabilisation in the financial market, banks again failed to meet their required reserve targets in both June periods.

**Interbank offered rates (BRIBOR) in 1997**



The second half of the year, in particular the third quarter, brought additional stability and some recovery from the May collapse. In July, reference banks confirmed the facultative character of listed rates and, by reducing the spread to 5% and tightening other conditions, helped the market renew its basic mechanisms. It was again possible to provide standard quotations to non-residents. With NBS foreign exchange fixing back to surpluses, the banking sector was able to measure up to its minimum reserve requirements in the second period of July. At the same time, the NBS was able to reduce its refinancing involvement to Sk 8.3 billion. An improved situation in crown liquidity at first sparked yet another increase in interest rates as banks tried to catch up on their required reserves. Later on, interest rates came to rest at around 26%. As another sign of stabilisation, the NBS successfully resumed direct sales of its portfolio holdings. The standard maturity for refinancing tenders in that period was 7 days. At the end of July, the market was disturbed by news of an intended 15% tax on government securities, bound to apply retroactively. The deposit market rates, along with rates applied in refinancing tenders, continued to decline. The NBS carried on its open market operations, dominated by tenders, and, to fine-tune liquidity, started to sell off technical issues of Treasury bills. In mid-September, the situation was so steady that reference banks reintroduced obligatory quoting of transactions with maturity of up to 2 weeks, inclusive. The buy/sell spread was narrowed to 2% and Sk 100 million was back as the standard transaction volume. In response to a deficit in foreign exchange fixing, fearing the May scenario might repeat, banks drove the money market rates beyond 26%. The rates were also

fuelled by the state budget, especially when it became difficult to finance it by Treasury bills. The NBS helped relieve the serious fiscal predicament by buying technical issues up to the ceiling imposed by law. For that reason, the NBS had to halt its radical and continued retreat from refinancing involvement, away from the maximum at the beginning of August, for the period. The average volume of state budget refinancing reached Sk 7.6 billion in September, while direct refinancing of the banking sector through open market operations amounted to Sk 5.9 billion. The total involvement of the NBS was also influenced by an increased limit for bills of exchange discounts from Sk 1.5 billion to Sk 2.0 billion.

***Average deposit rates on the interbank money market in 1997***

	Overnight	7-day	14-day	1-month	2-month	3-month	6-month
January	18.82	18.53	18.77	18.82	18.72	18.63	17.85
February	16.20	18.12	18.30	18.29	18.16	18.04	17.63
March	19.97	18.20	18.09	17.71	17.35	17.30	17.15
April	18.71	19.96	19.94	19.92	19.43	19.36	19.09
May	26.75	25.77	25.12	24.27	23.83	23.78	23.61
June	53.91	42.34	40.76	33.80	32.48	31.48	30.89
July	29.58	28.06	26.23	25.46	25.22	24.93	24.45
August	23.63	24.96	23.31	24.70	-	-	-
September	25.18	26.20	26.09	26.51	26.50	25.66	-
October	27.18	27.48	27.28	27.00	26.59	26.17	26.68
November	17.71	22.00	23.06	25.52	26.61	26.93	27.10
December	18.55	21.18	21.71	24.42	25.54	26.48	26.92

Note: All average rates are calculated in days, when they were actually quoted

The reintroduction of BRIBOR in mid-October can be seen as a positive and very significant sign of a stabilising money market. Nevertheless, the listing obligation was not extended to additional maturities. For the first time in its refinancing tenders, the NBS accepted government bonds redeemable in up to one year, making it harder for some banks to use their excess liquidity for arbitrage transactions. The average refinancing volume in regular open market operations was scaled down to Sk 5.9 billion in October, parallel to ensuring compliance with required reserve obligations. As before, the NBS continued to cover the budget deficit with large purchases of technical Treasury-bill issues. To regulate liquidity in the banking sector, the central bank resold some of its portfolio holdings, clearing the way for further technical issues, if necessary. Coming into effect in November, a revision of the Income Tax Act did not affect the money market rates very much since it had been anticipated two months in advance. The deposit market saw the rates charged for individual maturities drift apart, as the yield curve edged up for the first time in the year. A slight relief in the budget deficit allowed the NBS to reduce its participation and overall refinancing exposure. At the same time, interest rates at the short-term end of the yield curve were able to go down to 25%. Even though the decline continued the next month, interest rates were still well above the level of early May. In November, there were quite serious problems with liquidity at Investičná a rozvojová banka (IRB), which eventually led to the imposition of receivership upon the bank in the second half of December. That is why the banking sector, as a whole, failed to comply with the reserve requirements for a seventh time in the year. Despite a slight decline at the year-end, the contrast between short-term and long-term interest rates had become even sharper.

All in all, the money market had a difficult time last year. Though betraying how fragile and incomplete its structure still is, the market clearly proved to be the spine of the entire financial market. The first shocks it had to sustain came right at the beginning of the year, when the NBS rethought old monetary policy and gave up its leading part in the market. Banks responded by influencing the money market by shortening redemption periods and moving the bulk of interbank trading to overnight deposits. Banks have tried to raise missing funds in the money market by reducing reciprocal limits, which in turn led to lower investment activity and demand for

securities shown by rising rates in primary placements. The complexity of developments in the money market can also be documented by a less strong correlation between short-term (1- and 7-day) deposits and deposits made over longer periods of time (1-, 3-, and 6-month), which had previously been decisive for the investment market. Although the 1-month rate remained the principal indicator followed by the NBS, the central bank, given its new approach to the implementation of monetary policy, lost its direct control over this particular rate. A shift from one-day to 7-day refinancing tenders did have some beneficial effects, but it was still not enough to stabilise a market not knowing when and if a tender, i.e. fresh funds, would come along. The interbank market involving REPO deals in government securities also suffered a severe setback, as its trading volumes were just a fraction of the turnovers recorded year ago.

On top of changes in the execution of monetary policy, the money market was also tested by a major onslaught of speculators in the national currency from abroad. A positive aspect of almost ultimate reduction of this pressure is that it exposed the relationships between national monetary policy and foreign political events, as well as the need for the NBS to pursue consistent ends in the crown and foreign exchange markets alike.

## **5.2 Capital Market**

### **5.2.1 Primary Market**

#### **Government Bonds**

There were 11 issues of government bonds in 1997, designed to cover the 1996 budget deficit of Sk 27.9 billion. All of them had two things in common - a short redemption period (1 year) and an unlimited issue price. An extra two bond issues worth Sk 1.5 billion were brought out to finance the State Housing Development Fund. During the first half of the year, bond auctions were staged once a month, just as planned in a schedule published earlier. However, that period was marked by a considerable number of auctions not accepted by the Ministry of Finance, as well as for low placement volumes. Given their short maturity, the government bonds offered in the primary market were exposed to developments in the money market, which explains why yields have climbed up with each additional auction.

The second half of the year was marked by growing placement volumes. Auctions started to occur every two weeks, since there was still a large amount of government bond issues needed to cover the 1996 deficit. That, coupled with a sharply growing current budget deficit, had a major impact on the rising yields offered at government securities auctions. Another substantial factor behind the rise of yields in the primary market with government bonds was an announcement by the Ministry of Finance of the SR of its intention to start taxing coupons on government bonds.

Compared to 1996, it was good to see insurance houses and securities brokers grow more interested in government bond auctions. On the negative side, short redemption periods exposed the primary market with government bonds to the ailments of a problematic money market.

#### **Publicly Negotiable Non-Government Bonds**

Total issues of publicly negotiable non-government bonds reached Sk 7,284 million in 1997, some 67.28% down from the same period in 1996 (Sk 22,260 million).

More than half of the amount was floated in the first two months of the year in placements decided in 1996. A recession in the volume of bond issues that followed

afterwards was largely due to uninterested investors who, attracted by rising money market rates, preferred short-term investments carrying higher yields.

## 5.2.2 Secondary Market

In the secondary market, the Bratislava Stock Exchange (BCPB) reported transactions totalling Sk 164.1 billion in 1997, a 44% rise from 1996. The figure comes as a projection of a rising curve of total trading volume started in previous years. Even though the increase in quantity of trading in the market is indisputable, its quality, measured in terms of liquidity, was missing last year. This is documented by a 63% fall in anonymous trading to Sk 5.9 billion (as opposed to Sk 15.8 billion in 1996).

The setback in trading on the BCPB floor can be blamed on unrelenting high interest rates, which made investors prefer the money market. Low liquidity in the capital market ultimately distorted prices and undermined the meaningfulness of official stock exchange indices (SAX and SDX).

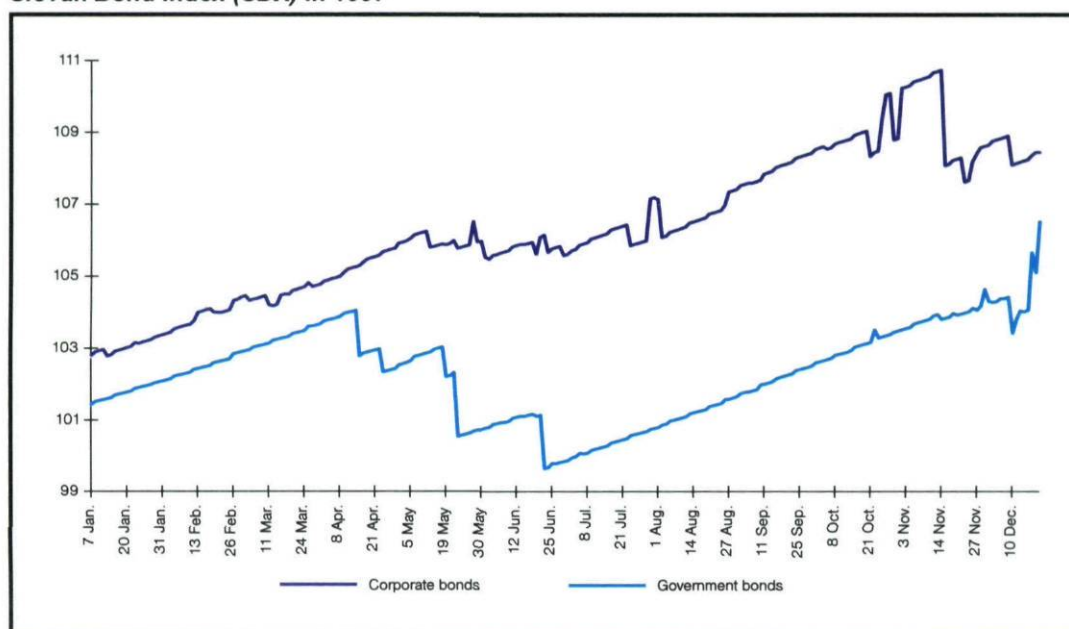
Compared to the end of 1996, the capital market made no headway last year. Despite the increase in aggregate trading stated above, the market's liquidity worsened, owing to the large share of direct transactions which do not have to be cleared via the BCPB. As a result, the meaningfulness of stock listings is unsatisfactory, failing to perform the price-setting functions of a capital market.

Save for the government sector, there is virtually no use of the capital market for raising funds. Corporate bond issues are still mostly meant to substitute bank loans and usually remain in the hands of the bank which initially subscribed the issue until maturity.

## Bonds

As far as the individual types of securities traded on the BCPB are concerned, the exchange has seen bonds increase their share of total trading, as expected, to 49.6% in 1997 from 27.2% in 1996. The sum of all trades arrived at Sk 81.4 billion (up 126.7% in one year), as anonymous contracts amounted to Sk 3.6 billion (57% down in a year), and direct transactions to Sk 77.8 billion (up 244.9% in a year).

**Slovak Bond Index (SDX) in 1997**



In terms of trading volumes, government bonds clearly topped the list. Bond trading was depressed by rising interest rates in the money market, which naturally had investors fetching their margins from assets with shorter redemption periods. That also explains the unbroken spell of low liquidity that has afflicted bond trading on the BCPB floor in 1997.

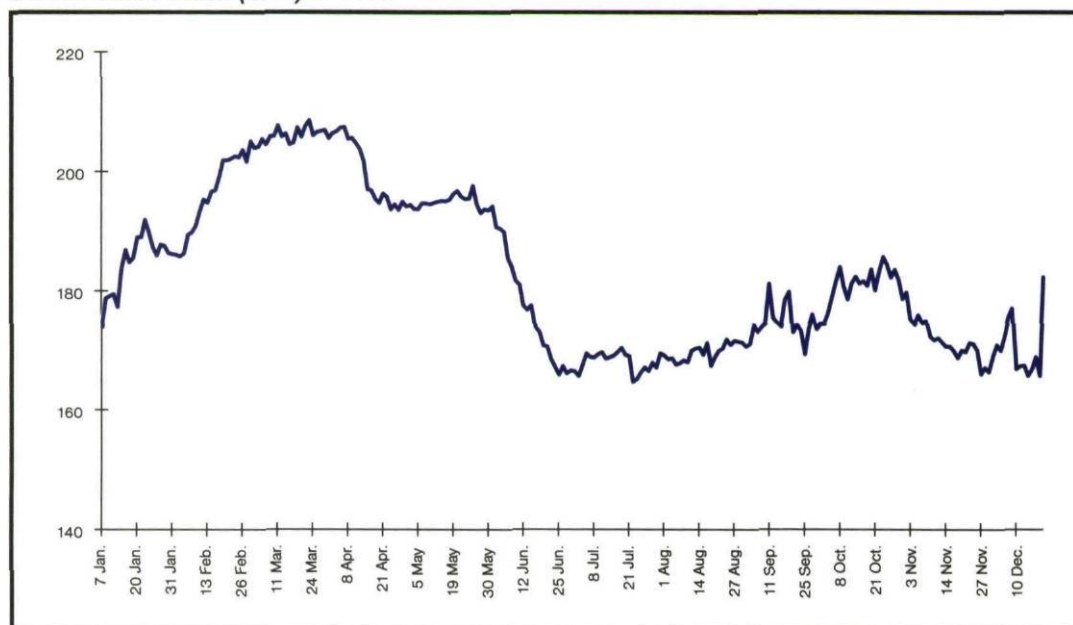
The most significant increase in volumes of traded bonds was seen in the last quarter, as bond holders traditionally re-evaluated their portfolios.

At the close of 1997, the market value of yet unredeemed bonds was reckoned at Sk 92.8 billion, with Sk 73.6 billion attributed to listed bonds and Sk 18.9 billion to bonds traded in the market with registered securities. Both components of the SDX index posted a slight increase from their readings at the end of 1996, with corporate and bank bonds gaining 6.12% and government bonds rising by 5.50%. A government bond portfolio with the SDX index at 106.52 points delivered an average yield to maturity of 18.170%, as opposed to 14.204% earned on a portfolio composed of corporate and bank bonds (SDX at 108.90 points). This comparison of yields on government and non-government bonds is quite intriguing: since government bonds are generally considered to be a risk-free investment, their superior yields over other bonds are likely to be temporary.

## Shares

More than any other item, shares have suffered a sharp fall in trading, compared to 1996. Although the total turnover in shares totalled Sk 82.7 billion, dipping just 0.6% from 1996, an overwhelming part of the transactions was made directly (Sk 80.4 billion), mostly at unrealistic prices. The price-setting anonymous market was left trading a mere Sk 2.3 billion worth of shares which, compared to Sk 7.4 billion in 1996, represented a fall of 68.9%. The product of this is a non-transparent market, where even an insignificant amount traded can spell major price shifts. That way, the market prices can no longer be counted on to reflect the true value of shares.

**Slovak Share Index (SAX) in 1997**



SAX, an index designed to record price developments in shares, has gained 2.49% to 182.48 points in the year from the end of 1996. Low volumes of price-setting anonymous transactions and high price volatility caused SAX to fluctuate.

Over the year, the index experienced several major local swings. Until the end of March, SAX was headed upward, if with a few slight slips, to reach a maximum for the year of 208.64 points on 21 March. After keeping fairly steady through April and May, the index took an abrupt dive in the next two months, probably on fears of devaluation of the Slovak crown (reaching the lowest figure for the year of 164.81 points on 22 July). With shares gaining some liquidity in August and October, the index recovered to above 180 points only to go down again in the next two months. On the year's last trading day, SAX jumped 10% to close at 182.48 points, but its sharp single-day increase was sparked by an artificial 50% rise in the average price of VUB shares, which was enabled by the change of these shares' ISIN and a consequent non-existing allowable price range.

## **Security Holders**

The structure of government bond holders was influenced by the redemption of maturing issues and their systematic replacement by new ones. The 13 government bond issues floated in 1997 were worth Sk 29,395 million, as compared to 8 issues redeemed for a total Sk 21,629 million.

Whereas the ranks of government bond holders barely changed during the first half of the year, there was a clear change in the structure of holders in the year's second half which, apart from the timetable for the redemption of old and issuance of new bonds, was also due to the issuer's late registration of new government bond issues with the Central Securities Depository of the Slovak Republic.

Non-residents formed a special group of portfolio investors, coming to hold 46% more bonds than at the end of 1996. In shares held by non-residents, the amount was slightly on the rise throughout the year.

## **5.3 Foreign Exchange Market**

### **Foreign Exchange Fixing at the NBS**

In 1997, the National Bank of Slovakia's foreign exchange fixing activities were influenced by transactions performed by Slovak and foreign banks, as well as domestic businesses, with the greatest impact registered in May and June.

Similarly as in 1996, foreign exchange fixing eventually accounted for 5.7% of total interbank foreign exchange operations. The volume of foreign exchange fixing transactions reached US\$ 2,491.1 million in 1997, slipping 0.4% from the US\$ 2,502.2 million reported a year ago. In the first two months, fixing trades continued in a slight growth recorded towards the end of 1996, as foreign investors started to purchase SKK to take advantage of a sharp increase in interests paid on crown deposits. Subsequently, there was a substantial decline in turnover in March and April, when foreign exchange fixing almost came to a halt. A major rebound in the next two months was boosted by Slovak commercial banks purchasing foreign exchange to pay off retiring foreign short-term investors, to replenish their short-term foreign exchange positions and, probably, also by businesses prepaying their liabilities in foreign currencies and deferring their foreign exchange receivables, with turnover peaking out in June (US\$ 519.1 million). However, an overwhelming part of the deficit in foreign exchange fixing can be ascribed to residents who, driven by fears of devaluation of the Slovak crown, tried to safeguard foreign exchange funds. Their share in the deficit is estimated at 80%. The year's low in foreign exchange fixing was recorded in November, when there was no trading at all. In 1997, the number of transactions sank from 835 a year ago to 382, with the average transaction size more than doubling from US\$ 3 million to US\$ 6.5 million.

In terms of structure of currencies, there was no real change from 1996, as US\$ accounted for the biggest share in trading with 59.8% (56.9% in 1996), followed by DEM with 40.2% (43.1% in 1996).

**Basic characteristics of the Slovak foreign exchange market in 1997**

	US dollars		Deutsche marks		Other currencies		Total	
	Volume	Number	Volume	Number	Volume	Number	Volume	Number
	(US\$ mn) (%)	of trans.	(US\$mn) (%)	of trans.	(US\$ mn) (%)	of trans.	(US\$ mn)	of trans.
Foreign exchange fixing	1,489.5 59.8	194	1,001.6 40.2	188			2,491.1	382
Transactions of Slovak banks, excluding foreign banks	28,894.0 70.3	11,607	9,726.9 23.7	6,741	2,455.4 6.0	1,834	41,076.3	20,182
Interbank foreign exchange market: fixing + Slovak banks with each other	30,383.5 69.7	11,801	10,728.5 24.6	6,929	2,455.4 5.6	1,834	43,567.4	20,564
Slovak banks with foreign banks	33,725.1 82.4	7,750	6,005.7 14.7	3,660	1,178.1 2.9	1,046	40,908.9	12,456
Slovak foreign exchange market - total	64,108.6 75.9	19,551	16,734.2 19.8	10,589	3,633.5 4.3	2,880	84,476.3	33,020

In 1997, the NBS made use of foreign exchange fixing to sell some US\$ 164.8 million-worth of foreign currencies, in contrast to the previous year when it purchased US\$ 358.9 million. The balance of trade involved the following currencies: US\$ 19.2% and DEM 80.2%. In the first two months, foreign exchange fixing was dominated by money purchases, triggered by a rising inflow of short-term foreign capital. Foreign currencies started to sell in March, topping out in May when the NBS sold US\$ 466.6 million.

**Transactions between Slovak Banks**

Transactions between Slovak banks played a dominant part in interbank foreign exchange market in 1997, accounting for an entire 93.8%. Their total annual turnover was US\$ 41,076.3 million, which was a 1.3% decline from the US\$ 41,613.5 million reported in 1996. Trading slowed down by 63.6% in May, with another 53.2% setback coming in June, due to flagging crown liquidity. The US dollar strengthened its trading position in 1997 to reach 70.3% (as opposed to 59% in 1996), tailed by the Deutsche mark with 23.7% (35.9% in 1996) and other currencies together taking 6% (5.1% in 1996). It is interesting to observe that the percentage of USD and DEM in the total volume is practically the opposite of their shares in the balance of foreign exchange fixing (USD 19.2% and DEM 80.2%). The total number of transactions was counted at 20,182 (21,586 transactions in 1996), representing an average 81 transactions a day (84 in 1996) with an average volume of US\$ 2.0 million (US\$ 1.9 million in 1996).

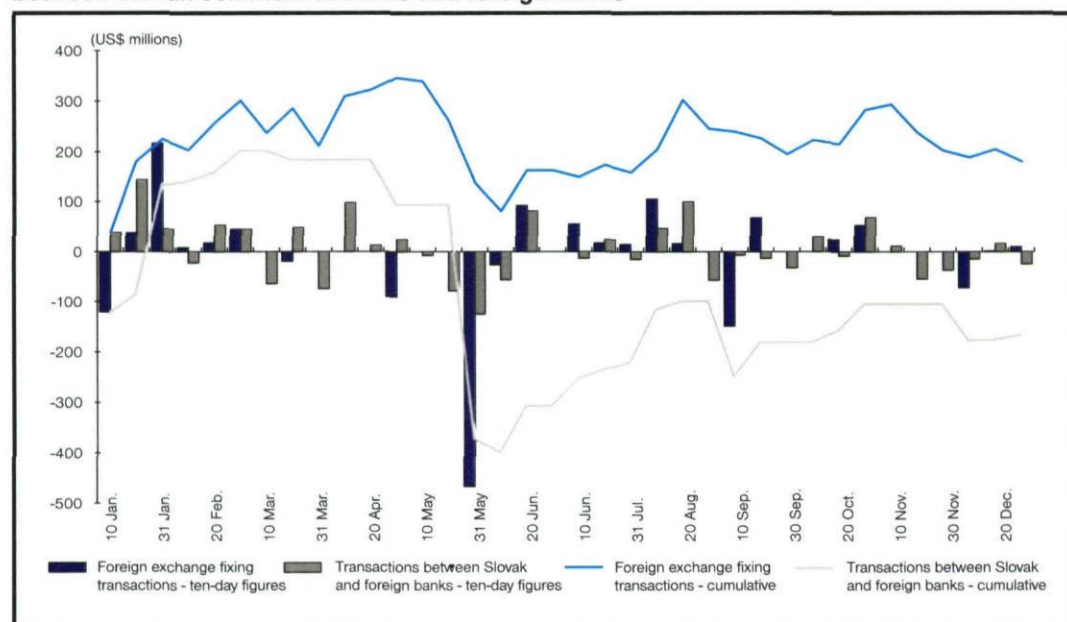
**Transactions between Slovak and Foreign Banks**

There was a substantial revival in trading between Slovak and foreign banks right from the beginning of the year. The volume of transactions that Slovak banks entered with their foreign counterparts added up to a total US\$ 40,908.9 million, taking 48.4% of the entire foreign exchange market of Slovakia. In other words, this means that almost half of all transactions involving the Slovak crown was made with foreign banks. Considering that, in 1996, the same total was a mere US\$ 7,956.2 million, this was a 5.1-fold increase. Showing a rising trend from the beginning of the year, trading kept on rising to hit a record maximum of US\$ 7,075.7 million in April. The year's minimum was reached in June (US\$ 1,703.2 million), after trading dropped 68% from the previous month. The fall was caused by a major erosion of crown liquidity in the banking sector. In total, 12,455 transaction were registered, with the average volume US\$ 3.3 million (US\$ 2.1 million in 1996). Most of the transactions involved the U.S. dollar (82.4%), followed by DEM (14.7%), and other European currencies accounting for a scant 2.9%.

The balance of these particular transactions created a surplus of US\$ 178.7 million, meaning that purchases of foreign currencies from foreign banks prevailed. Whereas in 1996, the foreign exchange fixing balance was comparable to the total volume of foreign currency that Slovak banks purchased from foreign ones, with the foreign exchange balance copying the balance in trading with foreign banks all year long, in 1997 the correlation was no longer so strong and the foreign exchange fixing even ended with a deficit. Slovak banks conducted most of their money purchases from foreign banks in January (US\$ 224 million). The largest total sales were registered in May (US\$ 209 million).

In April 1996, when the NBS radically reassessed its access criteria for foreign exchange fixing, the activity of commercial banks also changed dramatically. Earlier, virtually all interbank foreign exchange trading was done by fixing transactions. The most radical change introduced in April 1996, was a trade margin of  $\pm 0.25\%$  (14-15 haliers/US\$) applied in the settlement of foreign exchange fixing transactions, which was a lot more than the common spread applied in the interbank foreign exchange market (1-2 haliers/US\$). Foreign exchange fixing fell more or less immediately to a minimum, while turnovers in the interbank foreign exchange market in some months soared to a 20-fold of the previous volumes. Among those joining in the vibrant trading were non-residents, attracted by a vision of profits derived from considerable interest margins and a fairly stable SKK which, pegged to a currency basket, displayed good resistance to exchange rate fluctuations.

**Ten-day and cumulative balances of foreign exchange fixing transactions and transactions between Slovak commercial banks and foreign banks**



C. Banking Supervision

in 1997

## 1. DEVELOPMENT OF THE BANKING SECTOR

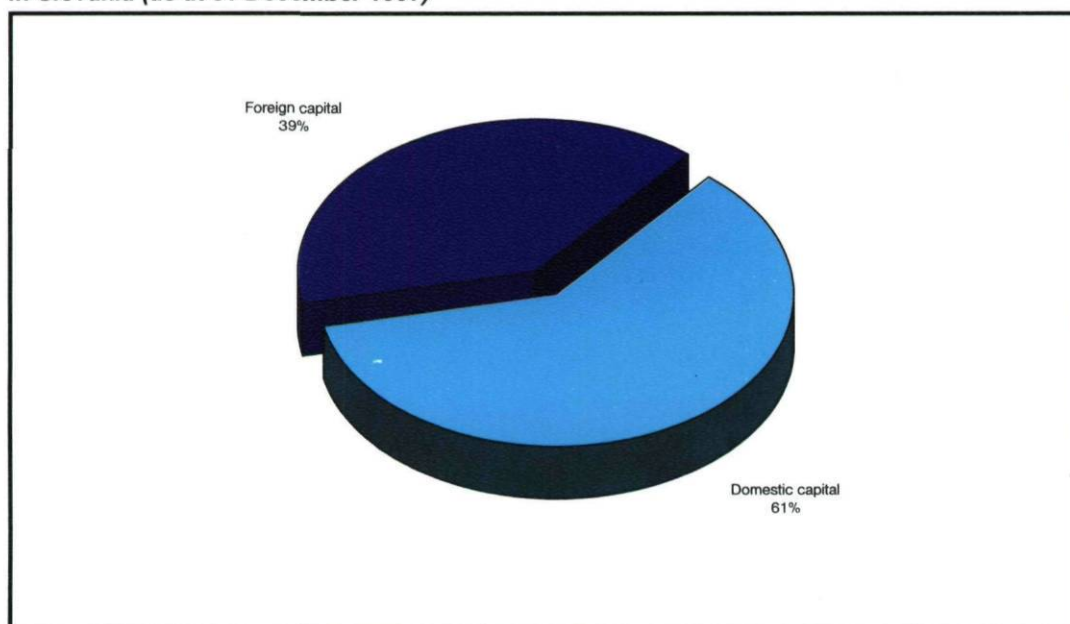
In 1997, Slovakia's banking sector consisted of 29 banking institutions, of which twenty-three were banks incorporated as joint-stock companies; two were state financial institutions, and four were branches of foreign banks.

