

## CONTENTS

1. Monetary development.....	3
1.1. Factors affecting the development of the money supply.....	3
1.2. Structure of the money supply.....	5
1.3. Bank lending.....	6
1.4. Interest rate development in July.....	6
2. Implementation of monetary policy.....	7
3. Inflation.....	8
4. Money market.....	9
4.1. Primary market for Treasury bills.....	9
4.2. Secondary market.....	9
5. Capital market.....	10
5.1. Primary market.....	10
5.2. Secondary market.....	11
6. Interbank foreign exchange market.....	12
7. Balance of payments for January to June.....	12
8. Net foreign debt of Slovakia.....	14
9. Appendices.....	15
Monetary survey.....	17
Balance of payments for January to June.....	18
Volume of foreign capital in the SR.....	19
Foreign capital in the SR.....	19
Inflow of foreign capital.....	20
Outflow of capital from the SR.....	21
Foreign exchange reserves.....	22
Gross foreign debt.....	22
Money supply.....	23
Monetary-policy instruments.....	24
Development of deposits.....	25
Development of loans.....	25
Average lending rates of commercial banks.....	26
Average interest rates on crown deposits and volume of crown deposits.....	27
Development of average interbank offered rates (BRIBOR).....	28
Basic characteristics of Slovakia's foreign exchange market.....	29
Average monthly exchange rates of SKK.....	29
Gross domestic product.....	30
Consumer prices.....	31
Producer prices of selected products and materials.....	32
Inflation rate.....	33
Unemployment.....	33
State budget.....	34

Industrial production .....	35
Construction .....	36
Foreign trade .....	37

*The typescript was sent to press on 2 October 1998*

## 1. Monetary development

In August, the price level fell month-on-month by 0.2%, bringing down the 12-month rate of consumer-price inflation from 7.0% (in July) to 5.7%.

*Moderate fall in prices, ...*

Monetary development was significantly affected by the financial and monetary crisis in Russia, which caused a change in the behaviour of domestic and foreign entities. Subsequent purchases in NBS foreign exchange fixing reduced the level of crown liquidity, which exerted pressure on the price of money. This situation led to a rise in interbank deposit rates and the level of required yields on government bonds. Due to developments on the interbank market, where demand for foreign exchange exceeded supply, the value of the Slovak crown (Sk) depreciated by 2.1% over the course of August. At the end of the month, the official exchange rate of the crown listed by the NBS was 4.5% inside the devaluation band.

*... accompanied by a rise in interbank rates, depreciation in the value of the crown, due partly to the monetary crisis in Russia*

### 1.1. Factors affecting the development of the money supply

At the end of August, the money supply in terms of M2 reached Sk 460.8 billion, representing a year-on-year increase of 7.9%. Hence the development of the money supply followed the course set in the monetary programme.

*The development of the money supply in August ...*

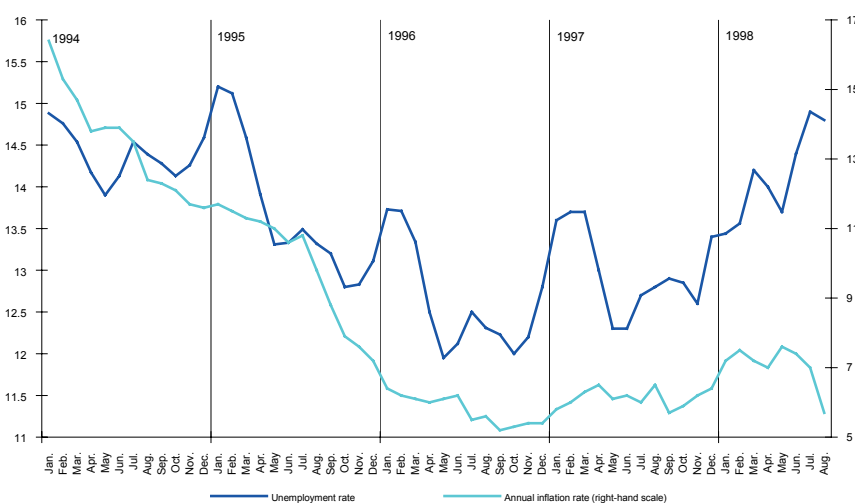
According to preliminary data, the volume of net foreign assets in the banking sector (at fixed exchange rates) fell month-on-month by Sk 7.7 billion, due to faster growth in foreign liabilities (by Sk 15.9 billion) than in foreign assets (by Sk 8.2 billion) and to developments on the interbank foreign exchange market. The fall in the net foreign assets of the NBS (Sk 7.6 billion) was accompanied by a slight decline in net foreign assets of commercial banks (Sk 0.1 billion).