The only new license to establish and operate a bank was granted to AG Banka, a.s., Banská Bystrica, which took over a branch of Agrobanka Praha, a.s. The number of representative offices of foreign banks decreased from ten to nine after the closure of Union banka, a.s. Ostrava, at its own request. Všeobecná úverová banka, a.s. Bratislava, HYPO-BANK Slovakia, a.s., Bratislava, and Slovenská sporiteľňa, a.s., Bratislava, were granted licences to conduct mortgage operations.

At the end of 1997, the National Bank of Slovakia imposed receivership upon Investičná a rozvojová banka, a.s. Bratislava, the first Slovak bank to experience this. The reason behind this decision was the deterioration in the bank's liquidity situation, caused mainly by unsolved problems in the structure of the loan portfolio, which is dominated by bank loans granted before delimitation. Another compelling reason was that the main shareholders of the bank had appointed management that was not capable of managing this situation on their own. The economic results were poor and the bank failed to meet the criteria of prudential banking, the deterioration continued; extraordinary general meetings of shareholders proved unsuccessful, and the leading shareholders were reluctant to raise the bank's capital.

The total subscribed capital of the Slovak banking sector, including funds permanently provided to branches of foreign banks, amounted to Sk 32.0 billion at the end of 1997, some Sk 2.0 billion more than a year ago. The share of foreign capital in the total subscribed capital of banks and funds permanently provided to branches of foreign banks ranged between 38.3% and 40.0% during the year.

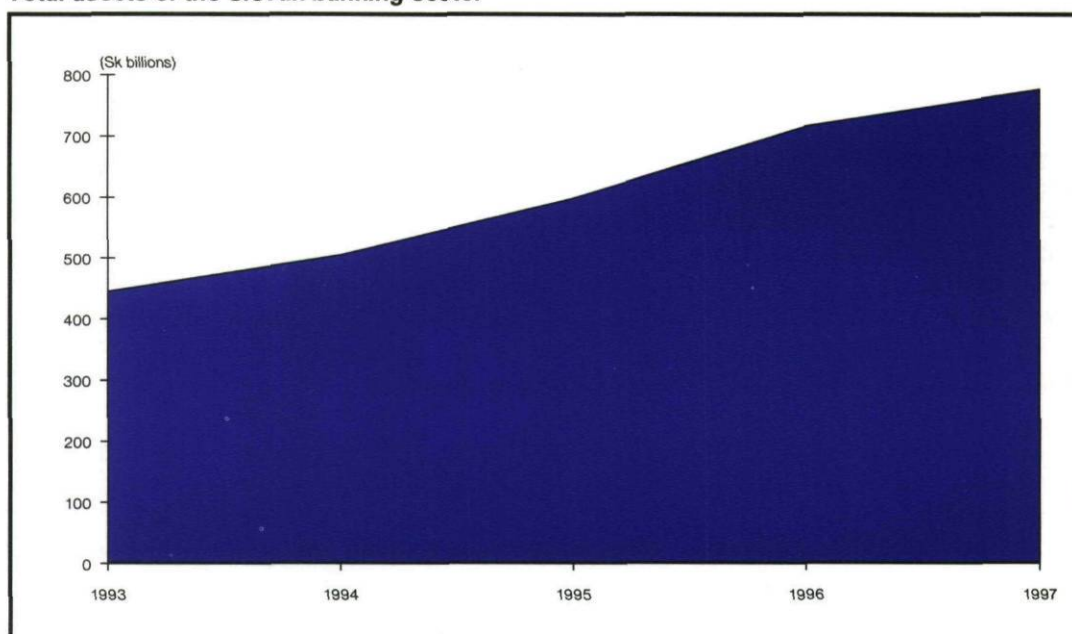
**Structure of capital and permanently provided funds of banks and branches of foreign banks in Slovakia (as at 31 December 1997)**



## 2. CHARACTERISTICS OF THE BANKING SECTOR

For the banking sector as a whole, 1997 took a positive course bringing fair economic results. Total assets of banks operating in the Slovak money market expanded by 10.5% to Sk 776.8 billion, with banks undergoing transformation process accounting for 50.7% of the amount on 31 December 1997; some 5.7% less than year ago. The entire banking sector raised Sk 27.6 billion in primary resources (up 7.8%), to reach Sk 447.7 billion. The volume of secondary resources increased by Sk 32.8 billion (18.2%), to Sk 212.8 billion.

**Total assets of the Slovak banking sector**



The total volume of claims arising from credits granted to clients grew by Sk 38.9 billion (7.4%, reaching Sk 568.3 billion. Of this amount, classified claims increased year-on-year by Sk 8.1 billion (7.2%) to Sk 120.1 billion, with special-mention claims growing by Sk 15.3 billion (26.6%) to reach Sk 72.7 billion.

Sector-wide, banks reported an aggregate financial loss of Sk 1.3 billion as at 31 December 1997, a clear turn for the better, considering that this entailed a Sk 1.5 billion improvement in comparison with the previous year's figure, i.e. a 52 per cent reduction.

### **3. EVALUATION OF PRUDENTIAL BANKING**

Prudential banking behaviour was regulated during 1997 by five National Bank of Slovakia decrees, all based on international standards and the recommendations of the Basle Committee on Banking Supervision. In evaluating compliance with the prudential decrees, the Banking Supervision Division of the NBS has relied on accounting data and disclosures provided in banks' regular prudential reports on capital adequacy, credit exposure, liquidity, regulation of foreign exchange positions, rules for the evaluation of claims and off-balance sheet liabilities of banks according to the risks contained therein and for the creation of provisions to cover such risks (classification of claims and off-balance sheet liabilities). As long as banks comply with the prescribed limits and regulations, they may take on adequate risks vis-à-vis their capital adequacy according to international standards. The Supervision Division utilises a banking information system in evaluating developments and trends in individual banks, groups of banks and the entire banking sector of the Slovak Republic, for which a set of financial ratios is applied. Prudential behaviour assessment of banks is conducted systematically during on-site inspections carried out by the Banking Supervision Division.

#### **3.1 Amendments to Prudential Banking Decrees**

As an amendment, the National Bank of Slovakia issued Decree No. 5, of 16 May 1997, on the capital adequacy of banks, which came into force on 30 June 1997. The amendment concerns especially deductible equity shares that banks hold in non-bank entities and subsidiaries, risk weights to assets, and sets out guidelines for the addition of subordinated debts.

An earlier decree on liquidity management issued in 1994, was replaced with Decree No. 7 of 23 June 1997, on bank liquidity regulations, taking effect on August 31, 1997. Stricter liquidity regulations, expected to improve the liquidity of banks and the banking sector as a whole, require banks and branches of foreign banks to conduct business in a way that allows them to achieve and maintain increasingly severe limits on ratios of assets to liabilities with maturity within one month (until 30 September 1997, the ratio is set at no less than 70%, followed by at least 85% until 31 December 1997, and 100% from 31 March 1998). Another amendment reduces the interval for liquidity reports from three to one month.

In Decree No. 11 of 28 November 1997, imposing restrictions on open foreign exchange positions of banks (effective from 1 January 1998), the National Bank of Slovakia specifies the provisions of Decree No. 5/1994, being in force up to the end of 1997. This decree applies strictness to regulations for the safe operation of banks and branches of foreign banks dealing with values denominated in foreign currencies. The decree puts limits on exchange differentials of assets and liabilities in specific foreign currencies when calculated in Slovak crowns of 10%, and 25% for the total open foreign exchange position, when measured against bank capital.

#### **3.2 Capital Adequacy**

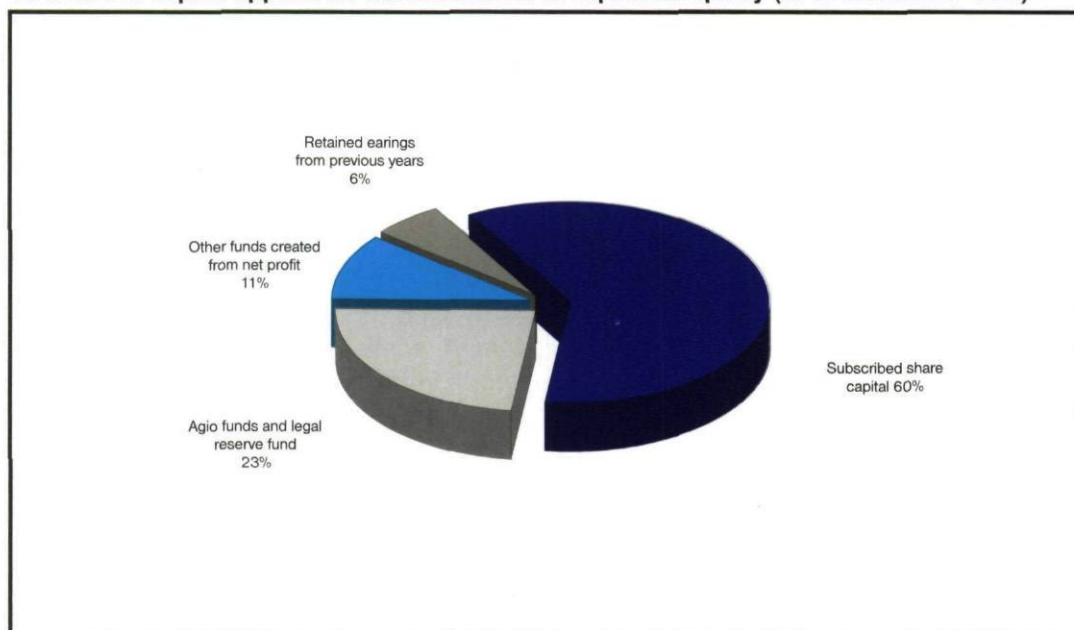
The NBS Decree No. 5/1997 on capital adequacy requires banks to maintain a minimum level of capital adequacy of 8%. On March 21, 1997, the NBS Bank Board prescribed special individual capital adequacy targets for each quarter of 1997 for banks undergoing transformation. As at 31 December 1997, deductible items exceeded capital in one commercial bank and one state financial institution, which is the reason why these two institutions were excluded from the evaluation of capital adequacy in the banking sector as a whole. As at 31 December 1997, four banks were found not to have complied with the binding capital adequacy limits.

Capital adequacy of evaluated banks, operating in the banking sector of the Slovak Republic, was increased by 2.3 points from the end of 1996 to reach 10.0%. This positive improvement was influenced by the fact, that the capital applied for the calculation of capital adequacy was growing more dynamically than the volume of risk-weighted assets.

While capital applied for the calculation of capital adequacy grew year-on-year by about Sk 9 billion to Sk 35.4 billion in the year to 31 December 1997 (by 33.8%), the risk-weighted assets of banks in the Slovak banking sector increased by Sk 10.6 billion (by 3.1%), to reach Sk 352.7 billion.

The growth of capital used for the calculation of capital adequacy in the banking sector as a whole was influenced for the most part by a Sk 2.7 billion increase in equity capital (8.2%), to Sk 35 billion, together with some Sk 2.6 billion (36.4%) of statutory reserves set aside to cover bank losses resulting from banking activities, and subordinated debts, which took these statutory reserves to Sk 9.9 billion, and a decrease in deductible items by Sk 3.6 billion (27.9%) to Sk 9.4 billion.

**Structure of capital applied for the calculation of capital adequacy (at 31 December 1997)**



### 3.3 Credit Exposure

Under the NBS Decree No. 3/1994, banks are required to carry out a monthly monitoring of their credit exposure to potential losses which could potentially have been caused by high credit exposure to a single borrower, or an economically linked group of borrowers. At any time, net credit exposure to non-banking clients must not exceed 25% of a bank's capital, or 80% to banks, and the total amount of individual net credit exposures, which in each case exceed 15% of the bank's capital, must not exceed 800% of the bank's capital.

During 1997, eighteen banks were found to have overstepped the net credit exposure limits applied to non-banking borrowers, while twelve had broken the limit set on banks. The limit on the aggregate amount of reported loans was exceeded by eleven banks. The main reasons behind the infringements were capital position of banks, inheritance of bad debts from the past, excessive lending, as well as a methodical change in the capital adequacy decree. That notwithstanding, the trend was favourable and, towards the end of 1997, the number of infringements decreased.

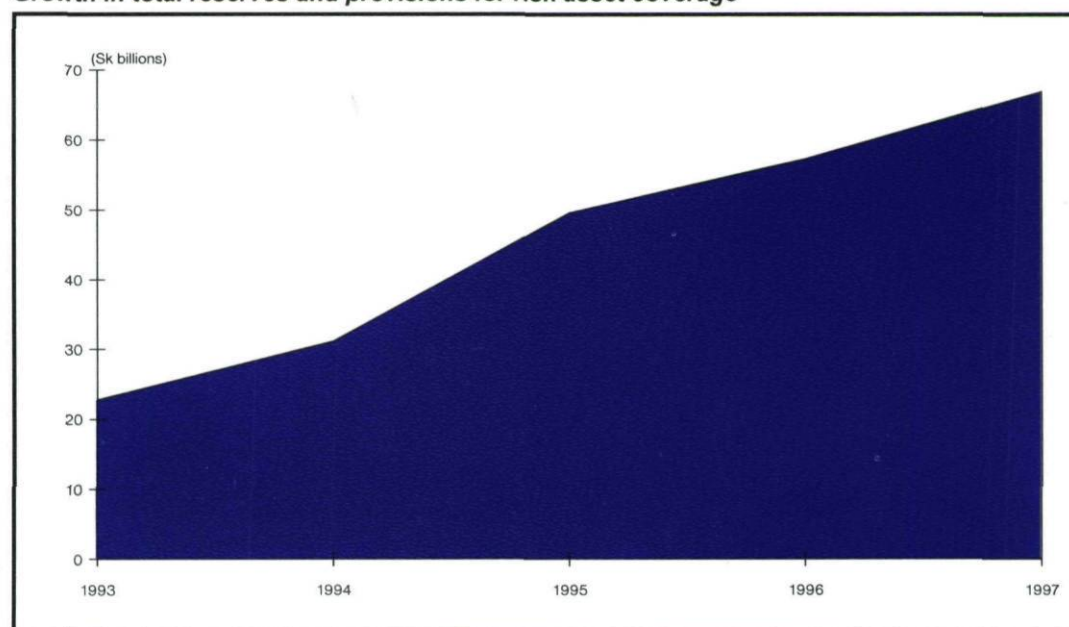
### 3.4 Liquidity

On account of previous developments in the banking sector, and the growth in monetary aggregates, the NBS anticipated liquidity problems. Already in 1996, the central bank tightened refinancing conditions for the banking sector; set a foreign exchange position for monetary purposes, increased the minimum required reserves limits, and reduced intervals between the checks on these limits from one month to fifteen days. Apart from these instruments, liquidity was also influenced by the actual situation and developments on the money market. In particular, those factors included an on-going lack of especially long-term and, to a certain degree, medium-term funds, lingering capital market problems and a lack of powerful investors, combined with tax regulations and, at the end of May, an attack on the Slovak crown by several investors.

All these factors combined were reflected in the lack of liquid funds, and the subsequent failure of certain banks to maintain the level of required reserves, in the difference in maturities of resources and their use, resulting in a significant increase in interest rates on the interbank money market. The most serious problems with liquidity and, subsequently, with meeting their minimum reserves requirements were seen in transforming banks. In November and December 1997, the NBS supplied liquidity to the banking sector.

Amended Decree No. 7/1997, setting the rules of liquidity management for the banking sector, required banks and branches of foreign banks to achieve a 70% ratio of assets against liabilities with maturity within one month (by September 30, 1997), and to increase the coverage to 85% by 31 December 1997. Five banks and two branches of foreign banks failed to meet the targets in the period under review.

**Growth in total reserves and provisions for risk asset coverage**



### 3.5 Foreign Exchange Positions

The purpose of NBS Decree No. 5/1994, on the regulation of foreign exchange positions of banks, is to curb potential losses sustained due to exchange rate fluctuations (exchange rate risks), depending on the openness of the foreign exchange position. The Decree regulates open positions in individual foreign currencies - 10% compared to the bank's capital, and 25% for its overnight crown and overall foreign exchange position. The risks taken in foreign exchange exposures

during the year were mostly short-term, except for banks undergoing transformation and one commercial bank, where this seems to be a persistent problem.

### **3.6 Classification of Claims**

Decree No. 3/1995 sets out uniform requirements for reporting and evaluating the claims and off-balance sheet liabilities of banks and branches of foreign banks with respect to the risks contained therein, and for reserving funds in order to provide against those risks.

As a result of a moderate deterioration in the development of classified assets, banks created a larger amounts of provisions in 1997.

Compared with the previous year, the total of uncovered estimated losses of bank claims and off-balance sheet liabilities was reduced by approx. Sk 1 billion (7.5%), to Sk 12.1 billion. The total volume of uncovered, estimated losses in the Slovak banking sector is concentrated in banks undergoing transformation (Sk 9.9 billion, i.e. 81.4%) and one state financial institution (Sk 2.2 billion, i.e. 18.6%).

The reduction in uncovered estimated losses in the Slovak banking sector was due to a Sk 9.5 billion (16.7%) increase in the volume of reserves and provisions to cover risk assets to Sk 66.8 billion, and slower growth in the share of classified loans in total loans.

**D. Issuing Activity of the NBS**  
**and Currency Circulation in 1997**

# 1. ISSUES OF SLOVAK BANKNOTES AND COINS

In 1997, the National Bank of Slovakia covered the needs of currency circulation with new issues of banknotes in the denominations of Sk 20, Sk 100 and Sk 1,000. The Sk 20 notes were printed by BA Banknote, a Canadian printing house; the Sk 100 and Sk 1,000 notes were produced by Thomas De La Rue, a British printing house.

In addition, the National Bank of Slovakia issued five commemorative silver coins, which were minted by the State Mint at Kremnica, state company.

## Commemorative coins issued by the NBS in 1997

Face value	Event commemorated	Number of coins issued		NBS Decree No.
		Total	PROOF	
200 Sk	150th anniversary of the birth of Svetozár Hurbán Vajanský	19,200	1,800	5/1997 Z.z.
200 Sk	UNESCO World Heritage - Banská Štiavnica and ancient mining works in the district	18,200	1,700	101/1997 Z.z.
500 Sk	Protection of nature and the landscape - Pieniny National Park	16,200	1,700	189/1997 Z.z.
200 Sk	Bicentennial of the birth of Štefan Moyzes	16,400	1,500	272/1997 Z.z.
200 Sk	50th anniversary of foundation of the Slovak National Gallery	16,600	1,600	338/1997 Z.z.

## 1.1 Currency in Circulation

Currency in circulation experienced no marked deviations in 1997, with the total cash supply growing at a slower rate. The annual increase in cash supply was the smallest ever during the five-year existence of the Slovak currency. In terms of structure of individual denominations of banknotes and coins, there were no substantial changes from the previous year. A year free of problems or disruption in cash circulation is clear evidence that cash demand was fully covered.

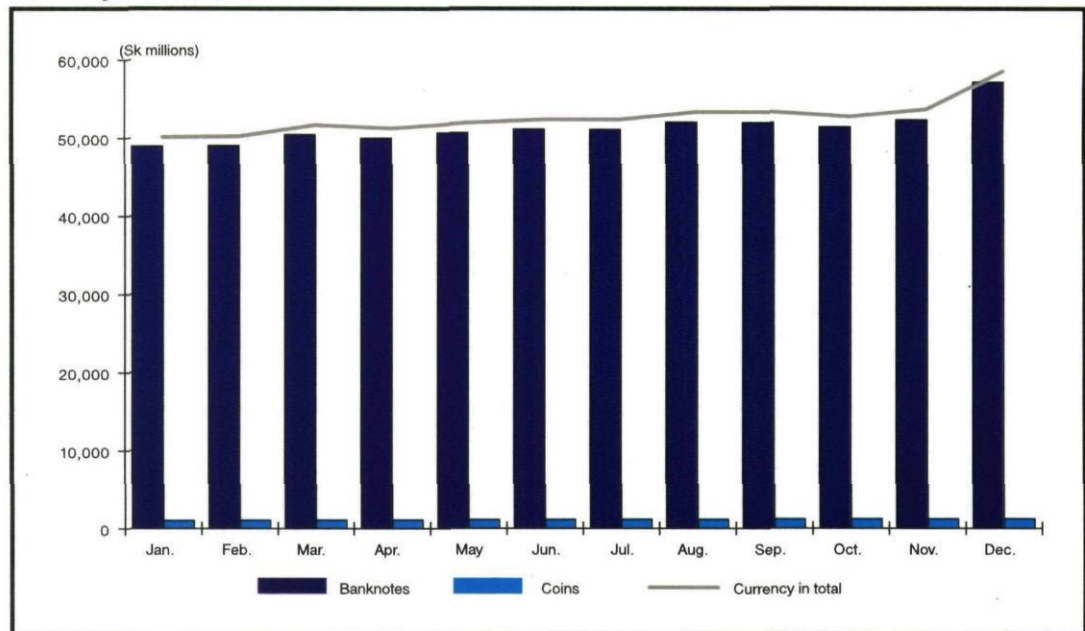
Nominal value	Volume of currency (as at 31.12.97)		Proportion in %	
	Amount (pcs)	Value (Sk)	(pcs)	(Sk)
Banknotes	101,002,009.00	57,201,089,845.00	100.00	100.00
5,000 Sk	3,745,673.25	18,728,366,250.00	3.71	32.74
1,000 Sk	29,689,773.00	29,689,773,000.00	29.40	51.90
500 Sk	8,855,515.00	4,427,757,500.00	8.77	7.74
200 Sk	6,381,926.75	1,276,385,350.00	6.32	2.23
100 Sk	21,421,194.25	2,142,119,425.00	21.21	3.74
50 Sk	10,617,659.50	530,882,975.00	10.51	0.93
20 Sk	20,290,267.25	405,805,345.00	20.09	0.71
Coin in circulation	625,891,139.00	996,929,559.30	100.00	100.00
10 Sk	53,562,541.00	535,625,410.00	8.56	53.73
5Sk	35,759,995.00	178,799,975.00	5.71	17.94
2Sk	57,942,268.00	115,884,536.00	9.26	11.62
1 Sk	82,072,442.00	82,072,442.00	13.11	8.23
0.50 Sk	51,824,963.00	25,912,481.50	8.28	2.60
0.50 Sk II	22,797,680.00	11,398,840.00	3.64	1.14
0.20 Sk	150,427,498.00	30,085,499.60	24.03	3.02
0.10 Sk	171,503,752.00	17,150,375.20	27.40	1.72
Commemorative coins	467,829.00	344,401,180.00	100.00	100.00
Total	727,360,977.00	58,542,420,584.30	100.00	100.00

In 1997, the NBS continued to pay due attention to the quality of currency in circulation, achieving an almost constant level of quality, the amount of defective notes and coins withdrawn from circulation remaining steady.

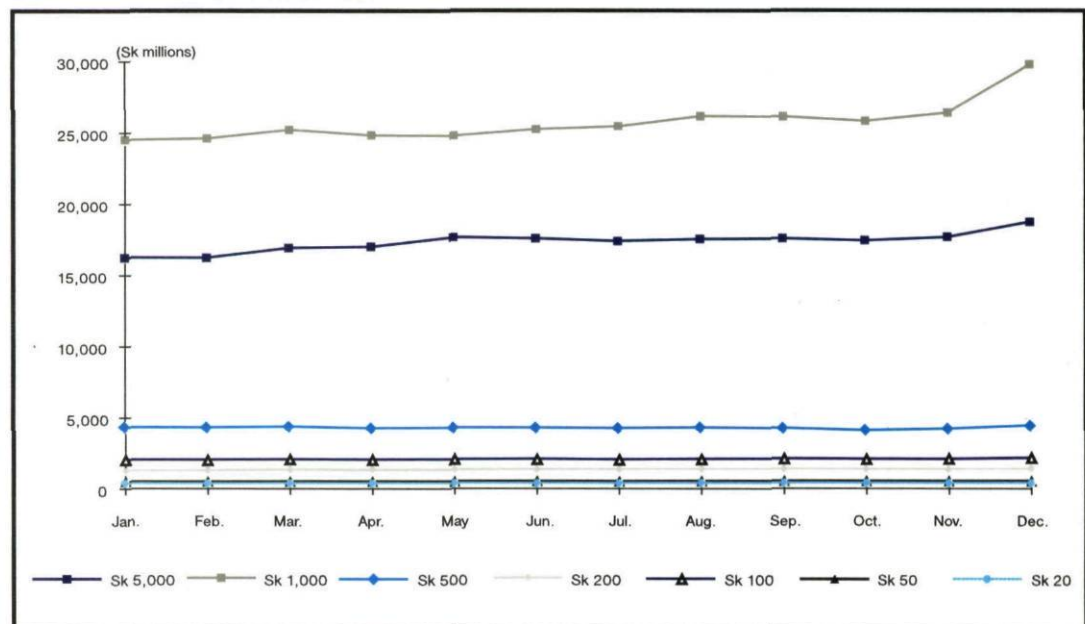
At 31 December 1997, the total volume of currency in circulation amounted to Sk 58,542,420,584.30, in a total of 727,360,977 banknotes and coins. In comparison with 1996, the volume of cash in circulation grew by Sk 6,074,644,904.90 (i.e. 11.58%), with the number of notes and coins increasing by 86,004,657.30 pieces (i.e. 13.41%).

The volume of currency in circulation remained largely stable throughout 1997, with no major deviations except in December.

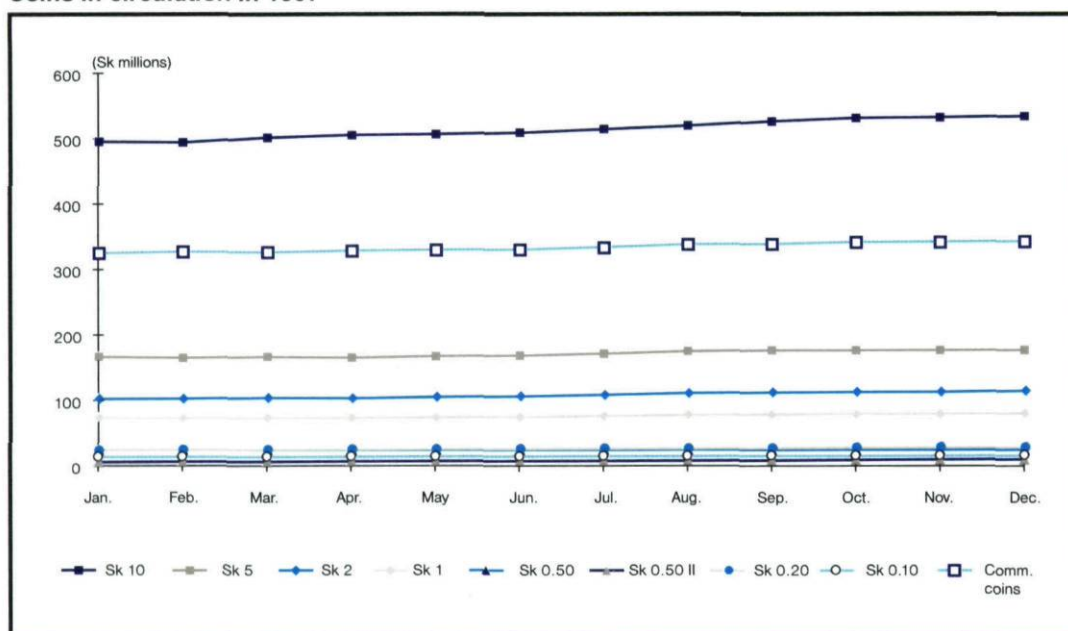
**Currency in circulation in 1997**



**Banknotes in circulation in 1997**



### Coins in circulation in 1997



## 1.2 Banknotes and Coins in Circulation in Proportion to Total Cash Supply

The number of banknotes and coins in circulation increased by 86 million pieces in 1997. A substantial part of the growth involved common coins, which increased from 547.7 million pieces at 31 December 1996, to 625.9 million pieces at 31 December 1997. Their share in the total volume of currency in circulation came to 86.05%. In 1997, increases were recorded in the amounts of banknotes and coins of all denominations, except the Sk 500 banknote.

### Banknotes and coins in circulation

Nominal value	Amount (in pcs)		Proportion (in %)	
	as at 31.12. 1996	as at 31.12.1997	as at 31.12. 1996	as at 31.12.1997
Banknotes	95,302,570.75	101,002,009.00	14.86	13.89
5,000 Sk	3,323,416.75	3,745,673.25	0.52	0.51
1,000 Sk	25,644,855.75	29,689,773.00	4.00	4.08
500 Sk	9,315,079.50	8,855,515.00	1.45	1.22
200 Sk	6,337,579.75	6,381,926.75	0.99	0.88
100 Sk	21,327,670.50	21,421,194.25	3.33	2.95
50 Sk	10,131,746.25	10,617,659.50	1.58	1.46
20 Sk	19,222,222.25	20,290,267.25	3.00	2.79
Coin in circulation	545,647,305.00	625,891,139.00	85.08	86.05
10 Sk	51,140,673.00	53,562,541.00	7.97	7.36
5Sk	34,872,388.00	35,759,995.00	5.44	4.92
2Sk	52,102,896.00	57,942,268.00	8.12	7.97
1 Sk	74,617,730.00	82,072,442.00	11.63	11.28
0.50 Sk	51,223,702.00	51,824,963.00	7.99	7.13
0.50 Sk II	12,996,998.00	22,797,680.00	2.03	3.13
0.20 Sk	125,734,431.00	150,427,498.00	19.60	20.68
0.10 Sk	142,958,487.00	171,503,752.00	22.29	23.58
Commemorative coins	406,444.00	467,829.00	0.06	0.06
Total	641,356,319.75	727,360,977.00	100.00	100.00

As in the previous year, banknotes with a face value of Sk 1,000; Sk 100 and Sk 20 were the most numerous of banknotes in circulation, showing that they are the most frequently used banknotes. The 10 halier and 20 halier coins were the most numerous, with 28.5 million and 24.7 million pieces respectively, being put into circulation during the year. They represented the biggest portion of the total number

of banknotes and coins in circulation (10 halier - 23.58%, 20 halier - 20.68%). In 1997, the number of commemorative coins in circulation also increased, due to five new issues of commemorative coins.

Whilst the total value of currency in circulation rose by 11.58%, the value of banknotes in circulation grew by 11.7% as opposed to a 6.49% increase in the value of coins.

The increase in the value of Slovak currency in circulation over 1996 applied mainly to banknotes, with Sk 5.99 billion of fresh banknotes accounting for 98.61% of the total increase in cash supply. Banknotes in denominations Sk 1,000 and Sk 5,000 accounted for most of the increase, equivalent to 82.7% of the entire value of currency in circulation as at 31 December 1997. The Sk 10 coin was the most numerous. The proportion of commemorative coins to the total number of cash items in circulation was so low that it has no practical significance.

#### ***Volume of currency in Sk***

Nominal value	Volume		Proportion (in %)	
	as at 31.12.1996	as at 31.12.1997	as at 31.12.1996	as at 31.12.1997
Banknotes	51,210,794,007.50	57,201,089,845.00	97.60	97.71
5,000 Sk	16,617,083,750.00	18,728,366,250.00	31.67	31.99
1,000 Sk	25,644,855,750.00	29,689,773,000.00	48.88	50.71
500 Sk	4,657,539,750.00	4,427,757,500.00	8.88	7.56
200 Sk	1,267,515,950.00	1,276,385,350.00	2.42	2.18
100 Sk	2,132,767,050.00	2,142,119,425.00	4.06	3.66
50 Sk	506,587,312.50	530,882,975.00	0.97	0.91
20 Sk	384,444,445.00	405,805,345.00	0.73	0.69
Coin in circulation	936,145,276.90	996,929,559.30	1.78	1.70
10 Sk	511,406,730.00	535,625,410.00	0.97	0.91
5Sk	174,361,940.00	178,799,975.00	0.33	0.31
2Sk	104,205,792.00	115,884,536.00	0.20	0.20
1 Sk	74,617,730.00	82,072,442.00	0.14	0.14
0.50 Sk	25,611,851.00	25,912,481.50	0.05	0.04
0.50 Sk II	6,498,499.00	11,398,840.00	0.01	0.02
0.20 Sk	25,146,886.20	30,085,499.60	0.05	0.05
0.10 Sk	14,295,848.70	17,150,375.20	0.03	0.03
Commemorative coins	320,836,395.00	344,401,180.00	0.61	0.59
Total	52,467,775,679.40	58,542,420,584.30	100.00	100.00

The average value of currency in circulation recorded a slight decrease in 1997 (down by Sk 1.30) despite a higher average value of banknotes in circulation (up by Sk 28.90). The increase in the proportion of higher value banknotes (Sk 5,000 and Sk 1,000), being offset by an increase in the amount of coins with lower denominations (Sk 0.10 and Sk 0.20).

#### ***Average value of currency in circulation (1996-1997)***

***(in Sk)***

	1996	1997	Change
Currency in circulation, including commemorative coins	81.8	80.5	-1.3
Banknotes	537.4	566.3	28.9
Common coins	1.7	1.6	-0.1

In 1997, the average per capita amount of banknotes in the SR was 18.8 pieces, equivalent to an average of Sk 10,618; and the average number of coins, 116.2, was equivalent to an average of Sk 185. Divided per capita, banknotes with a nominal value of Sk 1,000 (5.5 pieces) and 10- and 20-halier coins (28 and 32 pieces, respectively) were the most frequent means of payment.

At the end of 1997, the total per capita value of currency in circulation including commemorative coins amounted to Sk 10,867.40, representing a year-on-year increase of Sk 1,113.20.

## 2. COUNTERFEIT MONEY SEIZED IN THE SLOVAK REPUBLIC

### 2.1 Slovak Currency Counterfeits

In 1997, a total of 178 counterfeit Sk banknotes and 169 imitations of coins were detected in the SR. Most of the falsifications surfaced within the city limits of Bratislava, with 76 counterfeits and 169 imitations seized in 49 cases.

*Number of counterfeit notes and coins seized in 1994-1997*

(pcs)

	Sk 5,000	Sk 1,000	Sk 500	Sk 200	Sk 100	Sk50	Sk20	Sk 10	Sk 5	Total	Value in Sk
1994	—	3	5	—	1	2	—	60	—	71	6,300
1995	-	18	3	-	3	3	-	-	-	27	19,950
1996	4	98	40	1	26	3	-	-	1	173	140,955
1997	5	108	39	-	19	-	2	5	-	178	154,490
Total	9	227	87	1	49	8	2	65	1	449	321,695

Compared with 1996, there was hardly any increase in the number of detected Slovak crown counterfeits in 1997 - only 5 pieces more than year ago. Considering the total volume of currency in circulation, the number of counterfeit Sk bills and coins was insignificant and the quality just as bad as in previous years. Most of the counterfeits were rated as class 4 substandard quality counterfeits, made on colour copiers and without any attempts to imitate the security features.

### 2.2 Foreign Currency Counterfeits

In 1997, 431 counterfeit US\$ bills and 13,731 counterfeits of other currencies were seized. As in the previous year, there was an increase in the number of Class I (dangerous) counterfeits.

*Number of US\$ counterfeits seized in 1994-1997*

	US\$1	US\$5	US\$10	US\$20	US\$50	US\$ 100	Altered	Total	Value in Sk
1994	2	1	1	118	73	1,499	15	1,709	4,899,918.20
1995	2	1	3	146	69	1,768	9	1,998	5,434,989.20
1996	0	0	5	24	73	719	58	879	2,518,748.10
1997	0	0	1	20	30	346	34	431	1,283,908.50
Total	4	2	10	308	245	4,332	116	5,017	14,137,564.00

*Classification of dangerous US\$ counterfeits seized*

Danger degree			2		3		4				N**		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	116	6.8	49	2.9	1,424	83.3	100	5.8	5	0.3	15	0.9	1,709	100
1995	95	4.7	25	1.2	1,857	93.1	10	0.5	2	0.1	9	0.4	1,998	100
1996	91	10.4	8	0.9	704	80.1	17	1.9	1	0.1	58	6.6	879	100
1997	73	17.0	5	1.2	301	69.8	17	3.9	1	0.2	34	7.9	431	100

\*) Banknotes not allocated any particular danger category are those in which the nominal value has been changed.

The United States has continued to upgrade the security features of its dollar bills. After a new US\$ 100 bill introduced in 1996, the next to be introduced was a new US\$ 50 bill in 1997. Despite additional security features in the new banknotes, a counterfeit of the 1996 100-dollar bill was seized in 1997, with a Class 3 quality, i.e. quite good.

**Number of other foreign currency counterfeits seized in 1994-1997**

(in pcs)

	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other	Total	Value in Sk
1994	463	110	48	6	12	0	1,074	25	1,738	2,020,377.60
1995	311	60	32	18	1	447	73	1	943	1,648,431.40
1996	237	66	22	8	1	9	0	1	344	914,937.60
1997	543	99	101	16	7,731	22	5,211	8	13,731	26,608,951.70
Total	1,554	335	203	48	7,745	478	6,358	35	16,756	31,192,698.30

**Classification of dangerous foreign currency counterfeits**

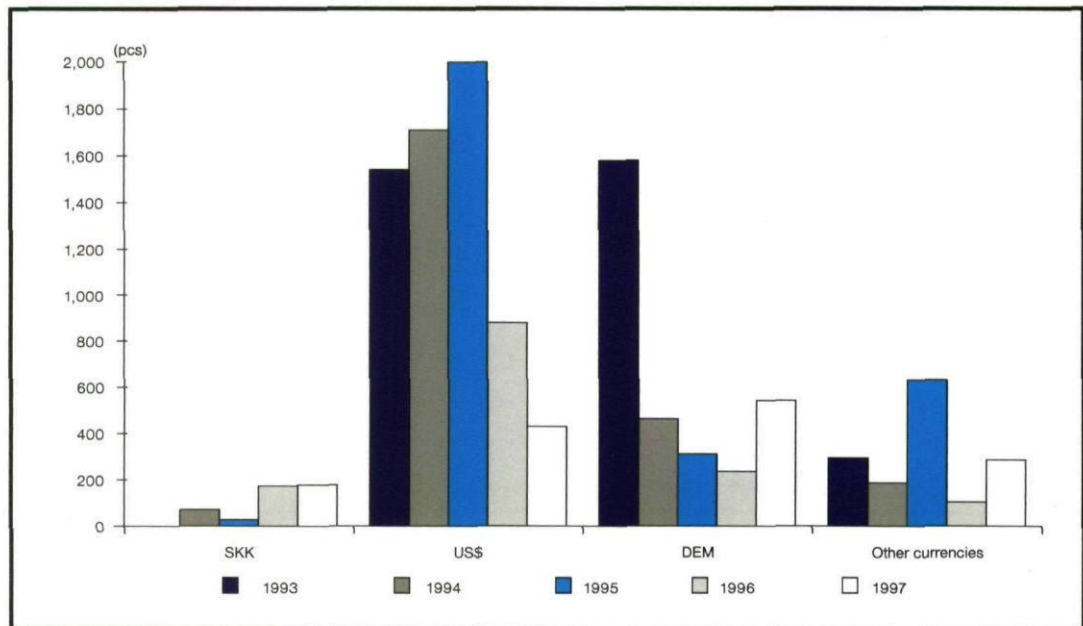
Danger degree	1		2		3		4		5		N*)		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	0	0	9	0.5	1,711	98.4	1	0.1	0	0	17	1	1,738	100
1995	0	0	14	1.5	921	97.7	1	0.1	2	0.2	5	0.5	943	100
1996	3	0.9	13	3.8	321	93.3	3	0.9	0	0	4	1.1	344	100
1997	6	0.1	502	3.6	13,199	96.1	11	0.1	12	0.1	1	0	13,731	100

\*) In counterfeit banknotes not allocated any particular danger category the face value has simply been altered.

Of all the counterfeits seized, 412 were already in circulation and 13,319 were seized by police before entering circulation. The greater part of the haul consisted of 1,000 ATS and 5,000 HUF banknotes seized by police on uncovering three forgery operations.

The general trend in the number of counterfeits detected in circulation since 1993 is shown in the graph below.

**Number of counterfeits seized in 1993-1997**



## 2.3 Appraisal of Damaged Slovak Banknotes

In 1997, the National Bank of Slovakia received 99 applications for expert appraisal and compensation for banknotes and coins damaged by natural causes or other unpredictable events, and where the damage was so severe that they could only be replaced by the NBS itself. The nominal value of damaged banknotes and coins presented for replacement amounted to Sk 3,911,833.60, for which compensation of Sk 3,867,584.60 was given, i.e. 98.86% of the nominal value.

## **E. International Activities**

## 1. COOPERATION WITH THE EUROPEAN UNION

The National Bank of Slovakia is the co-ordinator of relations between the banking system and the European Union (EU), whereby within the fulfilment of individual articles of the European Agreement on association (EA) it actively facilitates the process of harmonising and making the legal and economic environment in the banking sector compatible with the legal framework valid in the EU. During 1997, in the sense of continuing political dialogue, a regular meeting of the EU/Slovakia Association Council took place (on 6 June 1997). Apart from sectoral problems of the national economy, this meeting also discussed questions pertaining to the macroeconomic development of the Slovak Republic, monetary policy and monetary strategy of the NBS, the balance of payments, and the individual steps to be taken in liberalising the capital account of the balance of payments. As part of economic dialogue, two meetings of subcommittees took place - the subcommittee for macroeconomic issues (3-4 June 1997) and the subcommittee for financial services and their institution (11 April 1997). The subcommittees discussed the current situation in financial services in the banking sector; the insurance industry, and investments; the level of approximation of the legal system in the Slovak Republic to the legal system of the EU; the level, the present situation, and the process of transformation of the banking sector; licensing policy of the NBS; providing cross-border services, as well as the state of macroeconomic development; the balance of payments, and prospects for developments in the trade balance deficit. Conclusions from the meetings described the development in these areas as acceptable, individual articles of the EA are continually being fulfilled, and the legal system in Slovakia pertaining to the banking sector is steadily approaching the legal system of the EU.

In association with the fulfilment of individual articles of the EA, the National Bank of Slovakia is participating in the programme of technical assistance provided to the Slovak Republic by the EU. The PHARE Programme underwent significant changes last year, linked to the process of enlargement of the EU. Technical and investment aid became a new orientation, and implementation of the pre-entry strategy and the accession process of the Slovak Republic to the EU became a clear priority. The PHARE Programme gained the status of the main financial instrument to provide assistance in adopting the array of EU laws (*acquis communautaire*) and implementing measures leading to Slovakia's participation in the internal market of the European Union.

The National Bank of Slovakia is cooperating with individual Slovak commercial banks and other institutions of the banking sector of the Slovak Republic in preparations of concrete programmes with the aim of acquiring funds provided through technical assistance, and ensures the implementation of specific projects. In 1998, the PHARE Programme will focus on the process of harmonising bank laws with the legal system in the EU, on assistance in implementing enhanced jurisdiction of bank supervision, and on aid in bank restructuring and their subsequent privatisation according to the principles of market economy.

## **2. COOPERATION WITH INTERNATIONAL INSTITUTIONS**

### **Organisation for Economic Cooperation and Development (OECD)**

By submitting its application to become a full member of the OECD in 1994, the Slovak Republic assumed commitments ensuing from membership in the OECD. The position of the relevant authorities of the Slovak Republic is defined in a so-called Memorandum of the Slovak Republic, whereby the NBS expressed its stand on the implementation of liberalisation codes of OECD in the area of free movement of capital and current invisible operations. Through conclusions of the CIME/CMIT committees of June 1996, the OECD Council presented the position of OECD on Slovakia's entry into the organisation. In 1996 - 1997, the NBS carried out individual liberalisation steps in the sense of recommendations included in the conclusions of the CIME/CMIT committees regarding operations on the capital account and subsequently amended the legal framework. The NBS has observer status in committees of auxiliary bodies of the OECD, and is regularly actively participating at their meetings.

### **The World Trade Organisation (WTO)**

As a founder member of the World Trade Organisation - WTO the Slovak Republic has attended several rounds of bilateral negotiations since 1995, with the aim of further liberalising financial services. After the negotiations, individual countries submitted their revised Schedules of Specific Commitments in the Sector of Financial Services, and signed the Second Protocol to GATS. The Second Protocol legalises the commitments assumed by individual WTO members, whereby it assumes the nature of an interim agreement.

With regard to the temporary nature of this agreement and on the basis of conclusions of negotiations of WTO member countries at the conference in Singapore, negotiations were restarted at the beginning of 1997, with the aim of further liberalising trade in financial services. The Slovak Republic has actively joined this process and participated in several rounds of bilateral negotiations, and in December 1997, the Slovak Republic submitted revised Schedule of Specific Commitments in the Sector of Financial Services.

Liberalisation of trade in financial services should contribute to increased competition, effectiveness, and quality of these services, as well as better allocation of resources. On the other hand, emphasis is placed on the need for financial stability and an appropriate regulatory framework and supervision in this area. Negotiations about financial services ended on 12 December 1997. The 5th GATS Protocol was adopted within negotiations about the liberalisation of financial services. In accordance with the 5th Protocol, the ratification process should be completed by 29 January 1999, whereby it should come into force on 1 March 1999. Another round of talks is expected in the year 2000.

### **The International Monetary Fund (IMF) and the World Bank**

Cooperation of the Slovak Republic with the International Monetary Fund is now at a standard level, i.e. the level of annual consultations according to Article IV of the IMF Agreement Articles. From 28 October to 12 November 1997, a mission of the IMF carried out consultations with the Slovak Republic for 1997. In talks with the NBS, members of the mission were informed about monetary development in 1997; developments in the banking sector, as well as other contemporary aspects of economic development in the Slovak Republic. At the end of their mission, the IMF representatives spoke out resolutely against the amendment to the NBS Act and

emphasised that independence of the central bank is one of the fundamental conditions for further successful development of the economy.

Attention also was paid to the participation of senior NBS representatives at the spring meeting of the Committees of the IMF and the World Bank in Washington at the end of April 1997, as well as at the annual meeting of governors of the member countries of the IMF and the World Bank in Hong Kong in September 1997. These meetings were devoted to an evaluation of the development of the world economy; to finding solutions to the financial crisis in south-east Asia; liberalisation of capital flows; revisions of quotas of the IMF member countries, and other current problems. At these meetings, bilateral talks took place with representatives of the IMF and the World Bank, as well as representatives of other international financial institutions.

The National Bank of Slovakia submitted to the World Bank mission on 3-4 November 1997, data on the development of the banking sector in 1997, in association with finalisation of the report on the economic development of the Slovak Republic to date.

### **The Bank for International Settlements (BIS)**

The National Bank of Slovakia is actively fulfilling all its duties incumbent upon the position of a shareholder in the BIS. The most important relationships of the National Bank of Slovakia are, in the long run, implemented at the most senior level by the participation of the NBS Governor at regular monthly meetings of governors of BIS member central banks and governors of many other central banks of the world. The purpose of these meetings is to achieve a high level of mutual understanding and to co-ordinate monetary policy on an international scale.

### **The International Investment Bank (IB) and the International Bank for Economic Cooperation (IBEC)**

Representatives of the NBS attended the spring meeting of bank boards of the IB and IBEC in Moscow and the autumn meeting in Bucharest. At these meetings the Slovak delegation supported all activities leading to an improvement of the financial situation in these banks and renewal of their banking activities.

### **Bilateral Relations**

In 1997, the NBS continued developing its bilateral relations with the central banks of neighbouring countries, OECD countries, and the Russian Federation. It has established cooperation with the central banks of India and with some countries of south-east Asia, and the first contacts with the African Development Bank have been made.

### **Support Activities of Foreign Institutions in Slovakia**

In 1997, cooperation continued between the NBS and the EXIM Bank of Japan and the European Investment Bank in the area of foreign credit lines, through which the NBS participates in restructuring of the Slovak economy. The NBS has been releasing funds from credit lines such as Two Step Loan from the EXIM Bank of Japan and the APEX Global Loan from the EIB through selected commercial banks to support small and medium-sized businesses in Slovakia.

In 1997, drawing of the second Two Step Loan (TSL) was completed, and subsequently, in September the NBS and the EXIM Bank of Japan signed a contract for a third TSL credit line amounting to JPY 20 billion.

Financing from funds of the Apex Global Loan from the EIB also continued in 1997.

The NBS classifies foreign technical aid as international activities. Projects in this area were concentrated primarily on further education and professional growth of the banking staff of the NBS and the banking sector of Slovakia. A component of these activities is the effort to acquire as much financial resources as possible from various funds from abroad regardless of institutional or territorial aspects (the IMF, the US Treasury, the Know How Fund, the PHARE Programme, the BIS, individual central banks, etc.) and at the same time to guarantee their most effective application. Ways of using these funds range from receiving foreign experts here in Slovakia to sending our experts abroad; acquiring specialised foreign literature; ordering studies or analyses, etc.

## F. Auditors' Report

## INDEPENDENT AUDITORS' REPORT

### To the Bank Board of the National Bank of Slovakia

We have audited the accompanying balance sheet of the National Bank of Slovakia (the "Bank") as of 31 December 1997 and the related profit and loss account for the year then ended. These financial statements, set out on pages 2 to 13, are the responsibility of the Bank's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Bank is required to prepare financial statements in accordance with Act 563 / 1991 on Accounting, as amended, and with relevant laws and regulations of the Slovak Republic. The accompanying financial statements have been formatted to make them more comparable in appearance to financial statements issued for international purposes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 1997 and the results of its operations for the year then ended in accordance with Act 563 / 1991 on Accounting, as amended, and with relevant laws and regulations of the Slovak Republic.

12 March 1998

  
ERNST & YOUNG AUDIT, s.r.o.

**NATIONAL BANK OF SLOVAKIA**  
**BALANCE SHEETS**  
**AS OF 31 DECEMBER 1997 AND 1996**  
in millions of Slovak crowns

<b>ASSETS</b>	<b>Note</b>	<b>1997</b>	<b>1996</b>
Gold	3	1,543.9	2,285.4
Deposits with the International Monetary Fund	4	23,096.5	24,062.6
Deposits with foreign banks and international institutions	5	9,630.1	17,351.7
Receivables from domestic banks	6	41,588.4	36,585.1
Receivables from the State budget	7	5,495.4	28,625.6
Securities	8	109,069.7	94,214.2
Investments and participations	9	1,381.4	1,583.4
Other assets	10	5,781.0	4,123.8
<b>Total assets</b>		<b><u>197,586.4</u></b>	<b><u>208,331.8</u></b>
<b>LIABILITIES</b>			
Currency in circulation	11	58,303.1	52,223.6
Liabilities to the International Monetary Fund	12	31,763.3	34,227.1
Liabilities to foreign banks and international institutions	13	9,895.3	4,785.3
Securities issued	14	13,424.0	14,135.0
Due to domestic banks	15	40,779.5	31,114.8
Liabilities to the State budget	16	9,710.6	13,044.1
Other liabilities	17	24,597.4	50,190.0
<b>Total liabilities</b>		<b><u>188,473.2</u></b>	<b><u>199,719.9</u></b>
<b>EQUITY</b>			
Share capital	18	466.7	466.7
Statutory reserve fund	18	8,573.1	8,573.1
Capital fund	18	73.4	72.1
<b>Total equity</b>		<b><u>9,113.2</u></b>	<b><u>9,111.9</u></b>
<b>Total liabilities and equity</b>		<b><u>197,586.4</u></b>	<b><u>208,831.8</u></b>

The notes on pages 4 to 13 are an integral part of the financial statements.

**NATIONAL BANK OF SLOVAKIA  
PROFIT AND LOSS ACCOUNTS  
FOR THE YEARS ENDED  
31 DECEMBER 1997 AND 1996  
in millions of Slovak crowns**

	<b>Note</b>	<b>1997</b>	<b>1996</b>
Interest income		13,134.9	16,526.3
Interest expense		(6,252.0)	(10,271.9)
Net interest margin	19	6382.9	6,254.4
Investment income	9	17.3	146.1
Fee and commission income		27.8	16.5
Fee and commission expense		(24.4)	(17.1)
Net fee and commission income		3.4	(0.6)
Gains (losses) arising from dealing in foreign currencies	20	(167.8)	398.5
Excess income from banking operations		6,735.8	6,798.4
Banknote and mintage expenses		(115.3)	(131.8)
Provisions	21	(4,335.7)	(1,919.2)
Administrative expenses	22	(508.0)	(485.3)
Depreciation		(235.5)	(228.8)
Other operating expenses		(436.0)	(535.7)
Total operating expenses		(1,179.5)	(1,249.8)
Extraordinary income		21.7	4.7
Extraordinary expense		(27.0)	(34.6)
<b>PROFIT FOR THE PERIOD</b>		<b>1,100.0</b>	<b>3,467.7</b>
Income transferred to the State budget	23	1,100.0	2,381.1
The notes on pages 4 to 13 are an integral part of the financial statements.			

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

**1. General**

The National Bank of Slovakia ("the Bank") was established in accordance with Act No 566/1992 Coll. on the National Bank of Slovakia, as amended ("Bank Act"). The Bank commenced its operations as the central bank of the Slovak Republic on 1 January 1993.

Under the provisions set out in the Bank Act, the Bank's main responsibilities are as follows:

- determine monetary policy and its implementation,
- issue banknotes and coins,
- direct circulation of money and coordinate domestic payments and settlements,
  - supervise the banking sector,
- administer state budget accounts,
- represent the Slovak Republic in international financial institutions and in world capital market operations.