*... was most influenced by a fall in net foreign assets, ...*

In August, the foreign exchange reserves of the NBS (at fixed exchange rates) fell month-on-month by Sk 4.5 billion, due mainly to the negative balance of foreign exchange fixing (Sk 8.4 billion). The decline was partly offset by government borrowings in the amount of Sk 3.9 billion. Foreign liabilities of the Government and the NBS increased by Sk 3.1 billion.

Foreign assets of commercial banks increased month-on-month by Sk 12.7 billion, due mainly to growth in deposits and loans granted to foreign banks (Sk 9.1 billion). Foreign liabilities of commercial banks increased month-on-month by Sk 12.8 billion, due to growth in deposits and borrowing from foreign banks (Sk 10.8 billion).

### Unemployment and inflation (%)



The development of net foreign assets was affected by the financial crisis in Russia. Foreign investors were obliged to compensate for funds lost or blocked in Russia by selling liquid assets and securities on national and international markets

*... which was due partly to the financial and monetary crisis in Russia ...*

and by reducing their open positions in the currencies of other countries. These steps led to a fall in stock market indices and the exchange rates of some currencies. Apart from Russia, the crisis reduces credibility in other emerging markets as well, including the entities of those countries. This may restrict the possibility of Slovak entities to borrow funds abroad.

*... affecting the economic behaviour of domestic business entities as well as non-residents*

The decline in net foreign assets and the relatively rapid fall in the crown's exchange rate were caused by the conversion of crown deposits held by non-residents into foreign currency deposits and the increased demand on the part of residents, particularly business entities, since part of the purchases in NBS foreign exchange fixing was done on the basis of client orders.

*Net domestic assets had a positive effect on the growth of M2 ...*

The fall in net foreign assets was offset by the development of domestic resources, when net domestic assets increased month-on-month by Sk 9.2 billion, while the rate of year-on-year growth reached 12.0%.

*... due mainly to continued increase in net credit to the Government*

In August, the volume of net credit to the Government increased further by Sk 2.1 billion, once again exceeding the budget figure for the month. At the end of August, the volume of credit reached Sk 116.5 billion, representing a year-on-year increase of 33.9%. Public finances were also affected by the purchase of government bonds by non-residents in the amount of Sk 3 billion. Since government securities (denominated in domestic currency) held by non-residents are not included in net credit to the Government (according to present practice), the position of the public sector has visibly improved. If securities held by non-residents and non-banks had been included, the volume of net credit to the Government would have totalled Sk 130.3 billion at the end of August, and the rate of year-on-year growth would have reached 56.5%.

*State budget performance*

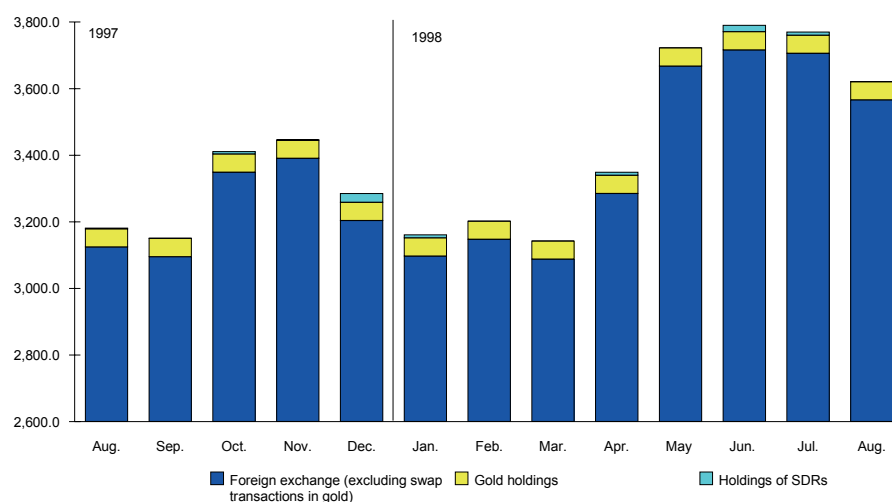
At the end of August, the performance of the State budget resulted in a deficit of Sk 8.7 billion, representing a modest improvement (Sk 0.2 billion) compared with the previous month. Budget revenue reached Sk 116.1 billion and expenditure totalled Sk 124.8 billion.

*Internal debt of the Government*

At the end of the month, the net position of the Government vis-a-vis the banking sector reached (according to preliminary data) Sk 61.7 billion, representing a month-on-month reduction of approximately Sk 1.5 billion (almost the same deficit level as in July). The fall in the level of internal debt was due to an increase in the repayment of principal on government bonds issued in previous years, in relation to the response at government bond auctions in August.

**Development of NBS foreign exchange reserves**

**(US\$ millions)**



Value of gold = 42.22 US\$/oz

Growth in M2 was positively influenced by the lending activities of commercial banks, which increased month-on-month by Sk 1.6 billion. This represented a slowdown in the rate of year-on-year growth (from 4.4% in July to 4.0% in August). In August, bank lending to households and enterprises again remained below the projected level, acting as a brake on government spending and moderating the effect on the money supply.

*Bank lending to households and enterprises had a moderating effect on the money supply*

At the end of August, the total foreign exchange reserves of the NBS (at current exchange rates) reached US\$ 3,621.5 million, representing a month-on-month decline of US\$ 148.5 million. The volume of foreign exchange reserves was 3.0 times greater than the average volume of monthly imports of goods and services to Slovakia during the first six months of 1998.

*Foreign exchange reserves of the NBS*

## 1.2. Structure of the money supply

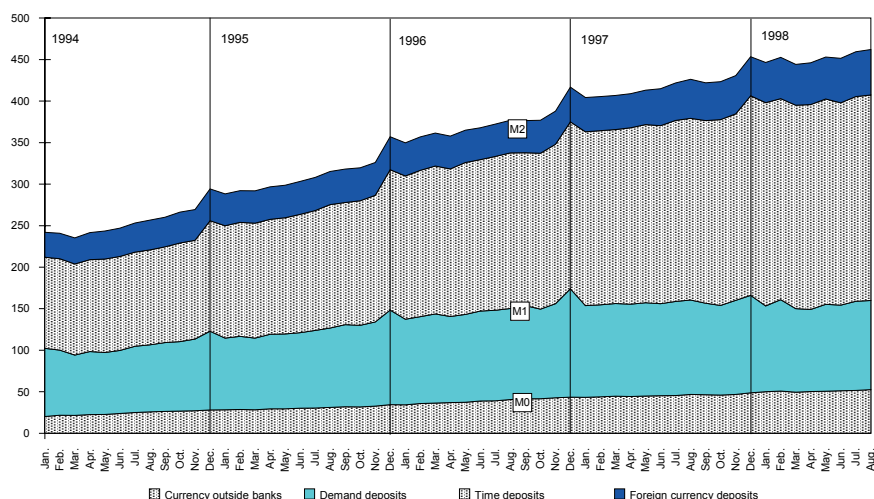
In August, the M2 money supply (at fixed exchange rates) increased by Sk 1.5 billion, reaching Sk 460.8 billion at the end of the month. The growth in M2 was due to an increase in both quasi-money (Sk 0.6 billion) and the M1 aggregate (Sk 0.9 billion).

*Moderate month-on-month increase in M2, ....*

Compared with July, the rate of year-on-year increase in the M2 aggregate slowed to 7.9% in August. The year-on-year increase in quasi-money (12.9%) continued to exceed the 12-month rate of increase in the M1 aggregate (-0.4%).

*... accompanied by a slowdown in the rate of year-on-year growth*

### Development of the M2 monetary aggregate (Sk billions)



The volume of currency outside the banking sector increased by Sk 0.9 billion during August. In terms of the currency issue cycle, the maximum volume of currency was recorded on 21 August, representing a four-day shift in comparison with the standard course of currency issue.

Demand deposits remained virtually unchanged throughout August. The development of demand deposits followed a standard course, marked by increases during the first two ten-day periods and a fall during the last ten days.

### Structure of the money supply (M2)

(%)

	1.1.1998	31.7.1998	31.8.1998	31.8.1997
<b>Money supply [M2]</b>	100.00	100.00	100.00	100.00
<b>Money [M1]</b>	36.63	34.62	34.70	37.58
Currency outside banks [M0]	10.74	11.23	11.39	10.96
Demand deposits	25.89	23.38	23.31	26.62
<b>Quasi-money [QM]</b>	63.37	65.38	65.30	62.42
Time deposits	53.01	53.67	53.71	51.21
Foreign currency deposits	10.36	11.71	11.59	11.22

Time deposits increased month-on-month by Sk 1.0 billion, continuing the upward trend. In August, foreign-currency deposits recorded a month-on-month decline of Sk 0.4 billion.