**2. Accounting policies**

In the 1997 accounting period the Bank applied to the accompanying financial statements in conformity with generally accepted accounting standards the following accounting policies:

*2.1. Basic principles*

The Bank keeps its accounts in accordance with Act No. 563/1991 Coll. on Accounting, as amended ("Act on Accounting"). The accompanying financial statements have been presented to be comparable in appearance to financial statements issued for international purposes. Certain amounts in the 1996 financial statements have been reclassified to be comparable with classifications used in 1997.

*2.2. Valuation of individual assets and liabilities*

The financial statements have been prepared under the historical cost convention in accordance with the Act on Accounting.

The valuation of assets and liabilities considers financial risks known to the Bank at the date of preparation of the financial statements.

The following mandatory valuation methods were applied:

- purchased supplies were valued at acquisition cost,
- purchased tangible and intangible fixed assets were valued at acquisition cost,
- cash, stamps and vouchers were valued at nominal value,
- marketable securities traded on capital markets were valued at acquisition cost,
- marketable securities traded on financial markets were valued at nominal value,
- receivables and payables were valued at nominal value.

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

*2.3 Valuation In foreign currency*

The Bank converts assets and liabilities denominated in foreign currency to Slovak crowns using the exchange rate as in the Bank's exchange rate chart for accounting purposes on the date of the transaction and in the financial statements using the exchange rate as of 31 December 1997

Exchange rates for principal foreign currencies used by the Bank for valuation of assets and liabilities as of 31 December 1997 are as follows:

Currency	Unit	Foreign currency Mid-rate
USD	1	34.782
DEM	1	19.398
JPY	100	26.848
SDR	1	46.995

*2. 4. Tangible and intangible fixed assets*

Tangible and intangible fixed assets are valued at their acquisition cost Depreciation is calculated on the straight-line basis, based on estimated useful lives of fixed assets

The estimated useful lives of fixed assets are as follows:

Depreciation group	Type of fixed assets	Useful life
1	Office equipment, data processing systems, vehicles and software	4 years
2	Instruments and special technical equipment	8 years
3	Security equipment and systems	15 years
4	Energy production equipment (the Bank has no assets in this depreciation group)	30 years
5	Buildings and constructions	40 years

*2.5. Income tax*

The Bank is exempt from income tax in accordance with section 17 of the Income Tax Act No 286/1992 Coll., as amended

*2.6. Profit allocation*

The profit generated by the Bank is used to replenish reserve funds and other funds created from profit and for other purposes according to the Bank's budget Remaining profit is transferred to the State budget of the Slovak Republic.

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

**NOTES TO FINANCIAL STATEMENTS**

**3. Gold**

The value of gold reserves administered by the Bank is Sk 1,543.9 million. The Bank administers in total 24.7 million grams of fine gold, valued at a historical cost of Sk 62,544.51 per gram.

This item does not include 15.4 million grams of gold used in foreign currency swap operations (see Note 20 "Gain (loss) from foreign exchange dealings" and Note 25 "Off-balance sheet items").

**4. Deposits with the International Monetary Fund (IMF)**

The structure of deposits with the IMF is as follows (in millions of Sk):

	1997	1996
Reserve position in IMF and special drawing rights	11,874.6	11,520.8
Guarantee deposits on IMF loans	11,221.9	12,541.8
<b>Total</b>	<b>23,096.5</b>	<b>24,062.6</b>

Receivables from the IMF result from the membership of the Slovak Republic in the IMF. Special drawing rights ("SDR's") within the reserve tranche are equal to the Slovak Republic's membership quota paid to the IMF in SDR's and Slovak crowns. Based on the IMF rules and regulations, "Guarantee deposits on IMF loans" are deposits in Slovak crowns and represent the counterpart of loans which were granted to the Slovak Republic (see note 12, "Liabilities to the IMF").

**5. Deposits with foreign banks and international institutions**

The structure of deposits with foreign banks and international institutions is as follows (in millions of Sk):

	1997	1996
Current accounts	1,466.1	1,001.3
Term deposits with banks	8,164.0	16,350.4
<b>Total</b>	<b>9,630.1</b>	<b>17,351.7</b>

Deposits with foreign banks are denominated mainly in German marks and United States dollars.

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

**6. Receivables from domestic banks**

The structure of receivables from domestic banks is as follows (in millions of Sk):  
(See also related note 21, "Provisions")

	1997	1996
Refinancing loans	11,593.3	1,602.4
Loans to support the development of small and medium size businesses	8,828.2	3,203.9
Long-term redistribution loans	-	31,088.9
Classified redistribution loans	30,273.2	-
Provisions for classified redistribution loans	-9,750.4	-
Other receivables	644.1	689.9
<b>Total</b>	<b>41,588.4</b>	<b>36,585.1</b>

Refinancing loans of Sk 11,593.3 million comprise; short-term loans to ensure liquidity (Sk 8,600.0 million), rediscounted bills of exchange in support of agriculture (Sk 2,681.5 million) and discounted bills of exchange in support of export (Sk 311.8 million).

**7. Receivables from the State budget**

Transactions with the Slovak Republic regarding State budget operations are set forth in section 25 of the Bank Act

Receivables from the State budget represent the 1991 deficit of the State budget before the split of the Czech and Slovak Federal Republic

**8. Securities**

The portfolio of the Bank's securities is as follows (in millions of Slovak crowns):

	1997	1996
<b>Money market</b>	<b>46,247.2</b>	<b>54,136.8</b>
Including: Treasury bills	12,522.7	28,997.4
Government treasury notes	33,796.4	25,397.3
Provisions	-71.9	-257.9
<b>Capital market</b>	<b>62,822.5</b>	<b>40,077.4</b>
Including: Short-term bonds	104.2	-
Medium-term bonds	54,930.2	39,698.9
Long-term bonds	8,035.3	472.2
Provisions	-247.2	-93.7
<b>Total</b>	<b>109,069.7</b>	<b>94,214.2</b>

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

The money market portfolio consists of; 1) securities issued by the Bank for International Settlements, 2) US. government treasury notes and 3) treasury bills issued by the Federal Republic of Germany, the United States of America and Japan.

The capital market portfolio consists primarily of German, American and Japanese government bonds

**9. Investments and participations**

The Bank holds participations in the following companies and institutions (in millions of Sk):

	<b>Share in capital</b>	<b>1997</b>	<b>1996</b>
Československá obchodná banka, a.s., Praha (Czechoslovak Commercial Bank)	24.13%	1,236.6	1,438.6
Bankové zúčtovacie centrum Slovenska, a.s., Bratislava (Slovak National Clearing Centre)	39.48%	120.0	120.0
Other investments with less than 1% interest		24.8	24.8
<b>Total</b>		<b>1,381.4</b>	<b>1,583.4</b>

Other investments include participation in S.W.I.F.T. - Society for Worldwide Interbank Financial Telecommunication, La Hulpe, Belgium and BIS - Bank for International Settlements, Basle, Switzerland

Dividend income in 1997 from investments and participations amounted to Sk 17 3 million

**10. Other assets**

This item includes the following (in millions of Sk):

	<b>1997</b>	<b>1996</b>
Accruals and prepayments	2,246.9	1,574.1
Tangible and intangible fixed assets	3,087.6	2,201.2
Other	446.6	348.6
Provisions on other assets	-0.1	-0.1
<b>Total</b>	<b>5,781.0</b>	<b>4,123.8</b>

**11. Currency in circulation**

This item comprises valid domestic banknotes and coins in circulation issued by the Bank

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

**12. Liabilities to the IMF**

The structure of liabilities to the IMF is as follows (in millions of Slovak crowns):

	1997	1996
Deposits of the IMF	20,266.1	21,304.8
Loans from the IMF	11,497.2	12,922.3
<b>Total</b>	<b>31,763.3</b>	<b>34,227.1</b>

The item "Deposits of the IMF" includes deposits of the IMF, in Slovak crowns, held by the Bank

The item "Loans from the IMF" includes loans provided in convertible currency to strengthen both the balance of payments and foreign exchange reserves of the Slovak Republic. These loans are secured by guarantee deposits with the IMF. See also note 4, "Deposits with the IMF"

**13. Liabilities to foreign banks and international institutions**

The structure of the liabilities to foreign banks and international institutions is as follows (in millions of Slovak crowns):

	1997	1996
<b>Deposits</b>	<b>1,438.8</b>	<b>1,375.6</b>
including: Accounts of the World Bank	846.7	820.8
Deposits of foreign banks	569.1	522.2
PHARE fund	23.0	32.6
<b>Loans</b>	<b>8,456.5</b>	<b>3,409.7</b>
including: EXIM Bank of Japan	7,863.8	2,554.8
European Investment Bank of Luxembourg	592.7	854.9
<b>Total</b>	<b>9,895.3</b>	<b>4,785.3</b>

These loans are long-term and are designed to provide financing to select domestic banks to support small and medium businesses and certain sectors of the Slovak economy

**14. Securities issued**

This item includes medium and long term bonds, denominated in Japanese yen (JPY), with maturity periods of 5 and 7 years. These bonds are traded on Japanese capital markets. In 1993 the Bank issued bonds in the total amount of JPY 25,000 million maturing in 1998 and 2000. These bonds carry fixed interest rates of 7.75% and 8.0% respectively. In 1994 the Bank issued bonds in the amount of JPY 25,000 million with a fixed interest rate 6.3%, maturing in 1999.

During 1994 the Bank entered into contracts on long-term swap operations to convert the risk of foreign exchange rate changes from JPY to DEM in respect of Bank bonds issued in 1993 and 1994. These swap contracts mature one day preceding the due date of the respective bonds.

**NATIONAL BANK OF SLOVAKIA  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 1997**

**15. Due to domestic banks**

As of 31 December 1997 this item represents primarily the minimum reserve requirements deposited at the Bank by domestic banks, in the total amount of Sk 37,564 3 million (Sk 28,797 9 in 1996). The remaining balance represents other deposits from domestic banks.

**16. Liabilities to the State budget**

The structure of the liabilities to the State budget is as follows (in millions of Sk):

	1997	1996
State financial assets	6,177.5	9,349.8
State funds	3,533.1	3,694.3
<b>Total</b>	<b>9,710.6</b>	<b>13,044.1</b>

**17. Other liabilities**

This item comprises the following (in millions of Sk):

	1997	1996
Accruals and prepayments	1,714.1	2,071.3
Adjusting accounts of forward transactions	2,536.3	3,589.9
Reserves	8,258.4	8,731.1
Other	12,088.6	35,797.7
<b>Total</b>	<b>24,597.4</b>	<b>50,190.0</b>

Reserves as of 31 December 1997 include reserves for foreign exchange dealings in the total amount of Sk 8,243 8 million. Included in this amount are; 1) reserves for gold swaps in the amount of Sk 2,715.9 million to provide for the difference between the market value of gold used for swaps and its historical cost, 2) reserves for foreign currency swaps in the amount of Sk 1,477.3 million, 3) reserves for opened FX positions in the amount of Sk 4,050.6 million and 4) other reserves in the amount of Sk 14.6 million.

The main component in "Other" includes an amount of Sk 6,001.6 million deposited by the Slovak Republic authorities

**18. Equity**

As of 31 December 1997 these items represent the paid-up capital taken over from the separation of assets and liabilities of the former ŠBČS (Czechoslovak State Bank) in the amount of Sk 466.7 million, the legal reserve fund in the amount of Sk 8,573.1 million and the capital fund in the amount of Sk 73 4 million

**NATIONAL BANK OF SLOVAKIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 1997**

**19. Interest income**

The structure of interest income and expense is as follows (in millions of Sk):

	1997	1996
<b>Interest income</b>	<b>13,134.9</b>	<b>16,526.3</b>
including: Interest received from State treasury	549.8	2,719.4
Interest received from domestic banks	4,907.7	6,877.9
Interest received from foreign banks and international institutions	2,606.2	2,973.8
Interest income from securities dealings	3,979.9	2,939.0
Interest income from foreign exchange dealings	985.9	987.7
Other interest income	105.4	28.5
<b>Interest expense</b>	<b>-6,252.0</b>	<b>-10,271.9</b>
Including: Interest paid to State treasury	-541.4	-705.5
Interest paid to foreign banks and international institutions	-876.2	-641.7
Interest expense on securities dealings	-2,360.0	-2,252.3
Interest expense on foreign exchange dealings	-1,645.1	-1,756.8
Other interest expense	-829.3	-4,915.6
<b>Net interest margin</b>	<b>6,882.9</b>	<b>6,254.4</b>

**20. Gains (losses) from foreign exchange dealings**

This item is comprised of the following items (in millions of Sk)

	1997	1996
Foreign exchange gains from realized foreign exchange dealings	20,507.8	38,948.1
Foreign exchange losses from realized foreign exchange dealings	-15,755.5	-38,171.0
Use of reserves for foreign exchange dealings	3,630.1	2,971.7
Creation of reserves for foreign exchange dealings	-8,550.2	-3,350.3
<b>Total</b>	<b>-167.8</b>	<b>398.5</b>

The Bank's net foreign exchange gain on realized foreign exchange dealings amounted to Sk 4,752.3 million. In 1997 the Bank created additional reserves for open FX positions in the amount of Sk 3,940.1 million and provided for the difference between the market value of gold used for swaps and its historical cost in the amount of Sk 4,610.1 million. The Bank used existing reserves in the amount of Sk 3,026.6 million for gold swaps and Sk 603.5 million for foreign currency swaps.

**NATIONAL BANK OF SLOVAKIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 1997**

**21. Provisions**

The effect of reserves and provisions on the Bank's results is as follows (in millions of Sk):

	1997	1996
<b>Provisions</b>	<b>-9,728.5</b>	<b>-351.7</b>
including: Additions to provisions	-10,069.6	-351.7
Release of provisions	341.1	-
<b>Reserves</b>	<b>5,392.8</b>	<b>-1,567.5</b>
Including : Additions to reserves	-14.6	-1,576.1
Release of reserves	5,407.4	8.6
<b>Net provision for the year</b>	<b>-4,335.7</b>	<b>-1,919.2</b>

The Bank created provisions for classified redistribution loans in the amount of Sk 9,750 4 million. See also note 6, "Receivables from domestic banks". The Bank also reversed existing reserves for redistribution loans in the amount of Sk 5,397 7 million, as these loans were included into classified debts.

Furthermore the Bank created provisions against securities in the amount of Sk 319 1 million (see also note 8, "Securities") and other provisions in the amount of Sk 0.1 million (see note 10, "Other assets").

The Bank released existing provisions against securities in the amount of Sk 341 0 million (see note 8, "Securities") and other provisions in the amount of Sk 0.1 million (see note 10, "Other assets").

Finally, other reserves in the amount of Sk 14 6 million were created in 1997 and Sk 9 7 million were released.

**22. Administrative expenses**

Administrative expenses consist of wages, salaries and social costs. Social costs comprise the costs for compulsory contributions to the Health Insurance Fund, the Sickness Benefit Insurance Fund, the Old-Age Pension Insurance Fund, the Employment Fund and compulsory additions to the social fund in accordance with the Social Fund Act No 152/1994 Coll. and in terms of the amendment to the Income Tax Act No 286/1992 Coll.

As of 31 December 1997 the Bank had 1,287 employees, including 6 members of the Bank Board.

**23. Profit allocation**

The activities of the Bank resulted in an overall surplus in 1997 of Sk 1,100 million. This surplus was fully transferred to the State budget of the Slovak Republic in accordance with a Bank Board decision. In 1997 no contributions to the Bank's funds were realized.

**NATIONAL BANK OF SLOVAKIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 1997**

**24. Currency positions of assets and liabilities**

(in millions of Sk)

	Line	Slovak crowns	Foreign currencies translated to Sk	Total
<b>ASSETS:</b>				
1997	1	70,618.4	126,968.0	197,586.4
1996	2	88,064.4	120,767.4	208,831.8
Change	3 = 1 - 2	-17,446.0	+6,200.6	-11,245.4
<b>LIABILITIES:</b>				
1997	4	161,640.3	35,946.1	197,586.4
1996	5	175,485.6	33,346.2	208,831.8
Change	6 = 4 - 5	-13,845.3	+2,599.9	-11,245.4
Change 1997 - 1996	7 = 3 - 6	-3,600.7	+3,600.7	0

**25. Off-balance sheet items**

As of 31 December 1997 the Bank had off-balance sheet irrevocable receivables in the amount of Sk 16,267 1 million and off-balance irrevocable liabilities in the amount of Sk 22,984 1 million from forward foreign exchange transactions. These amounts consist of the following items:

- deferred receivables in the amount of Sk 13,424.0 million and deferred liabilities in the amount of Sk 15,445 8 million from long-term foreign currency swaps entered into to convert the risk of foreign exchange rate changes from JPY to DEM in respect of Bank bonds issued in 1993 and 1994 (see Note 14, "Securities issued"),
- deferred receivables in the amount of Sk 1,877 7 million and liabilities in the amount of Sk 1,879 4 million from short-term forward contracts entered into to hedge the Bank's risk of foreign exchange rate changes and to manage foreign currency reserves,
- deferred receivables in the amount of Sk 965 4 million and deferred liabilities in the amount of Sk 5,658.9 million from gold swap operations

## G. Appendices

## Selected Indicators of Monetary and Economic Development in the SR

	Unit	Note	1993	1994	1995	1996				1997			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GDP at constant prices</b>	Sk billions					127.8	138.7	143.0	141.3	136.0	147.3	152.4	151.1
Cumulative figure (since beginning of year)	Sk billions		460.8	483.4	516.8	127.8	266.5	409.5	550.8	136.0	283.3	435.7	586.8
Increase over previous quarter	%		-	-	-	-4.6	8.5	3.1	-1.2	-3.7	8.3	3.5	-0.9
Quarterly increase	%	1)	-	-	-	6.4	6.6	6.6	6.7	6.4	6.2	6.6	6.9
Cumulative increase	%	1)	-3.7	4.9	6.8	6.4	6.5	6.6	6.6	6.4	6.3	6.4	6.5
<b>GDP at current prices</b>	Sk billions					130.5	144.3	150.5	150.4	148.7	162.6	170.2	172.4
Cumulative figure (since beginning of year)	Sk billions		369.1	440.5	516.8	130.5	274.8	425.3	575.7	148.7	311.3	481.5	653.9
Increase over previous quarter	%		-	-	-	-2.5	10.6	4.3	-0.1	-1.1	9.3	4.7	1.3
Quarterly increase	%	1)	-	-	-	10.6	11.3	11.3	12.3	13.9	12.7	13.1	14.6
Cumulative increase	%	1)	11.1	19.3	17.3	10.6	10.9	11.1	11.4	13.9	13.3	13.2	13.6
<b>Retail sales at current prices</b>	Sk billions					65.7	72.6	75.6	82.6	74.4	78.7	84.2	91.5
Cumulative figure (since beginning of year)	Sk billions		202.1	233.8	262.1	65.7	138.3	213.9	296.4	74.4	153.1	237.3	328.8
at current prices													
Increase in retail sales at current prices	%	1)	-	-	-	16.0	12.6	12.8	11.6	13.2	8.5	11.4	10.8
Cumulative increase at current prices	%	1)	34.7	15.7	12.1	16.0	14.2	13.7	13.1	13.2	10.7	10.9	10.9
Increase in volume at constant prices	%	1)	-	-	-	9.3	6.2	6.8	5.9	6.8	2.1	5.1	4.5
Cumulative increase in volume at const. prices	%	1)	9.8	1.7	2.0	9.3	7.4	7.2	7.0	6.8	4.5	4.8	4.6
<b>Current income of households <sup>9)</sup></b>	Sk billions					-	-	-	474.4	-	-	-	528.3
Cumulative figure (since beginning of year)	Sk billions		269.3	319.9	417.8	-	-	-	474.4	-	-	-	528.3
Cumulative increase	%	1)	25.7	18.8	30.6	-	-	-	13.5	-	-	-	11.4
<b>Savings rate of households</b>	%	2)	8.4	9.8	10.2	-	-	-	8.6	-	-	-	8.0
<b>Consumer prices</b>	%	3)	-	-	-	1.2	2.2	3.9	5.4	2.1	3.0	4.3	6.4
	%	1)	25.1	11.7	7.2	6.1	6.2	5.2	5.4	6.3	6.2	5.7	6.4
Cumulative figure (since beginning of year) average	%		23.2	13.4	9.9	6.2	6.2	5.9	5.8	6.0	6.1	6.1	6.1
<b>Unemployment</b>													
Number of unemployed	thous.	4)	368.1	371.5	333.3	342.7	311.2	313.9	329.7	349.7	319.9	336.9	347.8
Increase	thous.	1)	107.8	3.4	-38.2	-28.9	-27.9	-22.1	-3.6	7.0	8.7	23.0	18.1
Unemployment rate	%		14.4	14.8	13.1	13.3	12.1	12.2	12.8	13.4	12.3	13.0	12.5
Change	%	1)	4.0	0.4	-1.7	-1.3	-1.2	-1.0	-0.3	0.1	0.2	0.8	-0.3
<b>Exchange rate (midpoint)</b>	SKK/USD	4)	33.202	31.277	29.569	30.184	31.007	30.960	31.895	33.085	33.380	33.789	34.782
	SKK/DEM	4)	19.233	20.060	20.646	20.326	20.314	20.335	20.514	19.568	19.333	19.214	19.398
<b>Real effective exchange rate</b>		8)											
- based on CPI a)			104.0	110.2	113.7	114.5	114.6	115.9	116.5	122.1	123.4	125.1	125.8
b)			93.5	97.8	101.5	101.6	100.6	98.4	98.7	102.2	108.2	106.4	109.0
- based on PPI a)			107.0	109.4	114.2	117.1	118.7	119.8	119.1	123.5	124.5	127.3	126.3
b)			88.1	91.9	96.2	97.5	97.9	96.5	96.1	97.8	103.9	105.5	106.7
<b>Foreign exchange reserves</b>													
Total	US\$ millions		1,402.3	3,092.9	5,036.7	4,947.8	4,639.1	4,797.3	5,682.5	5,900.4	6,128.0	6,776.6	6,488.4
- of which: NBS reserves	US\$ millions		449.6	1,745.0	3,418.4	3,458.5	3,376.6	3,654.8	3,473.3	3,453.1	3,018.7	3,150.9	3,284.8
<b>State budget</b>													
Revenue	Sk billions	5)	150.3	139.1	163.1	40.4	79.5	119.6	166.3	39.9	78.5	125.2	180.8
- Fulfilment of the annual budget	%		95.1	103.3	111.4	24.9	49.0	72.3	100.5	23.3	45.9	73.1	105.7
Expenditure	Sk billions	5)	173.3	162.0	171.4	43.9	85.6	133.0	191.9	43.4	91.7	153.1	217.8
- Fulfilment of the annual budget	%		109.6	108.5	102.4	23.2	45.2	69.2	99.7	20.9	44.1	73.6	104.7
Balance	Sk billions		-23.0	-22.9	-8.3	-3.5	-6.1	-13.4	-25.6	-3.5	-13.2	-28.0	-37.0
<b>MONETARY AGGREGATES</b>													
<b>Net domestic assets</b>	%	6)	19.8	-1.1	5.1	10.2	16.4	19.3	20.0	15.1	13.9	11.6	8.8
<b>Money supply [M2]</b>	%	6)	19.1	19.1	21.2	23.8	21.3	18.4	16.6	12.5	12.8	12.1	8.8
<b>Loans to households and enterprises</b>	%	6)	10.8	1.9	14.7	16.2	19.3	19.6	18.2	12.1	7.9	4.7	2.2
- of which: in foreign currency	%	6)	118.9	77.8	57.6	72.8	110.8	96.5	35.7	2.3	-8.0	-14.3	14.9
<b>Total deposits</b>	%	6)7)	17.9	18.8	25.0	26.4	24.8	21.0	17.2	13.1	12.5	10.9	7.4
- in Slovak crowns	%		10.8	16.6	28.3	30.7	29.4	24.8	18.9	14.4	12.0	10.0	6.6
- in foreign currency	%		115.2	34.6	5.0	1.4	-3.1	-3.5	4.5	3.8	16.7	18.8	13.8
<b>Average interest rates</b>													
- on loans	%		14.00	14.51	13.34	12.60	12.00	11.58	11.44	11.48	12.26	13.05	13.33
- on deposits	%		8.61	9.29	8.29	7.11	6.50	6.68	6.54	7.20	7.72	8.27	8.76
- interest rate margin	%		5.39	5.22	5.05	5.49	5.50	4.90	4.90	4.28	4.54	4.78	4.57

1) Compared with the same period of last year (at consumer prices at the end of the period)

2) Increase in household unrealised purchasing power (in Sk and foreign currency) in relation to their income since the beginning of the year

3) Compared with the figure for the previous December

4) On the last day of the period under consideration

5) Cumulative figure since the beginning of the year

6) Compared with the same period of last year; end of year compared with 1 January - cumulative figures (at current exchange rates)

7) Including funds, the government, and non-residents

8) Compared with the weighted average for the first nine months of 1990

9) Based on data from BIPAVO (before 1994), and current income (since 1995)

a) USA, Great Britain, Austria, France, Germany, Italy, Holland, Switzerland

b) USA, Great Britain, Austria, France, Germany, Italy, Holland, Switzerland, Czech Republic

## Ratios of Selected Economic Indicators to GDP in 1993 -1997

	1993	1994	1995	1996	1997
Real GDP / capita (Sk)	86,542	90,399	96,351	102,497	109,006
Nominal GDP / capita (Sk)	69,320	82,376	96,351	107,131	121,471
Nominal GDP / capita (USD)	2,251	2,571	3,240	3,496	3,613
Domestic demand / GDP (% , cons. p.)	104.9	94.4	98.2	110.1	104.6
Net exports / GDP (% , constant prices)	-4.9	5.6	1.8	-10.1	-4.6
Exports of goods and services / GDP (% , cons. p.)	60.0	65.4	63.0	59.0	58.7
Imports of goods and services / GDP (% , cons. p.)	65.0	59.7	61.2	69.1	63.4
Agriculture / GDP (% , current prices)				5.2	4.8
Industrial production / GDP (% , current prices)		-	-	30.0	28.2
Construction / GDP (% , current prices)	-			4.7	5.3
Market services / GDP (% , current prices)				41.8	43.4
Non-market services / GDP (% , current prices)				8.5	8.0
Average annual exchange rate Sk/USD	30.790	32.039	29.735	30.647	33.616

## Balance of Payments Ratios

	1993	1994	1995	1996	1997
Exports of goods / GDP	45.3	48.6	49.5	47.0	45.2
Exports of goods and services / GDP	61.6	65.0	63.2	58.0	56.4
Imports of goods / GDP	53.1	48.1	50.6	59.2	52.8
Imports of goods and services / GDP	67.1	59.8	61.4	70.0	63.5
Current account / GDP	-5.0	4.8	2.3	-11.2	-6.9
Capital and financial account / GDP	4.6	0.8	5.7	11.1	8.4
Direct investment in the SR / GDP	1.1	1.2	0.8	1.3	0.8
Other long-term capital / GDP	3.4	3.6	2.3	<b>5.0</b>	5.9
Short-term capital / GDP	5.8	-1.7	1.9	4.9	2.1