With regard to the individual components of the money supply, the weight of the M1 aggregate increased in August, due mainly to the development of currency outside the banking sector. On the other hand, the weight of quasi-money decreased due to a decline in foreign-currency deposits.

*Moderate growth  
in crown deposits*

Slovak-crown deposits, as a component of the money supply, increased in August by Sk 1.0 billion month-on-month, due primarily to growth (Sk 2.1 billion) in corporate deposits (including those held by insurance companies). Household deposits recorded a month-on-month decline of Sk 1.1 billion. Compared with the beginning of the year, the volume of crown deposits has fallen by Sk 2.9 billion, and corporate deposits have declined by Sk 15.5 billion. On the other hand, household deposits have grown by Sk 12.6 billion. The rate of year-on-year growth in crown deposits reached 6.8% in August. Household deposits have increased year-on-year by 17.3%, and corporate deposits have declined by 10.4% year-on-year.

### 1.3. Bank lending

*Growth in crown loans and  
foreign-currency loans*

In August, total bank lending (loans to enterprises, households, central and local authorities for extra-budgetary purposes, NBS loans, and other loans) increased month-on-month by Sk 2.7 billion, due to growth in crown loans (Sk 1.5 billion) and foreign-currency loans (Sk 1.2 billion). At the end of August, the volume of bank loans totalled Sk 388.2 billion, of which loans in Slovak crowns accounted for Sk 335.5 billion and foreign-currency loans Sk 52.7 billion. The increase in crown loans took place mainly in the household sector (Sk 0.9 billion), but also in the entrepreneurial (Sk 0.3 billion) and government sectors (Sk 0.3 billion). Since the beginning of the year, the volume of total bank credit has increased by Sk 2.6 billion, due to decline in crown loans (Sk 3.5 billion) and growth in foreign-currency loans (Sk 6.1 billion). In the same period of last year, crown loans had increased month-on-month by Sk 3.7 billion and loans in foreign-currency by Sk 0.7 billion.

The volume of total bank credit increased year-on-year by 0.9%; crown loans fell by 1.8%, while loans in foreign currency increased by 22.0%.

### 1.4. Interest rate development in July

*The average interest rate on  
the total volume of loans fell*

In July, the average interest rate on the total volume of loans fell month-on-month by 0.32 points, to 16.03%. Lending rates for short-term loans fell by 0.66 points, to 19.34%; and those for medium-term loans by 0.26 points. The level of interest rates on long-term loans remained virtually unchanged.

*The level of interest rates on  
new loans fell significantly*

The average interest rate on new loans fell by 2.27 points (to 14.17%); the rate on short-term loans by 2.47 points (to 14.17%), and that on medium-term loans by 1.15 points (to 14.05%). The average lending rate for long-term loans rose by 0.40 points, to 14.87%. However, the share of new medium (4.34%) and long-term loans (0.95%) in total crown loans was negligible. The level of average interest rate was significantly affected by an increase in the share of short-term loans with a substantially reduced average interest rate, and by a change in the structure of loans by purpose with widely divergent interest rates. Of the total volume of new loans, 36.5% were granted at fixed interest rates and 63.5% at flexible rates.

With regard to types of loans by purpose, average interest rates fell on operating loans (by 3.51 points, to 11.09%), standard loans (by 1.25 points, to 16.01%), and on overdrafts (by 1.01 points, to 19.17%). These loans accounted for only 7.49% of total bank credit and were mainly loans with a maturity of up to 3 months. A month-on-month increase was recorded in the level of interest rates on development loans (by 1.34 points, to 18.09%), representing a mere 2.2% of the total.

*The average interest rate on  
total deposits decreased*

Compared with the level in June, the average interest rate on total crown deposits fell by 0.39 points, to 9.53% in July. Decreases were recorded in average interest

rates on short-term deposits, especially on 7-day deposits (by 1.74 points, to 13.27%); 6-month deposits (by 1.29 points, to 15.23%); 1-month deposits (by 1.08 points, to 15.28%); and 3-month deposits (by 0.82 points, to 17.63%). Short-term deposits accounted for 30.7% of total crown deposits.

The development of interest rates on crown deposits in July was characterised by a stable level of interest rates on long-term deposits.