## Public Sector Ratios

	1993	1994	1995	1996	1997
Budget deficit	6.3	5.2	1.6	4.4	5.6
Fiscal deficit (suficit)		2.6	(0.5)	0.9	4.4
Total debt of the SR <sup>2/</sup>	27.4	30.8	25.7	23.9	25.2

1/ Preliminary data

2/ Gross internal debt - official external debt

## Ratios of Money Supply Components to GDP at Current Prices

	1993	1994	1995	1996	1997
Money supply [M2]	0.68	0.68	0.69	0.72	0.69
Money [M1]	0.32	0.29	0.29	0.30	0.25
Currency outside banks [M0]	0.07	0.08	0.07	0.08	0.07
Demand deposits	0.25	0.22	0.22	0.23	0.18
- Households	0.08	0.07	0.07	0.08	0.07
- Enterprises	0.16	0.14	0.15	0.14	0.11
- Insurance companies	0.00	0.00	0.00	0.00	0.00
Quasi-money [QM]	0.36	0.39	0.40	0.42	0.44
Time deposits	0.29	0.30	0.33	0.35	0.37
- Households	0.22	0.22	0.24	0.26	0.28
- Enterprises	0.03	0.05	0.05	0.06	0.06
- Insurance companies	0.04	0.03	0.03	0.03	0.02
Foreign-currency deposits	0.07	0.09	0.08	0.07	0.07
- Households	0.06	0.07	0.07	0.06	0.06
- Enterprises	0.01	0.01	0.01	0.01	0.01

## Development of Consumer Prices

		1997												
		1	2	3	4	5	6	7	8	9	10	11	12	1-12
Indices of consumer prices of goods and services	a	101.1	100.4	100.5	100.5	100.1	100.3	100.1	101.0	100.2	100.9	100.7	100.5	100.5
	b	106.5	106.9	107.5	108.1	108.2	108.5	108.6	109.6	109.9	110.8	111.5	112.1	109.0
	c	101.1	101.5	102.1	102.6	102.7	103.0	103.0	104.1	104.3	105.2	105.9	106.4	103.5
	d	105.8	106.0	106.3	106.5	106.1	106.2	106.0	106.5	105.7	105.9	106.2	106.4	106.1
of which:														
Foodstuffs	a	101.6	100.4	100.7	100.3	99.2	100.5	99.3	99.9	100.1	101.0	100.7	101.0	100.4
	b	105.9	106.4	107.1	107.4	106.5	107.1	106.3	106.2	106.3	107.3	108.1	109.1	107.0
	c	101.6	102.0	102.7	103.0	102.1	102.6	101.9	101.8	101.9	102.9	103.6	104.6	102.6
	d	105.3	106.3	107.1	107.1	105.9	107.4	106.0	105.4	103.2	103.3	103.8	104.6	105.4
Non-food products	a	100.9	100.5	100.4	100.3	100.6	100.2	100.3	100.6	100.4	101.0	100.6	100.5	100.5
	b	107.2	107.7	108.1	108.5	109.1	109.3	109.6	110.3	110.7	111.8	112.5	113.0	109.8
	c	100.9	101.4	101.8	102.1	102.8	103.0	103.2	103.9	104.3	105.3	105.9	106.4	103.4
	d	106.0	106.0	106.0	106.1	106.1	105.6	105.7	105.8	105.8	106.3	106.4	106.4	106.0
Public catering	a	99.5	100.0	100.5	100.0	100.3	100.2	100.4	100.0	100.2	100.5	100.6	100.3	100.2
	b	103.5	103.5	104.1	104.1	104.4	104.7	105.1	105.0	105.3	105.8	106.4	106.7	104.9
	c	99.5	99.5	100.0	100.0	100.4	100.6	101.0	101.0	101.2	101.7	102.3	102.6	100.8
	d	105.2	104.5	104.7	104.2	104.0	103.5	103.6	103.2	102.8	102.7	102.7	102.6	103.6
Services paid by households	a	100.8	100.5	100.5	101.1	100.3	100.2	100.6	102.7	100.2	100.6	100.7	100.1	100.7
	b	106.5	107.0	107.6	108.8	109.2	109.4	110.1	113.0	113.2	113.9	114.6	114.8	110.7
	c	100.8	101.3	101.9	103.0	103.4	103.6	104.2	107.0	107.2	107.8	108.5	108.6	104.8
	d	105.3	105.2	105.3	106.3	106.4	106.4	106.8	108.5	108.1	108.2	108.7	108.6	107.0

Source: Statistical Office of the SR

### Legend:

a - Index (previous month = 100)

b - Index (December 1995 = 100)

c - Index (December 1996 = 100)

d - Index (same period of previous year = 100)

## Development of Producer Prices

		1997												
		1	2	3	4	5	6	7	8	9	10	11	12	1-12
Indices of producer prices of industrial products	a	101.2	100.6	99.4	100.6	99.4	100.2	100.6	100.6	100.4	101.6	99.8	100.1	100.4
	b	101.2	101.7	101.2	101.7	101.2	101.3	101.9	102.5	102.9	104.5	104.3	104.4	102.4
	c	107.5	108.2	107.5	108.2	107.5	107.7	108.4	109.0	109.4	111.1	110.9	111.0	108.9
	d	106.1	105.3	104.2	104.8	103.2	103.7	104.4	104.3	104.2	104.8	104.4	104.4	104.5
	e	105.5	106.1	105.5	106.1	105.5	105.7	106.3	106.9	107.3	109.0	108.8	- 108.9	106.8
Indices of producer prices of building materials and products	a	101.2	100.9	99.4	101.6	101.8	100.3	100.4	100.9	100.4	100.4	100.5	100.3	100.7
	b	101.2	102.2	101.6	103.2	105.1	105.4	105.8	106.7	107.1	107.5	108.0	108.3	105.2
	c	107.2	108.2	107.6	109.3	111.3	111.6	112.0	113.0	113.4	113.8	114.4	114.7	111.4
	d	108.4	106.3	104.8	106.2	108.2	108.0	107.7	108.5	108.5	108.2	107.9	108.3	107.6
	e													
Indices of producer prices of agricultural products	a			—	—		—	—	—	—	—		—	
	b	-	-	-	-	-	-	-	-	-	-	-	-	-
	c													
	d	108.1	111.1	111.1	108.6	106.8	106.8	108.6	107.6	105.6	102.0	99.4	98.9	105.6
	e	103.6	107.0	110.9	110.8	109.6	110.7	115.4	118.7	113.1	107.7	107.0	108.0	111.3
of which:	a	—	-	-	-		-	-	-	-	-	-	-	—
Plant products	b	-	-	-	-		-	-	-	-	-	-	-	-
(including fruit and vegetables)	c	-	-	-	-	-	-	-	-	-	-	-	-	-
	d	116.0	118.4	117.6	113.3	109.0	110.7	109.7	108.9	107.8	100.7	96.5	92.8	106.3
	e	117.2	119.5	121.0	120.5	120.4	123.7	119.7	123.3	117.8	108.2	108.1	109.4	116.8
Animal products	a		-	-	-	-	-	-	-	-	-	-	-	-
	b													
	c													
	d	106.4	109.3	109.8	108.0	106.5	106.2	107.3	105.6	103.4	103.4	102.6	103.5	105.9
	e	101.0	104.1	108.9	109.5	108.3	109.2	110.7	112.6	108.4	107.2	105.9	107.1	108.1

Source: Statistical Office of the SR

### Legend:

a - Index (previous month = 100)

b - Index (December 1996 = 100)

c - Index, average for 1995 = 100

d - Index (same period of previous year = 100)

e - Index, year 1995 = 100, in the case of industrial producers: December 1995

## Development of Gross Domestic Product from 1993 to 1997

	1993	1994	1995	1996	1997
<b>GDP (at constant 1995 prices)</b>					
- Sk billions	460.8	483.4	516.81	550.8	586.8
- % change	-3.4	4.9	6.9	6.6	6.5
<b>Final consumption in total</b>					
- Sk billions	362.6	349.4	360.8	400.2	417.2
- % change	-1.7	-3.6	3.3	10.9	4.2
of which:					
<b>Final household consumption</b>					
- Sk billions	244.4	244.4	252.7	270.2	287.1
- % change	-1.5	0.0	3.4	6.9	6.3
<b>Final cons. in state administration</b>					
- Sk billions	118.2	105.0	108.1	130.0	130.1
- % change	-2.2	-11.2	3.0	20.3	0.1
<b>Gross capital formation</b>					
- Sk billions	121.0	106.7	146.6	206.4	196.7
- % change	-8.1	-11.8	37.4	40.8	-4.7
of which:					
<b>Gross fixed capital formation</b>					
- Sk billions	140.9	134.4	141.5	197.8	226.4
- % change	-5.4	-4.6	5.3	39.8	14.5
<b>Change in stocks</b>					
- Sk billions	-19.9	-27.7	5.1	8.6	-29.7
<b>Domestic demand in total</b>					
- Sk billions	483.6	456.1	507.4	606.6	613.9
- % change	-3.4	-5.7	11.2	19.6	1.2
<b>Balance of foreign trade</b>					
- Sk billions	-22.8	27.3	9.4	-55.8	-27.1
of which:					
<b>Exports of goods and services</b>					
- Sk billions	276.7	316.0	325.8	324.9	344.7
- % change	-0.5	14.2	3.1	-0.3	6.1
<b>Imports of goods and services</b>					
- Sk billions	299.5	288.7	316.4	380.7	371.8
- % change	-0.8	-3.6	9.6	20.3	-2.3
<b>GDP at current prices</b>					
- Sk billions	369.1	440.5	516.8	575.7	653.9
- % change	11.9	19.3	17.3	11.4	13.6
<b>GDP deflator</b>					
- % change	15.8	13.8	9.7	4.5	6.6

Source: Statistical Office of the SR

Note: The figures for 1996 and 1997 are based on preliminary data.

## Unemployment

		1997											
		1	2	3	4	5	6	7	8	9	10	11	12
Number of vacancies	a	16,631	19,712	23,038	27,155	28,116	28,543	29,120	28,982	26,765	24,135	20,674	19,318
	b	2,513	3,081	3,326	4,117	961	427	577	-138	-2,217	-2,630	-3,461	-1,356
Number of unemployed (end-of-month figures)	a	353,605	356,181	349,658	337,180	320,530	319,923	331,707	332,828	336,858	334,327	328,379	347,753
	b	23,856	2,576	-6,523	-12,478	-16,650	-607	11,784	1,121	4,030	-2,531	-5,948	19,374
Number of unemployed per vacancy	a	21	18	15	12	11	11	11	11	13	14	16	18
Unemployment % rate (end-of-month figures)	a	13.6	13.7	13.4	13.0	12.3	12.3	12.8	12.8	13.0	12.9	12.6	12.5

Source: Statistical Office of the SR

Legend:

a - In terms of the specified unit

b - Difference (+, -) compared with the previous period

## Consolidated Balance of Payments for 1997

	1st quarter		1st- 2nd quarters		1 st - 3rd quarters		1st-4th quarters	
Applied exchange rates	32.726 Sk/USD		33.035 Sk/USD		33.515 Sk/USD		33.616 Sk/USD	
	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions
Trade balance	-15,333.0	-468.5	-32,563.0	-985.7	-38,515.0	-1,149.2	-49,475.0	-1,471.8
Exports (f.o.b.)	70,009.0	2,139.2	145,653.0	4,409.1	222,401.0	6,635.9	295,574.0	8,792.7
Imports (f.o.b.)	85,342.0	2,607.8	178,216.0	5,394.8	260,916.0	7,785.1	345,049.0	10,264.4
Services balance	-625.0	-19.1	-233.0	-7.1	1,877.0	56.0	2,536.0	75.4
Receipts	14,713.0	449.6	32,732.0	990.8	52,661.0	1,571.3	72,995.0	2,171.4
Transportation	5,632.0	172.1	11,871.0	359.3	18,521.0	552.6	24,884.0	740.2
Travel	3,714.0	113.5	8,474.0	256.5	13,429.0	400.7	18,340.0	545.6
Other services	5,367.0	164.0	12,387.0	375.0	20,711.0	618.0	29,771.0	885.6
Expenditures	15,338.0	468.7	32,965.0	997.9	50,784.0	1,515.3	70,459.0	2,096.0
Transportation	2,778.0	84.9	6,018.0	182.2	8,311.0	248.0	11,480.0	341.5
Travel	3,166.0	96.7	7,679.0	232.5	12,053.0	359.6	14,754.0	438.9
Other services	9,394.0	287.1	19,268.0	583.3	30,420.0	907.7	44,225.0	1,315.6
Income balance	-671.3	-20.5	-895.4	-27.1	-2,935.0	-87.6	-4,085.0	-121.5
Interest	-711.3	-21.7	-371.4	-11.2	-2,430.0	-72.5	-3,593.0	-106.9
Income	1,890.1	57.8	4,594.6	139.1	7,003.0	209.0	9,422.0	280.3
Payments	2,601.4	79.5	4,966.0	150.3	9,433.0	281.5	13,015.0	387.2
Investment	-57.0	-1.7	-710.0	-21.5	-787.0	-23.5	-919.0	-27.3
Income	59.0	1.8	83.0	2.5	157.0	4.7	450.0	13.4
Payments	116.0	3.5	793.0	24.0	944.0	28.2	1,369.0	40.7
Employee compensation	97.0	3.0	186.0	5.6	282.0	8.4	427.0	12.7
Income	157.0	4.8	316.0	9.6	499.0	14.9	734.0	21.8
Payments	60.0	1.8	130.0	3.9	217.0	6.5	307.0	9.1
Current transfers	1,063.0	32.5	1,519.0	46.0	4,187.0	124.9	5,875.0	174.8
Official	164.0	5.0	214.0	6.5	237.0	7.1	320.0	9.5
Private	899.0	27.5	1,305.0	39.5	3,950.0	117.9	5,555.0	165.2
Current account	-15,566.3	-475.7	-32,172.4	-973.9	-35,386.0	-1,055.8	-45,149.0	-1,343.1
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net medium and long-term financial account	4,406.3	115.1	9,109.7	244.5	20,854.1	575.6	41,521.1	1,169.3
Direct investment	-814.7	-24.9	-941.1	-28.5	92.4	-2.8	2,350.2	69.9
Portfolio investment	110.8	3.4	-4,476.0	-135.5	3,021.8	-90.2	382.2	11.4
Borrowings from abroad	4,749.2	114.3	15,079.0	418.9	23,952.3	667.3	37,341.2	1,024.6
Loans to foreign countries	361.0	22.3	-552.2	-10.4	16.0	1.2	1,447.5	63.5
Net short-term financial account	8,923.1	301.6	3,198.9	160.2	3,999.5	180.4	13,168.2	514.8
Total capital and financial account	13,329.4	416.7	12,308.6	404.7	24,853.6	756.0	54,689.3	1,684.2
Errors and omissions	7,247.0	211.9	10,436.8	287.6	6,140.6	161.4	-7,764.1	-295.0
Overall balance	5,010.1	153.0	-9,427.0	-281.6	-4,391.8	-138.4	1,776.2	46.1
Change in reserves (-, increase)	-5,010.1	-153.0	9,427.0	281.6	4,391.8	138.4	-1,776.2	-46.1
Gold holdings	-1,033.2	-31.2	351.1	10.2	4,005.4	115.4	4,005.4	115.4
Holdings of SDRs	37.7	1.6	-21.5	0.0	488.0	14.7	-390.8	-10.7
Foreign exchange assets	-4,014.6	-123.4	9,097.4	271.4	-101.6	8.3	-5,390.8	-150.8

Note: Cumulative figures

## Detailed Balance of Payments Capital Account for 1997

Consolidated balance

	1st quarter		1st- 2nd quarters		1 st - 3rd quarters		1st-4th quarters	
Applied exchange rates	32.726 Sk/USD		33.035 Sk/USD		33.515 Sk/USD		33.616 Sk/USD	
	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	-814.7	-24.9	-941.1	-28.5	-92.4	-2.8	2,350.2	69.9
SR abroad	-982.0	-30.0	-1,043.9	-60.1	-1,952.0	-58.2	-3,074.0	-91.4
in the SR <sup>1)</sup>	167.3	5.1	1,611.0	31.6	1,859.6	55.5	5,424.2	161.4
Portfolio investment	110.8	3.4	-4,476.0	-135.5	-3,021.8	-90.2	382.2	11.4
SR abroad <sup>2)</sup>	152.8	4.7	-4,435.0	-134.3	-3,621.8	-108.1	-2,895.8	-86.1
in the SR	-42.0	-1.3	-41.0	-1.2	600.0	17.9	3,278.0	97.5
Other long-term financial accounts	5,110.2	136.6	14,526.8	408.5	23,968.3	668.5	38,788.7	1,088.1
Assets	361.0	22.3	-552.2	-10.4	16.0	1.2	1,447.5	63.5
Government	110.9	3.3	177.0	5.4	358.0	10.5	425.5	12.7
Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	110.9	3.3	177.0	5.4	358.0	10.5	425.5	12.7
Commercial banks	167.1	16.5	-800.2	-17.9	-376.0	-10.3	436.0	33.4
Drawings	0.0	0.0	-800.2	-17.9	-376.0	-10.3	-1,767.2	-42.6
Repayments	167.1	16.5	0.0	0.0	0.0	0.0	2,203.2	76.0
Enterprises	83.0	2.5	71.0	2.1	34.0	1.0	586.0	17.4
Increase in assets	-59.0	-1.8	-113.0	-3.4	-184.0	-5.5	-328.0	-9.8
Decrease in assets	142.0	4.3	184.0	5.6	218.0	6.5	914.0	27.2
Liabilities	4,749.2	114.3	15,079.0	418.9	23,952.3	667.3	37,341.2	1,024.6
Government	-357.5	-12.2	53.2	0.8	351.9	8.0	3,292.0	96.4
Drawings	1,502.4	45.2	2,494.7	75.4	4,969.2	146.4	11,378.2	336.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EXIM BANK	674.5	20.2	1,335.3	40.4	1,335.3	40.4	5,395.8	160.1
G24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EIB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	827.9	25.0	1,159.4	35.0	3,633.9	106.0	5,982.4	175.9
Repayments	-1,859.9	-57.4	-2,441.5	-74.6	-4,617.3	-138.4	-8,086.2	-239.6
Commercial banks	-226.3	-36.5	-1,078.2	-69.4	-1,595.6	-92.5	-2,113.8	-147.6
Drawings	3,367.4	103.1	6,272.0	210.6	9,858.0	278.2	11,599.2	309.9
Repayments	-3,593.7	-139.6	-7,350.2	-280.0	-11,453.6	-370.7	-13,713.0	-457.5
Enterprises	5,333.0	163.0	16,104.0	487.5	25,196.0	751.8	36,163.0	1,075.8
Increase in liabilities	9,086.0	277.6	22,814.0	690.6	35,652.0	1,063.8	52,361.0	1,557.6
Decrease in liabilities	-3,753.0	-114.7	-6,710.0	-203.1	-10,456.0	-312.0	-16,198.0	-481.9
Short-term financial account	8,923.1	301.6	3,198.9	160.2	3,999.5	180.4	13,168.2	514.8
Bank assets	-11,661.5	-374.9	-34,964.1	-1,057.6	-49,949.5	-1,501.4	-37,891.1	-1,129.7
Bank liabilities	23,864.5	776.8	37,658.0	1,202.5	52,436.7	1,639.5	38,020.2	1,260.6
Corporate assets	-1,657.0	-50.6	-1,727.0	-52.3	-146.0	-4.4	165.0	4.9
Corporate liabilities	-1,745.0	-53.3	1,351.0	40.9	-828.0	-24.7	6,496.0	193.2
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	122.1	3.7	881.0	26.7	2,486.3	71.4	6,378.1	185.8
Total capital and financial account	13,329.4	416.7	12,308.6	404.7	24,853.6	756.0	54,689.3	1,684.2

1/ Including direct investment by the banking sector

2/ Including portfolio investment by the banking sector

Note: The table contains cumulative figures

## Foreign Trade

(Sk millions)

		1997											
		1	2	3	4	5	6	7	8	9	10	11	12
Import OP	a	28,097	27,826	29,419	35,443	28,193	29,238	28,665	26,060	27,975	30,556	27,097	26,480
	b	28,097	55,923	85,342	120,785	148,978	178,216	206,881	232,941	260,916	291,472	318,569	345,049
	c	122.5	103.7	108.9	116.0	112.6	113.2	111.4	110.2	109.0	107.1	104.5	101.2
of which: Czech Republic	a	6,201	6,797	6,902	8,645	6,285	7,061	5,612	6,038	6,930	7,562	6,042	5,260
	b	6,201	12,998	19,900	28,545	34,830	41,891	47,503	53,541	60,471	68,033	74,075	79,335
	d	22.1	24.4	23.5	24.4	22.3	24.2	19.6	23.2	24.8	24.7	22.3	19.9
Export FCO	a	21,223	24,284	24,502	25,402	24,037	26,205	25,745	24,753	26,250	27,009	26,094	20,070
	b	21,223	45,507	70,009	95,411	119,448	145,653	171,398	196,151	222,401	249,410	275,504	295,574
	c	103.6	113.4	113.0	116.9	113.4	113.6	113.3	113.7	112.6	112.0	110.4	109.2
of which: Czech Republic	a	6,033	6,492	7,193	6,868	6,756	6,968	6,162	6,576	6,765	7,681	6,552	4,735
	b	6,033	12,525	19,718	26,586	33,342	40,310	46,472	53,048	59,813	67,494	74,046	78,781
	d	28.4	26.7	29.4	27.0	28.1	26.6	23.9	26.6	25.8	28.4	25.1	23.6
Trade balance	a	-6,874	-3,542	-4,917	-10,041	-4,156	-3,033	-2,920	-1,307	-1,725	-3,547	-1,003	-6,410
	b	-6,874	-10,416	-15,333	-25,374	-29,530	-32,563	-35,483	-36,790	-38,515	-42,062	-43,065	-49,475
of which: Czech Republic	a	-168	-305	291	-1777	471	-93	550	538	-165	119	510	-525
	b	-168	-473	-182	-1,959	-1,488	-1,581	-1,031	-493	-658	-539	-29	-554

Note: Preliminary data

Source: Statistical Office of the SR

### Legend:

- a - In the specified unit (at current prices)
- b - Since the beginning of the year (in Sk millions)
- c - Index (same period of previous year = 100, cumulative figures)
- d - Share of the total volume during the period under review (in %)

SKK Exchange Rates  
(midpoint rate)

End-of-month figures	1 FRF	1,000 ITL	100 JPY	1 CAD	1 NLG	1 ATS	1 DEM	1 CHF	1 USD	1 GBP	1 XEU	1 CZK
01/97	5.862	20.180	26.731	24.098	17.613	2.811	19.778	22.736	32.451	52.580	38.347	1.166
02/97	5.838	19.792	27.490	24.355	17.520	2.798	19.696	22.520	33.266	54.170	38.292	1.156
03/97	5.804	19.530	26.585	24.043	17.397	2.780	19.568	22.571	33.085	53.555	38.005	1.128
04/97	5.755	19.561	26.500	23.985	17.246	2.757	19.400	22.800	33.591	54.602	37.901	1.083
05/97	5.785	19.720	28.617	24.126	17.363	2.777	19.544	23.460	33.313	54.470	38.030	1.018
06/97	5.731	19.743	29.191	24.197	17.180	2.748	19.333	23.203	33.380	55.765	37.910	1.042
07/97	5.626	19.451	29.406	25.209	16.851	2.697	18.979	22.929	34.884	56.756	37.399	1.007
08/97	5.699	19.654	29.089	24.760	17.042	2.729	19.198	23.198	34.526	55.490	37.699	1.029
09/97	5.720	19.633	27.893	24.388	17.067	2.730	19.214	23.261	33.789	54.414	37.641	1.031
10/97	5.776	19.694	27.689	23.665	17.158	2.747	19.345	23.753	33.249	55.523	38.073	1.011
11/97	5.783	19.753	26.931	23.995	17.171	2.749	19.353	24.000	34.200	57.182	38.362	0.996
12/97	5.798	19.743	26.848	24.152	17.212	2.758	19.398	23.913	34.782	57.842	38.372	1.004

State Budget

(Sk millions)

		1997											
		1	2	3	4	5	6	7	8	9	10	11	12
State budget revenue	a	16,206	25,774	39,924	56,081	65,597	78,499	96,144	109,746	125,153	144,874	159,142	180,826
	b	9.5	15.1	23.3	32.8	38.3	45.9	56.2	64.1	73.1	84.7	93.0	105.7
State budget expenditure	a	13,322	26,135	43,374	60,773	72,774	91,708	114,080	134,015	153,121	176,138	192,632	217,825
	b	6.4	12.6	20.9	29.2	35.0	44.1	54.8	64.4	73.6	84.7	92.6	104.7
State budget balance	a	2,884	-361	-3450	-4,692	-7,177	-13,209	-17,936	-24,269	-27,968	-31,264	-33,490	-36,999

Sources: Statistical Office of the SR and Ministry of Finance SR

Legend:  
a - In the specified unit (cumulative figures)  
b - Percentage of the annual budget (%)

## Monetary Survey

(Sk billions)

	1997												
	1.1.	31.1.	28.2.	31.3.	30.4.	31.5.	30.6.	31.7.	31.8.	30.9.	31.10.	30.11.	31.12.
Fixed exchange rate Sk/US\$	31.895	31.895	31.895	31.895	31.895	31.895	31.895	31.895	31.895	31.895	31.895	31.895	31.895
Fixed exchange rate Sk/DM	20.514	20.514	20.514	20.514	20.514	20.514	20.514	20.514	20.514	20.514	20.514	20.514	20.514
ASSETS													
Net foreign assets	65.0	62.9	68.5	65.7	63.8	58.5	64.8	68.9	72.3	71.0	76.8	74.0	71.4
Foreign assets	187.8	192.5	203.1	204.6	211.4	202.8	219.1	232.1	242.3	239.8	254.0	259.9	234.8
Foreign liabilities	122.8	129.6	134.6	138.9	147.6	144.3	154.3	163.2	170.0	168.8	177.2	185.9	163.4
Net domestic assets	351.9	342.1	337.5	341.9	346.1	355.5	351.2	354.1	354.8	352.3	347.9	357.4	382.5
Domestic credits	430.6	423.6	425.7	434.4	438.6	442.1	445.0	446.5	450.7	455.1	458.0	464.4	467.8
- Net credit to Government	71.6	66.7	69.0	73.4	74.9	77.5	81.0	85.3	87.0	89.2	92.3	96.9	100.5
- Net credit to FNM <sup>1/</sup>	-3.2	-2.8	-2.2	-2.1	-2.3	-2.3	-2.4	-2.5	-2.9	-2.3	-2.0	-2.2	-3.0
- Credit to households and enterprises	362.2	359.7	358.9	363.1	366.0	366.9	366.4	363.7	366.6	368.2	367.7	369.7	370.3
- Credit in Sk	331.4	327.8	328.1	331.9	334.2	334.8	333.4	329.9	332.7	333.8	334.7	335.4	334.6
- Credit to enterprises	313.6	309.8	310.1	313.7	315.8	316.2	314.6	310.9	313.5	314.5	315.1	315.6	314.2
- Credit to households	17.8	18.0	18.0	18.2	18.4	18.6	18.8	19.0	19.2	19.3	19.6	19.8	20.4
- Credit in foreign currency	30.8	31.9	30.8	31.2	31.8	32.1	33.0	33.8	33.9	34.4	33.0	34.3	35.7
LIABILITIES													
Liquid liabilities [M2]	416.9	405.0	406.0	407.6	409.9	414.0	416.0	423.0	427.1	423.3	424.7	431.4	453.9
Money [M1]	173.9	153.8	154.8	156.2	155.5	157.3	156.1	158.7	160.5	156.6	154.0	160.1	166.1
Currency outside banks [MO]	43.5	43.4	43.9	44.7	44.3	44.9	45.2	45.5	46.8	46.4	46.0	46.8	48.7
Demand deposits	130.4	110.4	110.9	111.5	111.2	112.4	110.9	113.2	113.7	110.2	108.0	113.3	117.4
- Households	46.1	48.0	48.7	48.6	49.6	49.6	49.6	49.3	49.3	47.9	46.0	45.8	46.2
- Enterprises	82.6	61.1	60.0	61.3	60.4	61.7	60.2	62.8	63.1	61.3	61.1	66.6	69.6
- Insurance companies	1.7	1.3	2.2	1.6	1.2	1.1	1.1	1.1	1.3	1.0	0.9	0.9	1.6
Quasi-money [QM]	243.0	251.2	251.2	251.4	254.4	256.7	259.9	264.3	266.6	266.7	270.7	271.3	287.8
Time and savings deposits	201.2	209.2	209.6	209.5	212.4	214.4	214.3	218.1	218.7	219.9	223.7	224.5	240.4
- Households	148.4	149.6	150.2	150.6	150.9	151.3	154.1	155.7	156.7	159.6	164.3	168.3	182.8
- Enterprises	35.0	41.6	41.4	40.4	42.8	43.8	41.6	43.7	43.3	42.5	42.7	39.6	41.4
- Insurance companies	17.8	18.0	18.0	18.5	18.7	19.3	18.6	18.7	18.7	17.8	16.7	16.6	16.2
Foreign currency deposits	41.8	42.0	41.6	41.9	42.0	42.3	45.6	46.2	47.9	46.8	47.0	46.8	47.4
- Households	35.9	36.5	36.9	36.9	37.1	37.5	37.8	38.5	38.8	39.1	39.3	39.6	40.0
- Enterprises	5.9	5.5	4.7	5.0	4.9	4.8	7.8	7.7	9.1	7.7	7.7	7.2	7.4
Other items net	78.7	81.5	88.2	92.5	92.5	86.6	93.8	92.4	95.9	102.8	110.1	107.0	85.3

1/ FNM - National Property Fund

## Money Supply M2

	1.1.1997	31.3.1997	30.6.1997	30.9.1997	31.12.1997	Change since beginning of year		Change during the 1st quarter		Change during the 2nd quarter		Change during the 3rd quarter		Change during the 4th quarter	
						Sk billions	in %	Sk billions	in %	Sk billions	in %	Sk billions	in %	Sk billions	in %
<b>Money supply [M2]</b>	416.9	407.6	416.0	423.3	453.9	37.0	8.9	-9.3	-2.2	8.4	2.1	7.3	1.8	30.6	7.2
<b>Money [M1]</b>	173.9	156.2	156.1	156.6	166.1	-7.8	-4.5	-17.7	-10.2	-0.1	-11.6	0.5	0.3	9.5	6.1
Currency outside banks [MO]	43.5	44.7	45.2	46.4	48.7	5.2	12.0	1.2	2.8	0.5	-4.4	1.2	2.7	2.3	5.0
Demand deposits	130.4	111.5	110.9	110.2	117.4	-13.0	-10.0	-18.9	-14.5	-0.6	-14.0	-0.7	-0.6	7.2	6.5
- Households	46.1	48.6	49.6	47.9	46.2	0.1	0.2	2.5	5.4	1.0	-5.2	-1.7	-3.4	-1.7	-3.5
- Enterprises	82.6	61.3	60.2	61.3	69.6	-13.0	-15.7	-21.3	-25.8	-1.1	-18.9	1.1	1.8	8.3	13.5
- Insurance companies	1.7	1.6	1.1	1.0	1.6	-0.1	-5.9	-0.1	-5.9	-0.5	-17.6	-0.1	-9.1	0.6	60.0
<b>Quasi-money [QM]</b>	243.0	251.4	259.9	266.7	287.8	44.8	18.4	8.4	3.5	8.5	-8.4	6.8	2.6	21.1	7.9
Time deposits	201.2	209.5	214.3	219.9	240.4	39.2	19.5	8.3	4.1	4.8	-8.5	5.6	2.6	20.5	9.3
- Households	148.4	150.6	154.1	159.6	182.8	34.4	23.2	2.2	1.5	3.5	-9.0	5.5	3.6	23.2	14.5
- Enterprises	35.0	40.4	41.6	42.5	41.4	6.4	18.3	5.4	15.4	1.2	-10.3	0.9	2.2	-1.1	-2.6
- Insurance companies	17.8	18.5	18.6	17.8	16.2	-1.6	-9.0	0.7	3.9	0.1	-1.1	-0.8	-4.3	-1.6	-9.0
Foreign-currency deposits	41.8	41.9	45.6	46.8	47.4	5.6	13.4	0.1	0.2	3.7	-7.7	1.2	2.6	0.6	1.3
- Households	35.9	36.9	37.8	39.1	40.0	4.1	11.4	1.0	2.8	0.9	-5.6	1.3	3.4	0.9	2.3
- Enterprises	5.9	5.0	7.8	7.7	7.4	1.5	25.4	-0.9	-15.3	2.8	-20.3	-0.1	-1.3	-0.3	-3.9
Crown deposits in total	331.6	321.0	325.2	330.1	357.8	26.2	7.9	-10.6	-3.2	4.2	-10.7	4.9	1.5	27.7	8.4
- Households	194.5	199.2	203.7	207.5	229.0	34.5	17.7	4.7	2.4	4.5	-8.1	3.8	1.9	21.5	10.4
- Enterprises	117.6	101.7	101.8	103.8	111.0	-6.6	-5.6	-15.9	-13.5	0.1	-16.3	2.0	2.0	7.2	6.9
- Insurance companies	19.5	20.1	19.7	18.8	17.8	-1.7	-8.7	0.6	3.1	-0.4	-2.6	-0.9	-4.6	-1.0	-5.3

## Total Deposits

(Sk billions)

	1993	1994	1995	1996	1997												
	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
<b>1. TOTAL DEPOSITS (Sk + for. currency)</b>	238.7	283.5	356.9	418.4	419.6	406.9	406.7	405.3	410.3	413.3	412.7	420.3	423.3	418.5	420.6	427.0	450.4
<b>A) Slovak-crown deposits</b>	208.9	243.5	314.9	374.4	375.6	361.7	363.1	361.7	366.7	369.2	365.3	372.2	373.2	369.9	372.0	378.2	400.4
of which:																	
- Non-financial organisations	58.1	63.4	80.4	95.0	95.0	80.9	78.0	78.2	78.0	79.8	76.6	80.6	79.8	77.4	77.1	79.4	86.6
- Banking sector	0.3	0.7	2.4	3.6	3.6	3.6	4.8	4.7	3.7	3.2	3.2	3.8	4.3	4.3	4.4	3.9	3.9
- Insurance sector	15.4	16.4	17.2	19.5	19.5	19.3	20.2	20.1	19.9	20.4	19.7	19.8	20.0	18.8	17.5	17.5	17.8
- Extrabudgetary funds of central and local authorities	9.3	15.7	32.0	42.8	44.0	42.0	42.5	40.6	43.1	42.5	40.1	40.9	40.7	39.8	40.4	40.3	42.6
- Non-profit organisations	2.3	4.6	10.4	9.2	9.2	8.6	8.6	8.1	8.3	4.9	6.6	6.8	6.2	5.9	5.8	5.8	5.6
- Small businesses	2.7	4.4	5.9	6.6	6.6	6.4	6.2	6.4	7.0	8.6	9.4	8.9	9.9	10.0	10.7	10.8	10.0
- Households	113.4	129.5	163.0	194.6	194.5	197.6	198.9	199.2	200.5	200.8	203.7	205.0	206.1	207.5	210.3	214.2	229.0
- Foreigners (non-residents)	0.3	0.5	0.6	0.9	1.0	1.1	1.5	1.9	3.2	3.0	2.8	2.8	2.8	2.4	2.5	2.7	2.5
- Other	7.0	8.4	2.9	2.1	2.1	2.1	2.3	2.4	2.9	2.8	3.3	3.7	3.5	3.8	3.3	3.7	2.3
<b>B) Foreign-currency deposits <sup>1/</sup></b>	29.8	40.0	42.0	44.0	44.0	45.2	43.6	43.6	43.6	44.1	47.4	48.1	50.1	48.6	48.6	48.8	50.0
of which:																	
- Natural persons	24.8	33.0	36.6	37.3	37.3	37.1	37.6	37.4	37.5	38.0	38.5	38.8	39.3	39.4	39.5	40.2	40.8
- Legal persons	5.0	7.0	5.4	6.7	6.7	8.1	6.0	6.2	6.1	6.1	8.9	9.3	10.8	9.2	9.1	8.6	9.2
<b>2. CROWN DEPOSITS BY SECTOR</b>	208.9	243.5	314.9	374.4	375.6	361.7	363.1	361.7	366.7	369.2	365.3	372.2	373.2	369.9	372.0	378.2	400.4
of which:																	
a) Public sector	42.6	40.0	39.5	41.9	41.9	35.3	34.0	33.6	33.3	32.9	30.7	29.7	30.8	25.1	23.7	25.1	23.5
b) Private sector (incl. cooperatives)	35.4	46.4	72.0	83.3	83.2	74.0	75.7	76.2	75.3	77.3	74.3	79.7	78.9	81.0	81.1	81.0	88.1
c) Households	113.4	129.5	163.0	194.6	194.5	197.6	199.0	199.2	200.5	200.8	203.7	205.0	206.1	207.5	210.3	214.2	229.0
d) Under foreign control	0.8	3.0	4.8	8.6	8.9	9.6	8.1	7.7	8.4	9.8	10.5	10.4	10.4	10.3	10.6	11.1	12.3
e) From abroad	0.3	0.5	0.6	0.9	1.0	1.1	1.5	1.9	3.2	3.0	2.8	2.8	2.8	2.4	2.5	2.7	2.5
f) Other	16.4	24.1	35.0	45.1	46.1	44.1	44.8	43.1	46.0	45.4	43.3	44.6	44.2	43.6	43.7	44.0	44.9
<b>3. CROWN DEPOSITS BY TERM</b>	208.9	243.5	314.9	374.4	375.6	361.7	363.1	361.7	366.7	369.2	365.3	372.2	373.2	369.9	372.0	378.2	400.4
of which:																	
a) Short-term deposits	153.5	179.2	226.4	271.2	272.4	258.0	259.6	257.9	262.1	265.0	261.3	268.0	269.8	267.7	270.5	278.1	293.2
b) Medium-term deposits	48.0	55.8	67.9	77.8	77.8	78.0	77.4	77.2	77.9	77.4	76.6	76.4	75.4	74.0	72.9	71.2	74.1
c) Long-term deposits	7.4	8.4	20.6	25.4	25.4	25.7	26.1	26.6	26.7	26.8	27.4	27.8	28.0	28.1	28.6	28.9	33.1
<b>4. FOREIGN-CURRENCY DEPOSITS BY TERM</b>	29.8	40.0	42.0	44.0	44.0	45.2	43.6	43.6	43.6	44.1	47.4	48.1	50.1	48.6	48.6	48.8	50.0
of which:																	
a) Short-term deposits	29.7	39.8	41.7	43.7	43.7	45.0	43.5	43.5	43.5	44.0	47.3	48.0	50.0	48.5	48.5	48.7	49.9
b) Medium-term deposits	0.1	0.2	0.3	0.3	0.3	0.2	0.1	0/1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
c) Long-term deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>5. INFORMATIVE</b>																	
<b>A) Total increase in deposits</b> (since beginning of year)																	
- in Sk billions	36.4	44.8	71.5	61.5	-	-12.7	-12.9	-14.3	-9.3	-6.3	-6.9	0.7	3.7	-1.1	1.0	7.4	30.8
- in %	17.9	18.8	25.0	17.2	-	-3.0	-3.1	-3.4	-2.2	-1.5	-1.6	0.2	0.9	-0.3	0.2	1.8	7.3
of which:																	
a) Slovak-crown deposits																	
- in Sk billions	20.4	34.6	69.5	59.5	-	-13.9	-12.5	-13.9	-8.9	-6.4	-10.3	-3.4	-2.4	-5.7	-3.6	2.6	24.8
- in %	10.8	16.6	28.3	18.9	-	-3.7	-3.3	-3.7	-2.4	-1.7	-2.7	-0.9	-0.6	-1.5	-1.0	0.7	6.6
b) Foreign-currency deposits																	
- in Sk billions	16.0	10.2	2.0	2.0	-	1.2	-0.4	-0.4	-0.4	0.1	3.4	4.1	6.1	4.6	4.6	4.8	6.0
- in %	115.9	34.2	5.0	4.8	-	2.7	-0.9	-0.9	-0.9	0.2	7.7	9.3	13.9	10.5	10.5	10.9	13.7
<b>B) Structure of crown deposits by sector</b> (as % of total deposits)																	
Total crown deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
a) Public sector	20.4	16.4	12.5	11.2	11.2	9.8	9.4	9.3	9.1	8.9	8.4	8.0	8.3	6.8	6.4	6.6	5.9
b) Private sector (incl. cooperatives)	16.9	19.1	22.9	22.2	22.2	20.5	20.8	21.1	20.5	20.9	20.3	21.4	21.1	21.9	21.8	21.4	22.0
c) Households	54.3	53.2	51.8	52.0	51.8	54.6	54.8	55.1	54.7	54.4	55.8	55.1	55.2	56.1	56.5	56.6	57.2
d) Under foreign control	0.4	1.2	1.5	2.3	2.4	2.7	2.2	2.1	2.3	2.7	2.9	2.8	2.8	2.8	2.8	2.9	3.1
e) From abroad	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.9	0.8	0.8	0.8	0.8	0.6	0.7	0.7	0.6
f) Other	7.9	9.9	11.1	12.0	12.3	12.2	12.3	11.9	12.5	12.3	11.9	12.0	11.8	11.8	11.7	11.6	11.2
<b>C) Structure of crown deposits by term</b> (as % of total deposits)																	
Total crown deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
a) Short-term deposits	73.5	73.6	71.9	72.4	72.5	71.3	71.5	71.3	71.5	71.8	71.5	72.0	72.3	72.4	72.7	73.5	73.2
b) Medium-term deposits	23.0	22.9	21.6	20.8	20.7	21.6	21.3	21.3	21.2	21.0	21.0	20.5	20.2	20.0	19.6	18.8	18.5
c) Long-term deposits	3.5	3.4	6.5	6.8	6.8	7.1	7.2	7.4	7.3	7.3	7.5	7.5	7.5	7.6	7.7	7.6	8.3
<b>D) Structure of currency deposits by term</b> (as % of total deposits)																	
Foreign-currency deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
a) Short-term deposits	99.7	99.5	99.3	99.3	99.3	99.6	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8
b) Medium-term deposits	0.3	0.5	0.7	0.7	0.7	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
c) Long-term deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1/ Deposits from residents and non-residents in convertible currencies

## Total Deposits

(Sk millions)

End-of-month figures	Slovak banks	Slovak banks with foreign participation	Branch offices of foreign banks	Banks in total
1.1.97	270,193.7	85,746.3	19,646.4	375,586.4
01/97	259,977.6	82,610.1	19,111.2	361,698.9
02/97	260,330.8	84,657.1	18,067.5	363,055.4
03/97	258,249.1	85,560.3	17,862.2	361,671.6
04/97	258,022.2	89,580.4	19,081.3	366,683.9
05/97	261,492.9	92,108.3	15,556.9	369,158.1
06/97	257,144.7	92,795.8	15,360.6	365,301.1
07/97	264,320.3	92,275.9	15,652.8	372,249.0
08/97	264,346.3	92,957.5	15,919.6	373,223.4
09/97	261,281.6	94,014.2	14,574.0	369,869.8
10/97	261,729.7	95,582.0	14,700.9	372,012.6
11/97	264,218.4	98,925.0	15,042.3	378,185.7
12/97	275,917.6	108,972.4	15,489.3	400,379.3

# Total Volume of Loans

(Sk billions)

	1993	1994	1995	1996	1997												
	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
1. TOTAL VOLUME OF LOANS (Sk + f. curr.)	268.9	272.9	310.8	374.4	374.4	369.5	370.7	376.1	379.6	381.4	382.9	380.4	384.8	385.7	385.0	387.5	388.9
A) Slovak-crown loans of which:	260.8	257.6	288.1	338.8	338.8	334.9	335.3	340.1	342.6	343.2	341.6	337.9	341.6	342.3	343.2	343.4	342.3
- Non-financial organisations	217.3	216.5	242.8	281.6	281.6	277.8	278.6	281.1	282.6	283.3	281.5	276.4	277.9	279.1	278.6	278.0	276.3
- Banking sector	6.9	7.7	11.2	16.4	16.4	16.2	15.5	16.7	17.5	16.9	17.3	18.3	19.1	19.1	18.8	19.7	19.4
- Insurance sector	0.9	0.6	0.2	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
- Extrabudgetary needs of central and local authorities	4.4	5.3	4.4	7.3	7.3	7.1	7.2	8.2	8.5	8.4	8.2	8.0	8.9	8.6	8.5	8.0	7.7
- Non-profit organisations	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
- Small businesses	11.6	10.8	12.3	12.9	12.9	13.2	13.2	13.3	13.1	13.4	13.5	13.8	13.8	13.9	14.5	14.8	15.1
- Households	18.6	16.5	15.3	17.8	17.8	18.0	18.0	18.2	18.4	18.6	18.8	19.0	19.2	19.3	19.6	19.8	20.4
- Foreigners (non-residents)	0.1	0.1	1.3	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.7	1.5	1.5	1.5	1.6
- Other	0.8	0.1	0.4	0.6	0.6	0.7	0.9	0.6	0.7	0.7	0.4	0.5	0.5	0.6	1.2	1.2	1.4
B) Loans in foreign currency <sup>1/</sup>	8.1	15.3	22.7	35.6	35.6	34.6	35.4	36.0	37.0	38.2	41.3	42.5	43.2	43.4	41.8	44.1	46.6
2. CROWN LOANS BY SECTOR of which:	260.8	257.6	288.1	338.8	338.8	334.9	335.3	340.1	342.6	343.2	341.6	337.9	341.6	342.3	343.2	343.4	342.3
a) Public sector	123.4	115.5	93.1	94.8	94.8	90.6	90.0	89.1	90.2	88.5	87.9	84.3	85.2	84.7	82.8	81.8	75.5
b) Private sector	109.6	114.9	165.4	204.8	204.8	205.9	206.9	210.7	212.1	213.7	213.1	213.4	214.7	214.7	215.7	217.1	220.9
c) Households	18.6	16.5	15.3	17.8	17.8	18.0	18.0	18.2	18.4	18.6	18.8	19.0	19.2	19.3	19.6	19.8	20.4
d) Under foreign control	3.8	5.3	8.2	11.8	11.8	11.0	10.9	11.8	11.4	11.8	11.7	11.2	11.4	13.0	13.9	14.1	14.8
e) Abroad	0.1	0.1	1.3	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.7	1.5	1.5	1.5	1.6
f) Other	5.3	5.3	4.8	8.0	8.0	7.9	8.0	8.8	9.0	9.1	8.6	8.5	9.4	9.1	9.7	9.2	10.7
3. CROWN LOANS BY INDUSTRY of which:	260.8	257.6	288.1	338.8	338.8	334.9	335.3	340.1	342.6	343.2	341.6	337.9	341.6	342.3	343.2	343.4	342.3
a) Agriculture, hunting, and fishing	17.7	19.0	18.3	18.7	18.7	18.5	18.6	18.9	19.1	18.8	19.0	18.9	18.8	18.7	18.1	17.8	17.5
b) Forestry and timber industry	0.3	0.2	0.3	0.4	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3
c) Raw material extraction	9.5	8.9	2.6	2.6	2.6	2.6	2.6	2.8	2.7	2.8	2.9	3.2	3.2	3.0	3.2	2.9	2.6
d) Manufacturing industries	68.9	67.2	103.3	113.3	113.3	113.6	112.0	115.0	115.7	115.9	114.1	112.0	112.3	113.7	114.1	113.5	115.1
- Food industry	9.7	10.4	17.5	20.6	20.6	20.7	20.2	21.0	21.2	21.2	20.9	20.4	20.3	20.7	20.9	21.2	22.0
- Chemical and pharma. industry	8.8	8.4	10.2	9.7	9.7	10.0	9.9	10.3	10.0	10.3	9.4	8.1	8.4	8.3	8.1	8.1	8.1
- Metallurgy and machine eng.	30.4	27.6	43.3	45.7	45.7	45.3	45.2	46.6	47.0	46.9	47.1	46.7	46.5	46.7	47.7	46.9	47.1
- Electrical and electronic industry	5.5	5.7	7.5	8.5	8.5	8.0	7.9	8.4	8.5	8.6	8.1	8.3	8.2	8.9	8.6	8.5	8.4
- Textile, clothing, and leather	4.3	4.3	6.1	7.5	7.5	7.4	7.0	7.1	7.0	7.0	7.0	7.3	7.6	7.4	7.4	7.0	7.1
- Other	10.3	10.8	18.6	21.2	21.2	22.2	21.7	21.6	22.0	21.8	21.5	21.2	21.2	21.6	21.4	21.7	22.4
e) Power industry, gas and water supply	18.4	17.4	18.2	21.9	21.9	21.8	21.3	21.6	21.8	21.8	21.2	20.8	21.1	22.5	22.4	23.3	22.1
f) Building and construction	18.3	18.6	19.4	20.7	20.7	21.3	21.3	21.6	21.7	21.7	21.4	21.1	20.9	20.9	20.9	20.9	20.3
g) Trade, catering and hotel services	28.4	32.5	60.5	73.3	73.3	74.2	74.0	74.7	74.6	75.9	76.9	74.8	74.9	73.9	74.2	74.1	73.4
h) Tourism	3.8	-	0.5	1.5	1.5	0.8	1.1	0.8	0.8	0.9	1.0	1.1	1.0	1.0	1.0	1.0	1.0
i) Transport and communications	-	-	3.6	8.2	8.2	6.6	7.1	7.5	7.5	7.1	7.6	5.8	7.1	6.4	6.3	6.9	7.1
j) Banking industry	-	-	11.2	16.4	16.4	16.2	15.5	16.7	17.5	16.9	17.3	18.3	19.1	19.1	18.8	19.7	19.4
k) Insurance sector	-	-	0.2	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
4. SLOVAK-CROWN LOANS of which:	260.8	257.6	288.1	338.8	338.8	334.9	335.3	340.1	342.6	343.2	341.6	337.9	341.6	342.3	343.2	343.4	342.3
- Short-term loans	90.7	95.9	105.8	137.5	137.5	133.2	132.6	135.4	144.0	142.6	141.9	137.6	140.8	140.4	140.6	138.1	137.7
- Medium-term loans	53.5	46.9	57.4	70.9	70.9	70.3	71.0	71.8	73.1	75.2	73.6	73.7	73.9	74.7	74.7	76.2	77.5
- Long-term loans	116.6	114.8	124.9	130.4	130.4	131.4	131.7	132.9	125.5	125.4	126.1	126.5	126.9	127.2	127.9	129.1	127.1
5. LOANS IN FOREIGN CURRENCY " of which:	8.1	15.3	22.7	35.6	35.6	34.6	35.4	36.0	37.0	38.2	41.3	42.5	43.2	43.4	41.8	44.1	46.6
- Short-term loans	1.7	8.0	11.2	19.5	19.5	20.1	20.2	20.7	22.3	23.9	26.4	27.3	27.6	28.1	26.1	27.9	30.9
- Medium-term loans	-	-	-	9.5	9.5	7.9	8.1	8.3	9.0	8.8	9.0	9.3	9.6	9.6	9.5	9.7	9.1
- Long-term loans <sup>2/</sup>	6.4	7.3	11.5	6.6	6.6	6.6	7.1	7.0	5.7	5.5	5.8	5.9	6.0	5.7	6.2	6.5	6.6
Loans in Sk and foreign currency of which:	268.9	272.9	310.8	374.4	374.4	369.5	370.7	376.1	379.6	381.4	382.9	380.4	384.8	385.7	385.0	387.5	388.9
- Short-term loans	92.4	103.9	117.0	157.0	157.0	153.3	152.8	156.1	166.3	166.5	168.3	164.9	168.4	168.5	166.7	166.0	168.6
- Medium-term loans	-	-	-	80.4	80.4	78.2	79.1	80.1	82.1	84.0	82.6	83.0	83.5	84.3	84.2	85.9	86.6
- Long-term loans <sup>2/</sup>	176.5	169.0	193.8	137.0	137.0	138.0	138.8	139.9	131.2	130.9	131.9	132.4	132.9	132.9	134.1	135.6	133.7
6. CROWN LOANS BY PURPOSE ' of which:	260.8	257.6	288.1	338.8	338.8	334.9	335.3	340.1	342.6	343.2	341.6	337.9	341.6	342.3	343.2	343.4	342.3
a) Current assets	57.8	53.4	44.0	56.9	56.9	55.7	55.1	55.2	47.4	45.9	43.3	40.9	40.4	39.5	39.5	40.8	40.1
b) Capital goods	69.7	49.8	37.2	48.6	48.6	60.6	61.0	47.3	48.2	48.4	47.3	48.2	48.5	49.2	49.3	51.1	51.2
c) Privatisation	8.8	5.4	3.7	5.5	5.5	5.6	5.3	5.7	5.6	5.5	5.1	4.9	4.9	4.9	4.8	4.6	4.2
- Small-scale privatisation	5.3	2.0	0.4	0.4	0.4	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1
- Large-scale privatisation	3.5	3.4	3.3	5.1	5.1	5.1	4.9	5.4	5.3	5.2	4.8	4.6	4.6	4.6	4.5	4.4	4.1
d) Temporary lack of resources	10.7	9.3	9.0	15.8	12.5	12.4	11.9	12.4	13.5	12.3	11.2	10.9	12.8	11.4	12.5	12.3	11.2
e) Permanently revolving stocks	21.7	17.5	5.5	3.6	3.6	3.0	3.0	2.5	2.4	2.4	2.6	2.2	2.2	1.9	1.9	2.0	2.0
f) Residential construction	11.2	10.9	10.4	10.2	10.2	10.2	10.2	10.1	10.1	10.1	9.8	9.8	9.8	9.8	9.8	9.8	9.4
g) Current account balances (debit)	9.9	7.9	7.5	18.6	18.6	18.3	20.4	21.9	30.6	32.8	20.3	18.9	20.6	21.8	21.1	19.5	19.8
h) Consumption	9.0	7.0	6.0	7.1	7.1	6.9	7.0	6.9	6.9	6.9	6.8	6.8	6.7	6.4	6.3	6.2	6.3
i) Special mention claims	26.0 <sup>3</sup>	16.9 <sup>3</sup>	37.8	53.2	53.2	41.6	42.5	55.8	55.6	56.6	70.3	70.3	69.7	70.3	70.2	70.7	68.1
j) Classified receivables	30.8 <sup>4</sup>	76.4 <sup>4/</sup>	120.5	109.9	109.9	110.0	109.9	111.9	112.5	113.1	115.3	115.8	116.7	117.7	118.6	117.5	118.5
- doubtful and disputable	15.1	23.6	12.6	10.4	10.4	4.9	6.8	10.1	10.2	9.9	10.1	10.6	10.7	10.2	10.5	10.2	9.7
- loss-making loans	7.3	36.3	85.6	91.9	91.9	92.1	92.7	94.5	95.2	96.4	97.4	97.5	98.2	99.9	100.5	99.5	101.3