As a result of a fall in the average interest rate on the total volume of deposits (0.39 points) and reduction in the average rate on crown deposits (0.32 points), the nominal margin increased from 6.43% in June to 6.50% in July. The level of real interest rates on one-year deposits rose from 3.64% in June to 4.08% in July, due to a fall in the 12-month rate of consumer-price inflation (from 7.4% to 7.0%), while the average interest rate on one-year deposits slightly increased (by 0.04 points, to 11.08%).

*Rise in real interest rate levels*

## 2. Implementation of monetary policy

In August, monetary policy was implemented in an environment characterised by an uneven distribution of liquid assets in the banking sector. This was connected with the high level and increased volatility of interest rates on the interbank market. Average interest rates on one-month deposits rose by approximately 4 percentage points in comparison with the previous month. Within open market operations, the implementation of monetary policy was influenced by developments in the area of foreign exchange and exchange rate policy.

*The uneven distribution of liquidity in the banking sector in August, ...*

The shortage of liquidity, which had existed in the banking sector since the beginning of the month, was eliminated by an inflow of liquid assets obtained from REPO tenders, conducted for sterilisation purposes over the previous month, and from the payment of principal on government bonds. These represented the only source of liquidity for commercial banks during the first half of the month. The Central Bank was active on the interbank market mainly in the form of REPO tenders conducted for sterilisation purposes and Treasury-bill issues with a maturity of three months.

*... was associated with the inflow of funds from REPO tenders conducted for sterilisation purposes and the payment of principal on government bonds ...*

During the second period, the shortage of liquidity at commercial banks was due to the conversion of crown resources into foreign currency in the amount of roughly Sk 8 billion, due to a certain extent to the ongoing financial crisis in Russia and effects on monetary development in other countries.

*... and the course of trading in NBS foreign exchange fixing, ...*

In foreign exchange fixing, trading showed a marked increase: 35 transactions were concluded in the amount of US\$ 239.6 million (US\$ 102.4 million and DM 246.2 million), representing sales of foreign exchange by the NBS. The negative balance was to some extent due to increased instability on the foreign exchange market in the middle of August, caused primarily by the financial crisis in Russia and the run-up to the parliamentary elections. The currency basket unit increased in value from 1.0245 (31 July) to 1.0450 (31 August). The NBS intervened indirectly in favour of the Slovak crown by maintaining IDX at the level of 1.0450, while the value of the index on the market rose to a maximum (1.0580).

In spite of this, the net foreign assets of the NBS in average terms increased (at current exchange rates) month-on-month by Sk 2.2 billion, due to the inflow of funds from foreign government loans amounting to approximately Sk 4 billion at the beginning of the month, and to the effects of depreciation in the value of the Slovak crown.

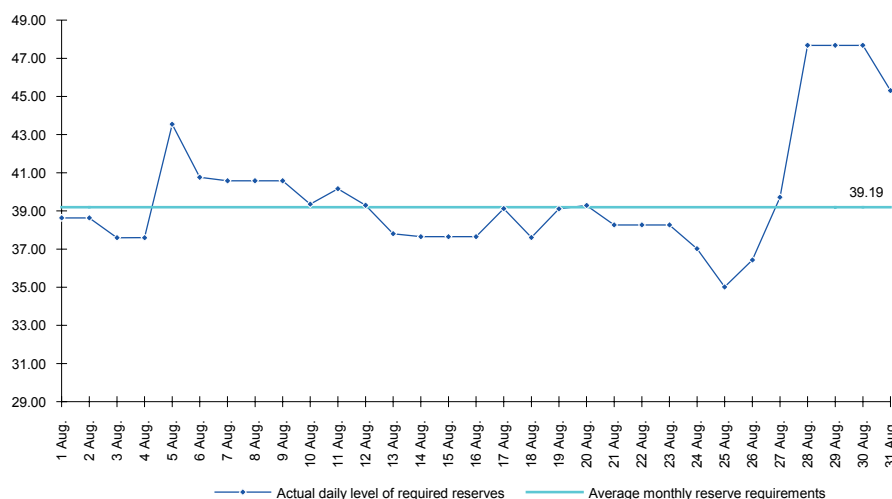
These circumstances, including the move of the NBS to sterilisation in the form of transactions in 3-month NBS bills, characterised by the interest of banks and advantageous interest rates, as well as a marked reduction in liquidity through budget revenues at the end of the month, led the NBS to support the banking sector in the form of short-term refinancing at the end of the 2nd period of the month.