1/ Loans to residents and non-residents in convertible currencies

2/ Medium- and long-term loans in total

3/ Temporarily illiquid assets

4/ Doubtful and disputable claims

## Total Volume of Loans (continued)

	1993	1994	1995	1996	1997												
	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
<b>7. INFORMATIVE</b>																	
<b>A. Total increase in loans</b> (since beginning of year)																	
- in Sk billions	29.2	4.0	37.3	63.6	-	-4.9	-3.7	1.7	5.2	7.0	8.5	6.0	10.4	11.3	10.6	13.1	14.5
- in %	12.2	1.5	13.7	20.5		-1.3	-1.0	0.5	1.4	1.9	2.3	1.6	2.8	3.0	2.8	3.5	3.9
of which:																	
a) Slovak-crown loans																	
- in Sk billions	24.8	-3.2	29.9	50.7		-3.9	-3.5	1.3	3.8	4.4	2.8	-0.9	2.8	3.5	4.4	4.6	3.5
- in %	10.5	-1.2	11.6	17.6		-1.2	-1.0	0.4	1.1	1.3	0.8	-0.3	0.8	1.0	1.3	1.4	1.0
b) Foreign-currency loans <sup>v</sup>																	
- in Sk billions	4.4	7.2	7.4	12.9		-1.0	-0.2	0.4	1.4	2.6	5.7	6.9	7.6	7.8	6.2	8.5	11.0
- in %	118.9	88.9	49.0	56.8		-2.8	-0.6	1.1	3.9	7.3	16.0	19.4	21.3	21.9	17.4	23.9	30.9
<b>B. Structure of crown loans by sector</b> (as % of total credit)																	
Crown loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
a) Public sector	47.3	44.8	32.3	28.0	28.0	27.1	26.8	26.2	26.3	25.8	25.7	24.9	24.9	24.7	24.1	23.8	22.1
b) Private sector (incl. cooperatives)	42.0	44.6	57.4	60.4	60.4	61.5	61.7	62.0	61.9	62.3	62.4	63.2	62.9	62.7	62.8	63.2	64.5
c) Households	7.1	6.4	5.3	5.3	5.3	5.4	5.4	5.4	5.4	5.4	5.5	5.6	5.6	5.6	5.7	5.8	6.0
d) Under foreign control	1.5	2.1	2.8	3.5	3.5	3.3	3.3	3.5	3.3	3.4	3.4	3.3	3.3	3.8	4.1	4.1	4.3
e) Abroad	0.0	0.0	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.5
f) Other	2.0	2.1	1.7	2.4	2.4	2.4	2.4	2.6	2.6	2.7	2.5	2.5	2.8	2.7	2.8	2.7	3.1
<b>C. Structure of crown loans by industry</b> (as % of total credit)																	
Crown loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
a) Agriculture, hunting, and fishing	6.8	7.4	6.4	5.5	5.5	5.5	5.5	5.6	5.6	5.5	5.6	5.6	5.5	5.5	5.3	5.2	5.1
b) Forestry and timber industry	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
c) Raw material extraction	3.6	3.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.8	0.8
d) Manufacturing industry	26.4	26.1	35.9	33.4	33.4	33.9	33.4	33.8	33.8	33.8	33.4	33.1	32.9	33.2	33.2	33.1	33.6
e) Power industry, gas and water supply	7.1	6.8	6.3	6.5	6.5	6.5	6.4	6.4	6.4	6.4	6.2	6.2	6.2	6.6	6.5	6.8	6.5
f) Building and construction	7.0	7.2	6.7	6.1	6.1	6.4	6.4	6.4	6.3	6.3	6.3	6.2	6.1	6.1	6.1	6.1	5.9
g) Trade, catering and hotel services	10.9	12.6	21.0	21.6	21.6	22.2	22.1	22.0	21.8	22.1	22.5	22.1	21.9	21.6	21.6	21.6	21.4
h) Tourism			0.2	0.4	0.4	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
i) Transport and communications			1.2	2.4	2.4	2.0	2.1	2.2	2.2	2.1	2.2	1.7	2.1	1.9	1.8	2.0	2.1
j) Banking industry			3.9	4.8	4.8	4.8	4.6	4.9	5.1	4.9	5.1	5.4	5.6	5.6	5.5	5.7	5.7
k) Insurance sector			0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>D. Structure of crown loans by term</b> (as % of total credit)																	
Crown loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
- Short-term loans	34.8	37.2	36.7	40.6	40.6	39.8	39.5	39.8	42.0	41.6	41.5	40.7	41.2	41.0	41.0	40.2	40.2
- Medium-term loans	20.5	18.2	19.9	20.9	20.9	21.0	21.2	21.1	21.3	21.9	21.5	21.8	21.6	21.8	21.8	22.2	22.6
- Long-term loans	44.7	44.6	43.4	38.5	38.5	39.2	39.3	39.1	36.6	36.5	36.9	37.4	37.1	37.2	37.3	37.6	37.1
<b>E. Loans in foreign currency by term</b> (as % of total credit)																	
Foreign-currency loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
- Short-term loans	21.0	52.3	49.3	54.8	54.8	58.1	57.1	57.5	60.3	62.6	63.9	64.2	63.9	64.7	62.4	63.3	66.3
- Medium-term loans				26.7	26.7	22.8	22.9	23.1	24.3	23.0	21.8	21.9	22.2	22.1	22.7	22.0	19.5
- Long-term loans <sup>2/</sup>	79.0	47.7	50.7	18.5	18.5	19.1	20.1	19.4	15.4	14.4	14.0	13.9	13.9	13.1	14.8	14.7	14.2
<b>F. Structure of total loans by term</b> (as % of total credit)																	
Loans in Sk and foreign currency	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																	
- Short-term loans	34.4	38.1	37.6	41.9	41.9	41.5	41.2	41.5	43.8	43.7	44.0	43.3	43.8	43.7	43.3	42.8	43.4
- Medium-term loans				21.5	21.5	21.2	21.3	21.3	21.6	22.0	21.6	21.8	21.7	21.9	21.9	22.2	22.3
- Long-term loans <sup>2/</sup>	65.6	61.9	62.4	36.6	36.6	37.3	37.4	37.2	34.6	34.3	34.4	34.8	34.5	34.5	34.8	35.0	34.4
<b>G. Crown loans by purpose (in %)</b> of which:																	
a) Current assets	22.2	20.7	15.3	16.8	16.8	16.6	16.4	16.2	13.8	13.4	12.7	12.1	11.8	11.5	11.5	11.9	11.7
b) Capital goods	26.7	19.3	12.9	14.3	14.3	18.1	18.2	13.9	14.1	14.1	13.8	14.3	14.2	14.4	14.4	14.9	15.0
c) Privatisation	3.4	2.1	1.3	1.6	1.6	1.7	1.6	1.7	1.6	1.6	1.5	1.5	1.4	1.4	1.4	1.3	1.2
- Small-scale privatisation	2.0	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
- Large-scale privatisation	1.3	1.3	1.1	1.5	1.5	1.5	1.5	1.6	1.5	1.5	1.4	1.4	1.3	1.3	1.3	1.3	1.2
d) Temporary lack of resources	4.1	3.6	3.1	4.7	3.7	3.7	3.5	3.6	3.9	3.6	3.3	3.2	3.7	3.3	3.6	3.6	3.3
e) Permanently revolving stocks	8.3	6.8	1.9	1.1	1.1	0.9	0.9	0.7	0.7	0.7	0.8	0.7	0.6	0.6	0.6	0.6	0.6
f) Residential construction	4.3	4.2	3.6	3.0	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.7
g) Current account balances (debit)	3.8	3.1	2.6	5.5	5.5	5.5	6.1	6.4	8.9	9.6	5.9	5.6	6.0	6.4	6.1	5.7	5.8
h) Consumption	3.5	2.7	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.8	1.8	1.8
i) Special mention claims	10.0	6.6	13.1	15.7	15.7	12.4	12.7	16.4	16.2	16.5	20.6	20.8	20.4	20.5	20.5	20.6	19.9
j) Classified receivables	11.8	29.6	41.8	32.4	32.4	32.8	32.8	32.9	32.8	33.0	33.8	34.3	34.2	34.4	34.6	34.2	34.6
- doubtful and disputable claims	5.8	9.2	4.4	3.1	3.1	1.5	2.0	3.0	3.0	2.9	3.0	3.1	3.1	3.0	3.1	3.0	2.8
- loss-making loans	2.8	14.1	29.7	27.1	27.1	27.5	27.6	27.8	27.8	28.1	28.5	28.9	28.7	29.2	29.3	29.0	29.6

1/ Loans to residents and non-residents in convertible currencies

2/ The figures for 1993 and 1995 include both medium and long-term loans

## New Loans

(Sk billions)

	1993	1994	1995	1996	1997											
	12	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
<b>1. NEW LOANS IN SLOVAK CROWNS</b>		14.6	21.1	29.5	26.6	19.8	24.3	23.8	18.3	21.9	23.1	22.0	24.9	24.9	18.5	24.4
of which:																
a) Entrepreneurial sector		13.1	20.5	26.9	24.5	19.3	22.7	22.8	17.3	20.8	22.1	19.7	23.7	23.2	17.6	23.3
- public sector		5.3	4.8	4.8	2.5	3.3	2.2	2.1	1.4	2.0	5.6	3.9	2.0	0.6	1.4	1.1
- private sector		6.9	12.4	17.5	10.0	11.6	14.4	13.8	10.9	16.3	15.0	13.3	17.9	19.8	10.8	12.7
- under foreign control		0.9	3.3	4.6	12.0	4.4	6.1	6.9	5.0	2.5	1.5	2.5	3.8	2.8	5.4	9.5
b) Households		0.2	0.4	0.9	1.5	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.7	0.6	0.7
c) Non-profit organisations		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Extrabudgetary needs of central and local authorities		0.0	0.0	1.7	0.3	0.0	1.1	0.4	0.3	0.6	0.2	1.5	0.6	0.2	0.2	0.2
e) Other		1.3	0.2	0.0	0.3	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.8	0.0	0.0
<b>2. NEW LOANS BY TERM</b>		14.6	21.1	29.5	26.6	19.8	24.3	23.8	18.3	21.9	23.1	22.0	24.9	24.9	18.5	24.4
of which:																
a) Short-term loans		12.0	17.0	22.5	23.6	17.6	20.6	20.4	15.2	18.6	19.8	18.8	19.7	20.1	14.4	21.4
b) Medium-term loans		1.5	2.7	4.8	2.1	1.9	1.9	2.2	2.5	2.4	2.2	1.7	2.9	3.6	3.1	1.8
c) Long-term loans	-	1.1	1.4	2.2	0.9	0.3	1.8	1.2	0.6	0.9	1.1	1.5	2.3	1.1	0.9	1.2
<b>3. NEW LOANS BY TERM</b> (as % of total credit)																
<b>New loans in total</b>		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
of which:																
a) Short-term loans		82.2	80.6	76.3	88.7	88.9	84.8	85.7	83.1	84.9	85.7	85.5	79.1	80.7	77.8	87.7
b) Medium-term loans		10.3	12.8	16.3	7.9	9.6	7.8	9.2	13.7	11.0	9.5	7.7	11.6	14.5	16.8	7.4
c) Long-term loans		7.5	6.6	7.5	3.4	1.5	7.4	5.0	3.3	4.1	4.8	6.8	9.2	4.4	4.9	4.9

## Total Credits

(Sk millions)

End-of-month figures	Slovak banks	Slovak banks with foreign participation	Branch offices of foreign banks	Banks in total
1.1.97	257,246.9	51,081.7	30,441.8	338,770.4
01/97	254,871.4	50,371.2	29,652.4	334,895.0
02/97	254,759.5	51,857.2	28,711.5	335,328.2
03/97	258,033.1	52,525.1	29,528.7	340,086.9
04/97	259,197.1	53,160.2	30,269.7	342,627.0
05/97	262,145.8	54,497.9	26,595.1	343,238.8
06/97	259,965.5	55,222.6	26,385.7	341,573.8
07/97	259,218.5	53,353.4	25,301.6	337,873.5
08/97	262,207.8	54,164.6	25,269.7	341,642.1
09/97	260,534.0	56,302.0	25,511.8	342,347.8
10/97	260,227.5	57,362.9	25,566.8	343,157.2
11/97	258,792.8	59,097.6	25,530.1	343,420.5
12/97	255,786.6	60,437.7	26,098.2	342,322.5

## Average Lending Rates of Commercial Banks

	1993	1994	1995	1996	1997											
	12	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
1. TOTAL VOLUME OF LOANS <sup>1/</sup>	14.13	14.39	14.78	13.22	13.47	13.77	13.93	14.17	14.58	14.94	15.37	15.49	15.66	15.75	15.84	16.22
A) Loans by sector																
a) Entrepreneurial sector	14.58	15.00	15.56	13.41	13.52	13.78	13.86	14.26	14.55	14.91	15.35	15.49	15.60	15.66	15.80	16.16
- Public sector	14.96	15.18	15.52	12.95	12.89	13.12	13.12	13.78	13.95	14.33	14.79	14.89	14.95	14.96	14.99	15.33
- Private sector (incl. co-operatives)	14.20	14.82	15.59	13.86	14.14	14.44	14.59	14.73	15.15	15.48	15.90	16.08	16.24	16.35	16.60	16.98
b) Households	5.52	4.29	5.06	6.76	7.16	7.25	7.38	7.51	7.42	7.46	7.73	7.74	7.69	7.86	7.53	7.37
B) Loans by term																
- Short-term loans	16.29	16.51	16.17	13.86	14.52	14.93	15.34	15.69	16.58	17.28	18.23	18.38	18.72	18.92	19.13	19.91
- Medium-term loans	16.62	17.63	17.77	15.28	15.37	15.54	15.59	15.68	15.66	15.88	15.94	16.00	16.10	16.06	16.35	16.41
- Long-term loans	11.06	11.30	12.12	11.36	11.32	11.59	11.54	11.39	11.52	11.63	11.77	11.82	11.82	11.90	11.88	11.90
2. NEW LOANS IN TOTAL		19.09	14.04	13.45	16.04	15.63	16.21	16.53	19.08	19.33	18.59	18.51	19.91	19.84	20.56	20.92
A) Loans by sector																
a) Entrepreneurial sector		19.51	14.56	13.85	14.08	14.69	15.02	15.43	17.36	20.36	17.43	16.27	18.70	19.38	19.39	21.25
- Public sector		19.82	14.23	13.46	12.98	14.26	14.03	14.52	15.77	22.40	15.64	13.11	17.72	19.09	18.65	21.30
- Private sector (incl. co-operatives)		19.20	14.89	14.23	15.18	15.12	16.00	16.34	18.94	18.31	19.22	19.43	19.67	19.67	20.12	21.19
b) Households		18.35	15.44	10.44	12.35	11.09	12.77	12.44	12.30	11.71	10.52	10.11	9.96	10.07	10.43	10.18
B) Loans by term																
- Short-term loans		19.37	13.68	13.52	16.36	15.88	16.17	16.78	19.70	20.01	18.98	18.97	20.90	20.76	21.56	21.60
- Medium-term loans		19.18	16.17	13.05	13.52	13.63	15.36	15.82	16.12	15.58	16.28	15.39	16.80	15.78	17.60	16.30
- Long-term loans		16.11	14.37	13.68	13.39	13.98	17.65	13.44	15.49	15.45	16.14	16.12	15.46	16.46	15.12	15.40

1/ In 1993 and 1994: interest rate on the total volume of loans including loans at zero interest rate

In 1995, 1996 and 1997: interest rate on the total volume of loans excluding loans at zero interest rate

### Average Monthly Lending Rates - Total Credit

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/97	8.80	12.38	12.91	9.25	11.26
02/97	8.80	12.72	12.99	9.53	11.52
03/97	8.80	13.01	13.05	9.48	11.64
04/97	8.80	13.48	13.16	9.17	11.83
05/97	8.80	14.20	13.71	9.50	12.38
06/97	8.80	14.64	13.85	9.52	12.58
07/97	8.80	15.55	13.92	9.60	12.96
08/97	8.80	15.64	13.98	9.61	13.04
09/97	8.80	15.94	14.10	9.53	13.15
10/97	8.80	16.06	14.06	9.61	13.22
11/97	8.80	16.07	14.35	9.62	13.26
12/97	8.80	16.67	14.45	9.49	13.50

### Average Monthly Lending Rates - Public Sector

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/97	8.80	11.37	11.36	9.64	10.39
02/97	8.80	11.32	11.30	9.96	10.55
03/97	8.80	11.55	11.72	9.77	10.55
04/97	8.80	13.22	11.79	8.99	11.08
05/97	8.80	13.68	12.70	9.35	11.49
06/97	8.80	14.18	12.23	9.40	11.65
07/97	8.80	15.03	12.39	9.95	12.21
08/97	8.80	14.69	12.70	9.77	12.07
09/97	8.80	14.90	13.23	9.61	12.11
10/97	8.80	15.16	13.05	9.60	12.15
11/97	8.80	15.44	13.35	9.81	12.38
12/97	8.80	15.91	14.42	9.77	12.64

### Average Monthly Lending Rates - Private Sector

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/97	8.80	12.31	12.95	9.90	11.73
02/97	8.80	12.72	13.05	10.16	12.01
03/97	8.80	12.96	13.07	10.01	12.08
04/97	8.80	13.17	13.22	9.96	12.20
05/97	8.80	13.84	13.84	9.99	12.66
06/97	8.80	14.11	14.03	10.05	12.84
07/97	8.80	14.94	14.12	10.17	13.24
08/97	8.80	15.26	14.22	10.19	13.41
09/97	8.80	15.46	14.30	10.12	13.48
10/97	8.80	15.52	14.36	10.08	13.49
11/97	8.80	15.65	14.61	10.04	13.57
12/97	8.80	16.35	14.68	9.83	13.82

### Average Monthly Lending Rates - Households

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/97	8.80	16.22	13.22	3.87	6.93
02/97	8.80	14.32	12.74	4.03	7.06
03/97	8.80	14.69	12.65	4.03	7.14
04/97	8.80	15.62	12.87	3.98	7.28
05/97	8.80	16.55	13.06	3.66	7.18
06/97	8.80	18.23	13.29	3.45	7.28
07/97	8.80	19.05	13.19	3.57	7.46
08/97	8.80	18.07	12.73	3.75	7.46
09/97	8.80	19.07	12.51	3.75	7.44
10/97	8.80	18.56	11.93	4.40	7.60
11/97	8.80	18.30	12.01	3.73	7.31
12/97	8.80	18.99	11.39	3.61	7.09

## Deposit Rates and Crown Deposits

		1996	1997											
		12	1	2	3	4	5	6	7	8	9	10	11	12
Total deposits	a	6.18	7.05	7.03	7.52	7.57	7.84	7.75	8.07	8.09	8.65	8.82	8.76	8.69
	b	364,178	353,874	354,058	352,996	356,816	359,518	357,452	363,532	363,937	361,401	361,865	368,269	388,783
of which:														
Demand deposits	a	2.87	2.95	3.01	3.04	3.04	3.08	3.19	3.43	3.41	3.48	3.50	3.57	3.50
	b	153,352	123,987	122,906	122,886	123,202	125,110	124,685	128,557	126,628	124,935	122,202	127,027	140,526
Time deposits	a	8.63	9.30	9.21	9.98	9.97	10.28	10.17	10.63	10.63	11.40	11.54	11.48	11.62
	b	210,825	229,887	231,152	230,110	233,614	234,408	232,767	234,976	237,309	236,466	240,214	241,242	248,261
- at up to 7-day notice	a	9.51	13.08	10.44	18.23	14.74	21.23	14.76	16.91	14.67	20.43	18.54	16.46	17.10
	b	897	3,909	6,771	4,871	6,695	7,703	8,856	11,138	12,339	10,621	11,764	10,106	8,704
- at up to 1-month notice	a	8.87	11.02	10.31	10.71	10.49	11.02	12.27	12.52	12.43	15.45	15.95	15.84	16.25
	b	18,486	22,595	21,209	21,965	22,248	21,386	21,718	24,081	28,735	32,863	38,779	43,216	49,094
- at up to 3-month notice	a	8.89	9.37	9.30	8.85	10.12	11.11	11.37	11.65	12.61	13.30	13.08	13.37	15.04
	b	11,164	12,824	11,432	9,655	10,322	11,145	8,808	9,188	9,556	9,338	8,599	10,814	11,165
- at up to 6-month notice	a	8.28	9.18	9.29	9.85	9.61	9.60	9.56	9.84	10.59	10.74	11.27	11.10	11.37
	b	8,826	12,347	13,053	13,394	14,077	13,527	13,406	11,308	10,416	9,619	9,781	8,977	6,744
- at up to 9-month notice	a	10.09	10.13	10.04	10.08	10.27	10.80	10.34	11.48	11.81	12.52	12.85	15.04	16.78
	b	809	2,381	2,278	2,193	2,374	2,446	2,422	2,137	2,195	1,673	1,194	661	517
- at up to 1-year notice	a	8.91	9.01	9.05	9.96	9.95	10.06	10.11	10.29	10.38	10.49	10.52	10.63	10.51
	b	67,523	72,197	72,996	74,330	73,343	74,097	73,633	72,932	70,761	70,279	68,674	67,406	64,955
- at up to 18-month notice	a	10.43	10.06	6.91	10.99	11.06	11.25	11.96	11.45	10.43	10.72	10.69	10.96	11.14
	b	1,274	1,786	1,483	1,657	1,635	- 1,765	1,788	1,430	1,296	1,324	1,302	1,482	1,341
- at up to 2-year notice	a	9.44	9.41	9.43	10.74	10.74	10.74	10.70	10.86	10.86	10.84	10.84	10.79	10.77
	b	52,775	52,196	51,867	51,394	52,374	51,699	51,108	52,131	51,444	50,248	49,531	48,044	50,785
- at up to 3-year notice	a	12.88	12.67	12.67	12.66	12.64	12.68	12.61	12.99	12.95	12.89	12.84	12.12	12.14
	b	1,738	1,995	2,017	2,020	2,040	2,160	1,624	1,363	1,367	1,418	1,459	1,501	1,446
- at up to 4-year notice	a	12.92	13.01	13.14	13.13	13.13	13.13	13.13	13.13	13.13	13.14	13.13	13.13	13.13
	b	8,725	8,594	8,653	8,574	8,513	8,537	8,572	8,579	8,586	8,583	8,605	8,600	8,599
- at up to 5-year notice	a	13.17	12.84	12.85	12.59	12.53	12.50	12.50	13.25	13.00	12.99	13.03	12.98	12.92
	b	13,262	13,384	13,361	13,473	13,282	13,188	13,460	12,871	12,664	12,387	11,956	11,506	11,832
- at above 5-year notice	a	4.85	4.85	4.85	4.82	4.82	4.81	4.76	4.75	4.75	4.74	4.69	4.69	4.51
	b	25,346	25,680	26,031	26,585	26,711	26,754	27,370	27,819	27,951	28,114	28,570	28,930	33,073
- short-term deposits	a	8.88	9.55	9.36	10.28	10.57	10.89	10.68	11.36	11.41	12.75	12.96	12.90	13.39
	b	107,705	126,653	127,740	126,408	129,058	130,305	128,844	130,784	134,001	134,393	138,791	141,180	141,181
- medium-term deposits	a	10.56	10.50	10.55	11.39	11.36	11.37	11.35	11.50	11.51	11.50	11.50	11.46	11.42
	b	77,774	77,955	77,381	77,117	77,844	77,349	76,553	76,374	75,357	73,959	72,853	71,132	74,010
- long-term deposits	a	4.85	4.85	4.85	4.82	4.82	4.81	4.76	4.75	4.75	4.74	4.79	4.69	4.51
	b	25,346	25,680	26,031	26,585	26,711	26,754	27,370	27,819	27,951	28,114	28,570	28,930	33,073
- demand and short-terms deposits	a	5.40	6.25	6.21	6.66	6.69	7.05	7.06	7.57	11.02	8.26	8.52	8.48	8.45
	b	261,058	250,240	250,646	249,293	252,260	255,415	253,529	259,340	260,630	259,328	260,433	268,207	281,705

a - Average interest rate (%)

b - Volume of deposits (\$k billions)

## Average Monthly Deposit Rates - Total Deposits

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and short-term	Total deposits
01/97	8.80	9.55	10.50	4.85	9.30	2.95	6.25	7.05
02/97	8.80	9.36	10.55	4.85	9.21	3.01	6.21	7.03
03/97	8.80	10.28	11.39	4.82	9.98	3.04	6.66	7.52
04/97	8.80	10.57	11.36	4.82	9.97	3.04	6.69	7.57
05/97	8.80	10.89	11.37	4.81	10.28	3.08	7.05	7.84
06/97	8.80	10.68	11.35	4.76	10.17	3.19	7.06	7.75
07/97	8.80	11.36	11.50	4.75	10.63	3.43	7.57	8.07
08/97	8.80	11.41	11.51	4.75	10.63	3.41	7.49	8.09
09/97	8.80	12.75	11.50	4.74	11.40	3.48	8.26	8.65
10/97	8.80	12.96	11.50	4.79	11.54	3.50	8.52	8.82
11/97	8.80	12.90	11.46	4.69	11.48	3.57	8.48	8.76
12/97	8.80	13.39	11.42	4.51	11.62	3.50	8.45	8.69

## Average Monthly Deposit Rates - Public Sector

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and short-term	Total deposits
01/97	8.80	10.01	12.39	3.60	10.43	2.58	6.70	7.46
02/97	8.80	9.55	12.39	3.54	10.13	2.55	6.08	6.96
03/97	8.80	10.57	5.21	3.93	10.98	2.57	6.87	7.75
04/97	8.80	10.14	12.12	2.86	10.49	2.57	6.18	7.19
05/97	8.80	11.39	12.19	2.86	11.51	2.72	6.72	7.60
06/97	8.80	10.91	12.17	2.87	11.19	2.67	6.54	7.49
07/97	8.80	11.38	12.80	2.87	11.69	2.61	6.46	7.58
08/97	8.80	11.29	12.79	3.40	11.60	2.52	6.17	7.17
09/97	8.80	14.76	12.82	3.41	13.93	2.56	7.66	8.21
10/97	8.80	14.48	12.82	3.39	13.73	2.57	7.40	8.22
11/97	8.80	13.88	12.76	3.30	13.36	2.44	7.05	7.85
12/97	8.80	14.30	12.78	3.33	13.55	2.37	6.68	7.57