*... and necessitated NBS intervention at the end of the month in the form of short-term refinancing to the banking sector*

*Reserve requirements*

In August, the level of required reserves in the banking sector was set at Sk 39,192 million. By the end of the month, the reserve requirements had been fulfilled to 101.61%. At the end of the first period in August, the reserve requirements had been fulfilled to 100.43% with average surplus reserves at the level of Sk 169 million. At the end of the second period, the reserve requirements had been fulfilled to 102.71% with average excess reserves amounting to Sk 1,064 million.

**Fulfilment of reserve requirements** (Sk billions)



**3. Inflation**

*Consumer prices fell month-on-month by 0.2%*

In terms of inflation, the situation from the previous month persisted and the level of consumer prices fell again by 0.2%. The 12-month rate of inflation fell from 7.0% in July, to 5.7% in August. The marked fall in inflation reflected the current fall in price levels and was also due to the price level of the corresponding period (August 1997), which had increased due to price deregulation. Since the beginning of the year, the level of consumer prices has risen by 3.4%.

*... due mainly to the effects of seasonal factors*

The fall in the level of consumer prices in August was due mainly to price development in the categories of foodstuffs (a fall of 1.1%) and tobacco (a fall of 1.9%). The reduction in food prices was due mostly to a fall in the price of vegetables, including potatoes and fruit. The reduction in the price of seasonal foodstuffs was large enough to compensate for a rise in the price of bread and flour products and further increase in the price of meat. At the same time, the price index of foodstuffs remained 1.1% below the July level.

The seasonal nature of price development in the category of foodstuffs caused marked fluctuation in the 12-month rate of inflation (7.6% in May, 5.7% in August). The price of fruit and vegetables, with a maximum in April and May, stabilised in June and then fell sharply during the next two months.

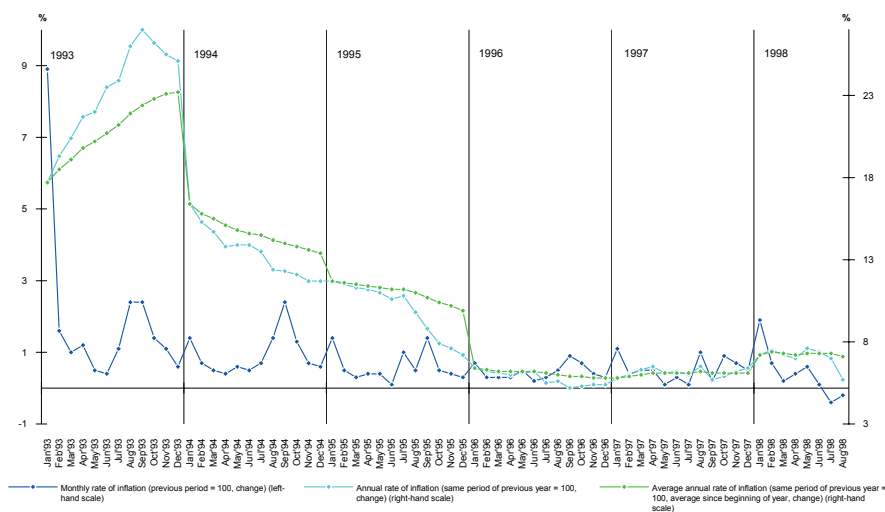
*A positive factor in the development of inflation was the marked slowdown in the increase in prices in the category of tradable goods and market services*

Apart from the seasonal reduction in food prices, a positive factor in the development of inflation was stabilisation of the prices of other tradable commodities, the price index of which remained at the level of July, which may be regarded as a delayed effect of reduction in the import surcharge, i.e. from 5% to 3% (with effect from 1 April 1998). The rate of price increase slowed even in categories, which had recorded large increases over extended periods (clothes, footwear, recreation, and culture). The reduction in food prices and the stabilisation of prices in the category of tradable goods and services with regulated prices, contributed to the slowdown in the rate of price increase in market services (the



most significant reductions were recorded in the prices of services related to housing, e.g. installation work and furniture repair).

**Inflation (%)**



**4. Money market**

**4.1. Primary market for Treasury bills**

In August, the Ministry of Finance of the SR financed the deficit of the State budget from funds obtained in a different way to the issue and sale of Treasury bills. This fact was in line with the 'Schedule for the Issue of Government Securities for the 3rd Quarter of 1998', in which only government bond issues were planned for the period under consideration.

**4.2. Secondary market**

In August, the National Bank of Slovakia intervened in the money market by conducting five REPO tenders for sterilisation purposes: one for refinancing purposes and two auctions in Central Bank bills (NBS bills). The average daily volume of sterilisation amounted to Sk 12.227 billion (the daily volume of sterilisation reached a maximum of Sk 18.100 billion in the first week, and a minimum of Sk 3.350 billion at the end of the month).

During the first period of August, the excess of liquidity was due to the effects of sterilisation measures applied in July. The effort to reduce the level of liquidity on a long-term basis, was realised through auctions in NBS bills. This form of intervention was last applied two years ago. Two auctions were conducted in 84-day NBS bills by Dutch-style auction in the middle of August. At the first auction (6 August), bids were accepted for Sk 3.7 billion worth of bills with a yield of 15.49%. At the second auction (13 August), the issuer accepted bids for Sk 2.65 billion at a yield of 15.39%, while demand exceeded twice the accepted volume. Interest yields were comparable with the price of deposits on the money market.

During the second half of the month, the level of liquidity in the banking sector fell, due to activities on the foreign exchange market. Fear of the effects of the Russian crisis and the inflow of speculative capital led to increased purchases of foreign exchange by commercial banks in foreign exchange fixing at the NBS. The demand for liquidity raised the level of interbank deposit rates. At the end of the third week, banks ceased listing the prices of certain deposits, particularly the sales side. One-day deposits were offered at a rate above 30%. The 20% limit was well exceeded by the deposits of all companies.

*During the 1st period, the open market operations of the NBS ...*

*... were aimed at reducing the level of excess liquidity*

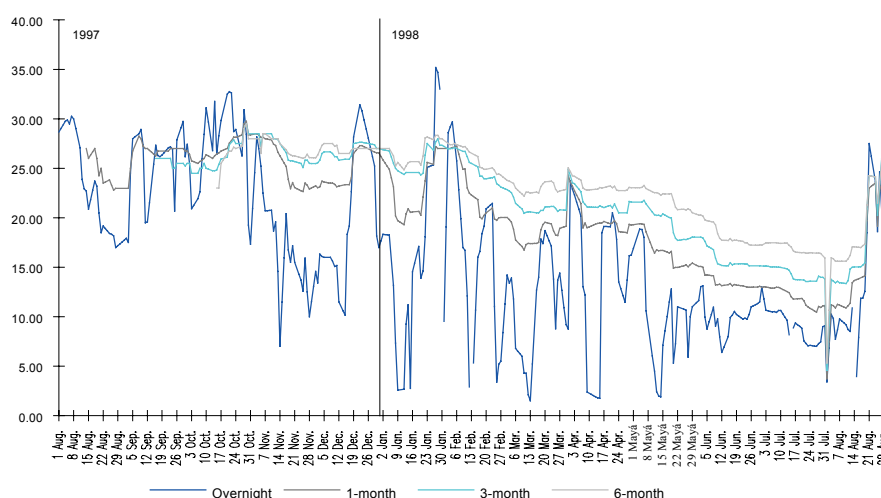
*The reduction in liquidity levels during the 2nd period, influenced by the financial crisis in Russia, was reflected in interbank deposit rates*

In an effort to restrict trading on the foreign exchange market (purchases in foreign exchange fixing), two 14-day REPO tenders were announced for sterilisation purposes, but they were not accepted due to low demand and the inadequate yields offered.

*At the end of August, the NBS allowed refinancing in the banking sector*

The situation on the market and its coverage in the media led to a meeting of reference banks (24 August), which declared their interest in a joint approach to the stabilisation of the market. On 27 August, the NBS conducted a 4-day REPO tender for refinancing purposes, thereby making, at the end of the period, Sk 3 billion available to the banking sector. As a result, liquidity moved back to surplus from a state of shortage.

**Development of average interbank offered rates (BRIBOR) (% p.a.)**



**5. Capital market**

**5.1. Primary market**

*Government bonds*

In August, four auctions were held in government bonds (of which three were successful) in accordance with the schedule for the issue of government securities. One issue had maturity set at two years, and the other two at one year. The par value was set at Sk 1,000,000 for all the four issues of bonds. The issuer (Ministry of Finance of the SR) gradually reduced the coupon yield from 15% p.a. to 14% p.a., then to 13% p.a. The auctions were carried out in the American style, with unlimited issue-amounts.