## Average Monthly Deposit Rates - Private Sector

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and short-term	Total deposits
01/97	8.80	11.62	12.89	12.66	11.95	2.43	5.71	6.32
02/97	8.80	10.63	13.09	12.65	11.26	2.50	5.48	6.34
03/97	8.80	11.81	13.01	12.68	12.09	2.52	5.85	6.54
04/97	8.80	11.82	12.92	12.66	11.83	2.50	5.90	6.64
05/97	8.80	13.44	13.07	12.73	13.33	2.59	6.76	7.39
06/97	8.80	12.00	13.11	12.64	12.24	2.75	6.43	6.89
07/97	8.80	13.19	13.20	12.66	12.96	2.94	6.96	7.44
08/97	8.80	13.39	13.00	12.67	13.28	2.95	6.75	7.45
09/97	8.80	15.77	13.20	12.63	15.13	3.12	7.90	8.48
10/97	8.80	15.83	13.23	12.66	15.20	3.17	8.01	8.58
11/97	8.80	15.39	13.28	12.71	14.82	3.26	7.39	8.00
12/97	8.80	16.34	13.33	13.46	15.65	3.11	7.71	8.23

## Average Monthly Deposit Rates - Households

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and short-term	Total deposits
01/97	8.80	8.44	9.93	4.65	8.42	3.62	6.38	7.21
02/97	8.80	8.53	9.97	4.65	8.45	3.70	6.45	7.17
03/97	8.80	9.57	11.15	4.62	9.35	3.73	7.09	7.94
04/97	8.80	9.69	11.12	4.62	9.36	3.73	7.17	7.95
05/97	8.80	9.73	11.13	4.62	9.40	3.68	7.16	7.99
06/97	8.80	10.03	11.13	4.59	9.51	3.76	7.46	7.99
07/97	8.80	10.38	11.25	4.57	9.71	3.96	7.76	8.31
08/97	8.80	10.61	11.25	4.57	9.67	3.96	7.92	8.29
09/97	8.80	11.03	11.26	4.56	10.02	3.87	8.26	8.59
10/97	8.80	11.51	11.26	4.53	10.26	3.94	8.75	8.86
11/97	8.80	11.95	11.23	4.52	10.50	4.00	9.16	9.09
12/97	8.80	12.17	11.20	3.84	10.50	4.00	9.45	9.18

## Assets of Commercial Banks

(Banks and branches of foreign banks in total)

(Sk millions)

ASSETS	1997												
	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
Cash items	12,115.2	9,511.0	8,950.4	9,813.8	10,043.1	9,730.8	10,097.2	9,749.9	9,911.6	10,198.0	10,078.7	10,001.0	12,827.8
Cash in vault	12,069.8	8,938.5	8,569.7	9,185.2	9,230.0	9,198.2	9,634.0	9,172.4	9,061.1	9,506.2	9,316.9	9,360.0	12,797.2
Gold	0.8	0.7	0.5	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other cash items	44.6	571.8	380.2	628.0	812.7	532.6	463.2	577.5	850.5	691.7	761.9	641.1	30.6
Accounts of central banks and postal checking accounts	2,414.9	2,025.0	1,834.2	2,044.6	1,627.8	1,472.1	1,795.5	1,648.1	1,646.4	2,386.9	2,297.9	2,377.0	2,977.2
Accounts of monetary reserves with the NBS	28,798.4	32,623.5	33,469.1	37,920.1	40,665.6	25,362.6	35,601.2	40,288.7	39,040.6	38,554.5	37,949.1	39,136.6	37,564.3
Accounts of other banks	149,171.2	157,663.3	177,774.8	164,661.0	198,798.0	179,224.9	199,167.2	178,507.4	179,688.0	175,910.6	187,453.0	187,100.7	172,099.1
Current accounts with other banks	7,271.6	5,950.5	5,972.6	6,153.3	7,111.0	5,701.0	6,356.2	6,280.3	7,340.0	5,776.4	6,423.3	5,465.6	6,847.2
Credits provided	5,157.8	6,035.9	5,902.9	5,153.8	5,663.2	5,123.8	16,723.1	8,379.4	6,765.6	8,679.2	6,609.5	5,938.9	5,076.7
Time deposits with other banks	135,657.5	144,919.4	160,028.5	151,367.5	169,979.5	155,949.3	163,692.2	160,794.4	164,935.1	162,162.9	174,817.9	176,374.5	160,019.9
Current accounts of other banks	30.9	1,090.2	1,631.0	2,136.5	5,366.4	1,437.2	288.4	1,097.8	923.6	137.8	280.5	265.8	80.0
Transfers between banks	0.0	-409.6	3,189.4	-1,195.1	10,602.6	10,936.4	12,032.1	1,881.8	-350.9	-920.2	-753.5	-1,019.5	0.0
Classified claims on banks	1,053.4	76.9	1,050.4	1,044.9	75.4	77.2	75.2	73.7	74.6	74.5	75.2	75.4	75.3
of which: interest on outstanding borrowings credited to accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury bills (T/B) purchased	29,255.0	28,129.0	29,702.0	23,609.0	24,038.0	27,720.0	22,079.0	22,396.0	29,360.0	25,616.9	27,324.0	33,449.0	41,938.0
Purchased short-term T/Bs and other similar securities	144.5	0.0	2,475.0	1,922.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits to customers	314,419.6	309,477.0	308,731.1	311,006.2	305,403.3	305,033.2	318,069.0	317,730.9	319,300.6	318,386.9	317,993.9	323,655.2	322,481.7
Other claims on customers	2,516.8	14,335.7	17,135.0	19,560.0	3,609.8	6,161.9	2,494.5	2,376.7	4,127.2	1,268.0	1,523.5	1,375.1	1,365.8
Current accounts - debit accounts, overdrafts	20,237.4	20,083.9	21,721.7	23,172.3	31,828.2	33,733.0	21,839.5	20,153.0	21,863.6	23,211.7	22,290.2	20,520.9	23,665.2
Claims from other items and from securities	848.2	2,003.4	253.4	515.9	1,663.7	917.2	1,464.0	905.4	588.9	489.8	342.4	353.9	402.1
Accounts of State bodies, local governments, State funds, and other funds	7,269.6	7,026.2	7,212.5	8,166.1	8,436.8	8,361.6	8,117.3	7,924.6	8,845.4	8,905.6	8,826.7	7,925.2	7,645.8
Credits to State authorities	6.5	1,306.5	206.5	206.8	206.8	206.8	207.1	228.2	227.9	207.1	206.7	206.7	200.0
Credits to local government	2,922.8	2,715.7	2,891.8	2,943.5	2,910.0	2,966.1	2,948.8	3,028.2	3,181.0	3,268.6	3,113.1	3,451.1	3,275.

# Liabilities of Commercial Banks

(Banks and branches of foreign banks in total)

(Sk millions)

LIABILITIES	1997												
	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
Accounts with banks of issue	4,636.7	15,801.7	19,774.6	23,165.3	26,473.3	17,425.0	21,417.9	12,821.3	10,072.5	9,394.1	12,474.3	8,781.1	1,423.8
Credits received from banks of issue	35,587.7	35,571.6	35,458.3	36,150.5	36,913.7	39,872.5	36,613.2	36,789.2	36,361.1	36,647.8	37,262.7	39,636.8	50,183.2
Redistribution loans	31,088.9	30,998.6	30,748.6	30,748.6	30,748.6	30,748.6	30,448.6	30,375.3	30,125.3	30,125.3	30,125.3	30,125.3	30,025.3
Refinancing loans	1,602.4	1,513.9	1,515.2	1,613.9	1,537.3	4,496.4	1,536.9	1,618.1	1,844.9	2,132.0	2,402.3	2,906.0	2,993.4
of which: Lombard loans	0.0	0.0	0.0	0.0	0.0	3,297.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts of other banks	139,799.0	155,466.5	174,569.3	166,555.2	185,872.7	154,048.1	176,728.0	162,242.5	171,560.6	166,740.4	172,980.1	174,542.5	160,991.8
Current accounts with other banks	1,684.7	828.2	1,186.3	1,057.7	2,139.3	1,389.7	646.3	1,003.5	1,159.2	2,486.0	569.7	620.7	854.4
Current accounts of other banks	4,072.4	4,302.6	5,971.3	3,159.8	3,102.1	4,732.6	2,747.2	3,957.3	3,096.1	2,958.4	3,036.2	2,975.7	4,847.7
Credits received	32,491.2	34,012.3	32,072.5	36,474.2	38,730.1	26,751.2	30,655.5	34,697.1	34,531.4	32,634.3	32,851.6	34,321.0	38,185.3
Time deposits of other banks	101,550.7	116,323.5	135,339.2	125,863.5	141,901.2	121,174.6	142,679.0	122,584.6	132,773.9	128,661.7	136,522.6	136,625.1	117,104.4
Liabilities from other items and securities	0.0	120.0	110.2	105.0	104.9	104.9	111.5	105.0	381.3	381.3	380.0	407.8	217.8
Deposits and credits received from customers	367,741.6	356,908.5	355,803.4	356,411.6	358,971.8	361,133.7	361,557.3	367,686.1	373,775.9	369,954.9	371,898.7	378,684.4	400,435.2
Current accounts in credit, overdrafts	109,264.3	87,012.4	86,835.3	88,299.3	87,567.4	89,247.2	90,768.1	94,309.8	94,277.4	90,800.9	90,033.9	95,248.9	98,123.4
Time deposits from customers	72,940.3	81,131.7	80,781.9	80,082.5	82,641.5	83,256.2	81,735.4	84,490.6	90,991.7	92,341.8	97,200.9	100,334.1	111,195.8
Savings deposits	184,980.9	186,982.7	187,344.2	187,240.5	187,638.9	187,557.0	187,865.7	187,706.1	187,307.7	185,599.5	183,455.4	182,083.3	189,564.9
Savings giro accounts	8,193.8	8,669.1	8,843.7	8,745.5	9,113.9	9,133.2	9,240.3	9,302.0	9,388.2	8,955.6	8,308.0	8,268.3	8,503.4
Demand savings deposits	32,274.4	32,836.8	33,031.0	32,940.7	33,298.9	33,509.6	33,197.1	33,164.4	33,119.2	32,691.2	32,034.3	31,807.2	32,316.7
Other short-term savings deposits	64,625.2	65,512.4	65,555.2	65,330.4	65,250.8	65,163.7	64,998.2	64,756.6	64,522.9	64,098.3	63,575.1	63,009.2	62,350.5
Medium-term savings deposits	56,075.0	55,824.1	55,422.8	55,032.0	54,728.2	54,433.4	54,457.8	54,072.8	53,747.2	53,143.2	52,271.1	51,380.9	54,711.0
Long-term savings deposits	23,812.4	24,140.4	24,491.6	25,192.0	25,247.1	25,317.1	25,972.4	26,410.4	26,530.2	26,711.3	27,267.0	27,617.6	31,683.2
Credits received from customers	556.2	1,781.7	841.9	789.2	1,124.0	1,073.3	1,188.0	1,179.6	1,199.1	1,212.7	1,208.5	1,018.1	1,551.2
Other liabilities to customers	10,803.9	11,076.5	11,511.7	11,677.2	10,332.8	18,738.5	14,080.9	15,903.9	12,491.3	11,404.7	12,582.7	11,930.1	8,929.6
Certificates of deposit and Treasury bills issued	5,906.0	6,124.5	6,169.8	6,347.3	6,240.3	6,477.7	6,731.1	6,927.1	6,922.7	6,901.8	6,556.5	6,203.2	5,217.2
Special deposits	1,298.0	1,160.1	1,182.0	1,084.8	1,168.8	2,382.8	3,625.5	3,985.9	1,056.2	1,146.6	1,045.8	1,071.7	1,229.6
Accounts of State bodies, local governments, State funds, and other funds	34,406.9	34,841.1	34,472.9	32,775.5	34,044.9	33,659.5	32,946.3	33,009.3	32,248.5	31,996.7	30,938.2	31,132.5	31,916.9
Deposits of social insurance funds	15,647.2	17,358.7	16,222.1	15,666.7	15,080.3	15,110.0	15,462.2	16,387.2	15,585.8	15,996.5	15,343.5	15,383.0	15,152.1
Deposits of extrabudg. funds of State bodies	8,657.7	6,508.8	7,833.9	7,384.2	7,854.6	7,430.0	6,823.4	5,954.6	5,486.6	5,365.3	5,280.6	4,824.6	6,115.6
Deposits of State funds	938.5	1,994.2	1,789.1	680.4	1,849.6	1,881.3	902.8	861.0	949.8	1,228.3	1,332.6	1,563.2	1,127.8
Deposits of other funds	3,089.8	2,763.9	2,145.3	2,193.8	2,318.6	2,384.1	2,577.3	2,433.0	2,842.9	2,389.1	2,480.4	2,986.0	3,767.5
Deposits of local governments	6,073.7	6,215.5	6,482.5	6,850.4	6,941.8	6,854.2	7,180.6	7,373.7	7,383.4	7,017.5	6,501.1	6,375.7	5,754.0
Claims and liabilities from collections	204.2	201.5	237.6	209.6	210.4	205.4	220.4	226.2	221.1	253.3	250.9	211.0	373.1
Branches and representative offices in the SR	244.2	303.9	3,409.4	643.0	498.4	493.2	690.0	1,088.0	912.3	673.4	687.3	844.3	367.8
Claims, adjustment and other suspense accounts	17,236.0	20,688.1	21,774.0	23,434.9	22,616.9	18,693.1	18,251.0	18,200.3	20,363.8	21,261.9	24,481.8	29,564.4	20,037.6
Securities for intervention and dealing	151.3	536.3	235.1	143.2	125.0	150.1	139.7	585.1	136.8	1,060.7	185.6	2,133.8	156.1
Purchased securities in portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims and liabilities from own issues of securities	96.1	111.1	185.7	87.6	116.8	420.5	163.0	84.4	65.9	39.3	26.0	120.7	115.9
Subsidies and funds of similar nature	3,528.3	3,522.4	3,686.5	3,683.5	3,681.9	3,857.8	3,850.8	3,838.0	3,822.2	3,819.6	3,806.6	3,800.6	3,796.4
Liabilities from outstanding securities	15.2	15.1	15.1	15.1	15.1	15.3	5.8	5.8	-3.8	5.8	5.8	5.8	5.7
Bonds issued	11,950.0	11,962.2	12,875.8	12,876.5	12,889.9	12,890.9	13,143.0	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9
Long-term borrowings of special nature	6,437.2	6,418.8	6,416.8	6,644.5	6,731.4	6,739.7	6,691.7	6,953.6	6,894.6	6,762.4	6,668.4	6,839.8	6,945.7
Reserves	27,046.0	25,900.6	27,152.7	27,715.6	27,772.9	28,028.2	28,901.5	29,077.9	29,446.3	31,394.3	31,792.1	32,593.1	34,914.2
Funds allocated from profits	13,034.5	13,046.3	13,027.6	13,031.4	13,068.3	13,631.6	12,496.7	12,469.4	12,456.9	12,459.5	12,453.3	12,443.2	12,399.5
Share capital	23,468.8	23,764.1	23,767.8	23,825.9	23,826.7	24,727.0	24,724.8	24,729.0	25,229.7	25,525.6	26,674.2	26,679.8	26,963.7
Long-term liabilities of foreign banks' branches to head offices	6,571.4	6,546.7	6,542.7	6,526.9	5,977.7	5,863.2	5,880.0	5,859.4	5,885.1	5,971.7	5,945.0	6,013.9	5,055.3
Share premium funds	874.2	874.4	899.2	899.2	899.2	975.7	975.7	975.7	975.7	984.7	977.7	977.7	1,032.6
Other capital funds	1,087.4	1,084.8	1,083.8	1,086.2	1,086.2	1,105.4	1,105.4	1,105.4	1,105.4	1,105.4	1,105.4	1,105.4	1,108.6
Gains / losses from valuation of property shares	126.9	138.0	138.0	138.3	138.3	138.3	139.5	139.5	151.2	151.2	151.2	159.9	103.6
Own shares issued to reduce share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains / losses from revaluation of share capital in foreign currency	47.3	44.6	43.3	21.0	16.8	31.5	25.5	44.6	36.4	17.5	-3.2	53.4	90.2
Retained earnings from previous years (+)	1,710.6	1,746.5	1,746.5	1,795.6	1,817.6	2,283.6	2,193.8	2,193.8	2,306.7	2,314.9	2,372.8	2,372.8	2,314.9
Accumulated losses from previous years (-)	-8,761.6	-8,704.4	-8,723.3	-8,691.5	-8,045.2	-11,250.6	-11,317.5	-11,317.5	-11,306.9	-11,274.0	-11,274.0	-11,274.0	-11,274.0
Profit and loss account (+,-)	74.6	453.4	1,544.1	1,167.9	1,326.4	1,692.4	2,024.1	2,727.9	2,798.6	1,405.6	1,699.1	1,784.6	-1,340.5
Profit or loss in process of approval (+,-)	-2,225.3	-2,135.8	-2,130.6	-2,356.9	-2,523.0	-1,038.6	239.0	248.1	109.3	57.9	0.0	0.0	0.0
Total liabilities	703,097.0	723,589.1	752,980.1	747,169.8	772,370.7	743,496.3	764,355.6	751,845.9	759,618.5	751,700.0	767,266.2	781,961.2	776,852.5
of which: in convertible currency	120,085.6	123,569.0	128,732.8	131,594.4	138,459.2	137,495.8	149,410.2	160,346.5	167,284.7	163,432.5	166,102.6	172,754.3	152,083.5
in non-convertible currency	5.8	5.9	6.0	6.0	6.1	6.0	6.1	6.3	6.3	6.1	6.0	6.2	0.0

## Foreign Exchange Assets and Liabilities of the Banking Sector in Relation to Foreign Countries

(in convertible currency)

(US\$ thousands)

End-of-month figures	Foreign exchange assets			Foreign exchange liabilities			Foreign exchange position		
	Total	Short-term	Medium- and long-term	Total	Short-term	Medium- and long-term	Total	Short-term	Medium- and Long-term
01/97	2,408,828	2,253,824	155,005	2,369,836	1,618,360	751,476	38,992	635,464	-596,472
02/97	2,594,523	2,418,586	175,936	2,459,095	1,728,232	730,863	135,427	690,354	-554,927
03/97	2,637,057	2,447,347	189,711	2,571,592	1,838,353	733,239	65,465	608,993	-543,528
04/97	2,846,734	2,610,561	236,173	2,759,406	2,125,205	634,201	87,327	485,356	-398,028
05/97	3,037,029	2,797,177	239,852	2,657,691	1,952,118	705,574	379,338	845,059	-465,721
06/97	3,454,078	3,109,293	344,785	2,967,548	2,240,114	727,434	486,530	869,179	-382,649
07/97	3,619,905	3,372,264	247,641	3,106,580	2,434,563	672,018	513,324	937,701	-424,377
08/97	3,808,648	3,550,466	258,181	3,331,200	2,650,382	680,818	477,447	900,084	-422,637
09/97	3,869,170	3,625,675	243,496	3,334,851	2,652,071	682,781	534,319	973,604	-439,285
10/97	4,102,169	3,859,142	243,027	3,457,409	2,741,097	716,312	644,759	1,118,045	-473,286
11/97	4,101,746	3,883,227	218,519	3,558,508	2,884,389	674,119	543,239	998,839	-455,600
12/97	3,419,553	3,203,559	215,994	2,878,552	2,209,675	668,877	541,001	993,884	-452,883

## Foreign Exchange Position of the Banking Sector in Relation to Foreign Countries

(in convertible currency)

(Sk thousands)

End-of-month figures	Total			Short-term			Medium- and long-term		
	FX position	Assets	Liabilities	FX position	Assets	Liabilities	FX position	Assets	Liabilities
01/97	1,265,337	78,168,889	76,903,552	20,621,447	73,138,836	52,517,389	-19,356,110	5,030,053	24,386,163
02/97	4,505,131	86,309,393	81,804,262	22,965,318	80,456,693	57,491,375	-18,460,187	5,852,700	24,312,887
03/97	2,165,915	87,247,035	85,081,120	20,148,536	80,970,460	60,821,924	-17,982,621	6,276,575	24,259,196
04/97	2,933,411	95,624,625	92,691,214	16,303,579	87,691,339	71,387,760	-13,370,168	7,933,286	21,303,454
05/97	12,636,872	101,172,540	88,535,668	28,151,448	93,182,341	65,030,893	-15,514,576	7,990,199	23,504,775
06/97	16,240,361	115,297,117	99,056,756	29,013,195	103,788,189	74,774,994	-12,772,834	11,508,928	24,281,762
07/97	17,906,803	126,276,752	108,369,949	32,710,757	117,638,043	84,927,286	-14,803,954	8,638,709	23,442,663
08/97	16,484,343	131,497,371	115,013,028	31,076,300	122,583,404	91,507,104	-14,591,957	8,913,967	23,505,924
09/97	18,054,102	130,735,398	112,681,296	32,897,103	122,507,927	89,610,824	-14,843,001	8,227,471	23,070,472
10/97	21,437,607	136,393,009	114,955,402	37,173,879	128,312,612	91,138,733	-15,736,272	8,080,397	23,816,669
11/97	18,578,762	140,279,727	121,700,965	34,160,284	132,806,376	98,646,092	-15,581,522	7,473,351	23,054,873
12/97	18,817,099	118,938,881	100,121,782	34,569,269	111,426,184	76,856,915	-15,752,170	7,512,697	23,264,867

## Capital Market

(Sk millions, pcs)

Bratislava Stock Exchange (BCPB)	1993	1994	1995	1996	1997												
	1-12	1-12	1-12	1-12	1	2	3	4	5	6	7	8	9	10	11	12	1-12
<b>A. VOLUME OF TRANSACTIONS</b>																	
1. Volume of transactions - total	166.3	62,383.5	40,068.7	114,116.3	10,522.1	17,132.5	10,732.1	7,531.3	14,941.4	15,944.3	11,185.6	9,516.1	7,339.9	10,667.2	19,984.2	28,567.2	164,063.9
of which:																	
a/ Trading on the BCPB floor	37.9	829.4	470.8	15,824.1	148.7	798.2	404.9	607.1	952.2	152.1	216.6	257.1	199.2	685.3	730.7	770.8	5,922.9
b/ Direct transactions	128.4	5,454.1	39,597.9	98,292.2	10,373.4	16,334.3	10,327.2	6,924.2	13,989.2	15,792.2	10,969.0	9,259.0	7,140.7	9,981.9	19,253.5	27,796.4	158,141.0
2. Number of securities sold (pcs)	115,863	8,598,516	45,158,670	31,235,383	13,384,609	10,517,131	11,560,731	6,026,927	7,272,907	10,116,360	13,152,413	13,565,970	8,309,870	10,702,800	16,664,909	18,945,768	40,220,395
<b>B. STRUCTURE OF TRANSACTIONS</b>																	
Volume of transactions - total	166.3	6,283.5	40,068.7	114,116.3	10,522.1	17,132.5	10,732.1	7,531.3	14,941.4	15,944.3	11,185.6	9,516.1	7,339.9	10,667.2	19,984.2	28,567.2	164,063.9
of which:																	
a/ Market for listed securities	95.7	4,654.4	23,554.7	57,702.8	2,828.7	11,324.9	7,892.4	4,136.3	12,465.7	10,221.1	5,345.7	5,114.1	5,179.8	6,431.4	14,832.5	17,149.5	102,922.1
- shares	18.7	3,838.7	11,487.3	40,238.4	2,335.2	6,016.9	5,006.6	1,626.3	2,569.4	1,576.4	4,408.0	2,950.0	3,446.3	3,662.0	6,731.2	5,070.1	45,398.4
- bonds	77.0	815.7	12,067.4	17,464.4	493.5	5,308.0	2,885.8	2,510.0	9,896.3	8,644.7	937.7	2,164.1	1,733.5	2,769.4	8,101.3	12,079.4	57,523.7
b/ Market for unlisted securities	70.7	1,629.1	16,514.0	56,413.5	7,693.4	5,807.6	2,839.7	3,395.0	2,475.7	5,723.2	5,839.9	-	-	-	-	-	33,774.5
- shares	70.7	1,589.6	13,243.4	42,891.6	2,860.1	4,030.9	2,089.4	1,915.3	1,232.2	4,383.7	4,559.8	-	-	-	-	-	21,071.4
- bonds	0.0	39.5	3,270.6	13,521.9	4,833.3	1,776.7	750.3	1,479.7	1,243.5	1,339.5	1,280.1	-	-	-	-	-	12,703.1
c/ Market for unregistered sec.	-	-	-	-	-	-	-	-	-	-	-	2,036.4	1,347.0	3,569.0	3,082.8	8,914.3	18,949.5
- shares	-	-	-	-	-	-	-	-	-	-	-	1,140.9	359.9	1,881.5	1,918.1	2,746.2	8,046.6
- bonds	-	-	-	-	-	-	-	-	-	-	-	895.5	987.1	1,687.5	1,164.7	6,168.1	10,902.9
d/ Free market	-	-	-	-	-	-	-	-	-	-	-	2,365.6	813.1	666.8	2,068.9	2,503.4	8,417.8
- shares	-	-	-	-	-	-	-	-	-	-	-	2,360.5	813.1	661.6	2,063.9	2,256.0	8,155.1
- bonds	-	-	-	-	-	-	-	-	-	-	-	5.1	0	5.2	5.0	247.4	262.7

(Sk millions)

RM - System Slovakia Bratislava	1993	1994	1995	1996	1997												
	1-12	1-12	1-12	1-12	1	2	3	4	5	6	7	8	9	10	11	12	1-12
Volume of transactions - total	43.3	1,970.3	18,051.7	26,550.7	1,755.7	1,532.4	1,185.0	1,232.0	1,550.0	3,037.4	780.6	507.1	501.1	775.2	1,550.2	1,577.7	15,984.4
of which:																	
a/ Periodic auctions	43.3	1,581.7	100.0														
b/ Regular auctions	0.0	388.6	17,951.7	26,550.7	1,755.7	1,532.4	1,185.0	1,232.0	1,550.0	3,037.4	780.6	507.1	501.1	775.2	1,550.2	1,577.7	15,984.4

Source: BCPB, RM - System Slovakia

## **Publications of the National Bank of Slovakia**

### ***Regular publications***

Menový prehľad / Monetary Survey (monthly bulletin)  
Výročná správa / Annual Report

BIATEC - Banking Journal (monthly, with selected articles in English)  
BIATEC - Special Issue Commemorating the Fifth Anniversary of the NBS

### ***Other publications***

- Národná banka Slovenska / National Bank of Slovakia / Nationalbank der Slowakei
- Laws and decrees:
  - National Bank of Slovakia Act
  - Accountancy Act
  - Devízový zákon / Foreign Exchange Act
  - Zákon o bankách / Banking Act
  - Zákon o ochrane vkladov / Act on Protection of Bank Deposits
- Working papers of the Institute of Monetary and Financial Studies of the NBS:
  - Money Supply in the Slovak Republic
  - Hypotekárne nástroje
  - Mortgage Instruments
  - Zahraničný kapitál v ekonomike Slovenska
  - Foreign Capital in the Economy of Slovakia
- Information on Slovak banknotes, coins, and commemorative coins

**Governor**

*Vladimír Masár*

**Vice-Governor**

*Jozef Mudrik*

**Vice-Governor**

*Marián Jusko*