A common feature of the August issues was continued fall in the level of maximum accepted yields to maturity, to 16.99% p.a. (the lowest level since the beginning of 1998) at the second auction in August. The third auction was not successful. In view of the favourable performance of the State budget, the issuer refused all the bids. At the last auction, the maximum accepted yield to maturity increased yet again, reversing the decline of the last two months. Total demand for government bonds reached Sk 26,730 million (representing a decline of 14.60% compared with July); the issuer accepted bids for 22.56% of this amount.

In August, the Ministry of Finance continued to lower the level of maximum accepted yields at government bond auctions. Apart from the relatively low amounts accepted of total demand, mainly at the first two auctions, the Ministry of Finance started to reduce the level of coupon yields as well. This method was successful at the first two auctions, when total demand reached an all-time high (Sk 11,310 million) at the first auction. At the last two auctions, total demand fell on the part of investors, which had a negative effect on the course of the auctions and an increase in the maximum accepted yield. During the second half of August, the

course of auctions was influenced by the situation on the money market, which recorded an outflow of crown resources via foreign exchange fixing and problems for banks in meeting reserve requirements.

During the period under review, two issues of publicly negotiable non-government bonds were made in the total amount of Sk 4 million, representing a decline of 60% compared with the figure for August 1997, when publicly negotiable non-government bonds were issued in the amount of Sk 10 million. Since the beginning of 1998, the volume of publicly negotiable non-government bonds has reached Sk 399 million, representing a fall of 93.79% compared with the same period of 1997, when bonds were issued in the total amount of Sk 6,424 million.

*Non-government bonds*

## 5.2. Secondary market

In August, the volume of trading on Bratislava Stock Exchange (BCPB) totalled Sk 24,018 million. Price-setting anonymous transactions reached Sk 1,835 million, representing 7.64% of the total volume of trading, and direct transactions amounted to Sk 22,183 million.

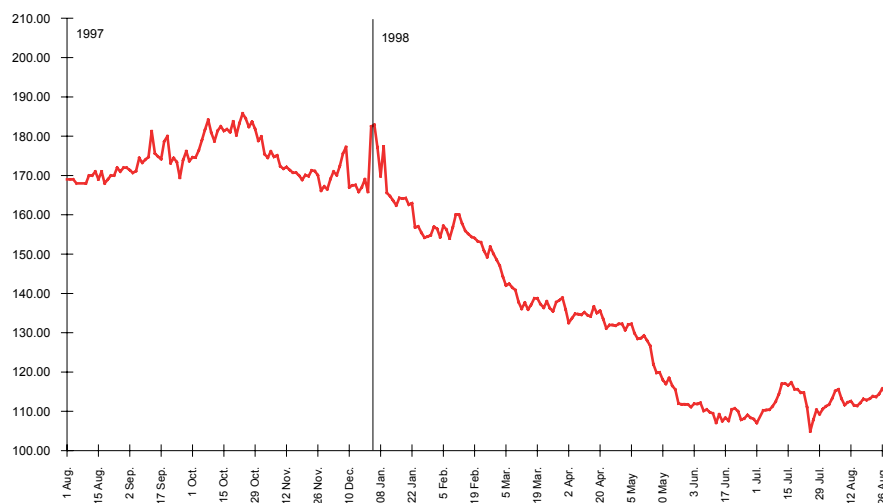
In August, most trading took place in listed bonds (88%), followed by shares on the free market (5%), shares on the market for registered securities (3%), listed shares (3%), and bonds on the registered securities market (1%). Since the beginning of the year, securities have been traded on the BCPB floor in the amount of Sk 158,977 million, of which price-setting anonymous transactions accounted for 3.7% (Sk 5,891 million).

In August, both components of the Slovak Bond Index (SDX) recorded positive changes. The component for corporate and bank bonds closed the month at 116.16 points (+3.27%); the average yield to maturity was 17.127%. The component of SDX for government bonds closed the month at 115.23 points (+0.97%) with an average yield of 19.573%. After successful primary auctions, four new issues of government bonds were incorporated into the SDX base for August.

*SDX index*

### Slovak Share Index - SAX

(%)



Compared with the end of the previous month, the Slovak Share Index (SAX) again recorded a positive change (2.02%): its value closed the last trading day of August at 113.52 points, representing a fall of 33.82% on a year-on-year basis. The values of the index did not show a stable trend, being a replica of the three most capitalised components (Slovnaft, VSŽ, and Slovakofarma), which were traded in August more frequently, but in low volumes. In fact, there is no real demand for Slovak shares and the majority of transactions are simply conducted to maintain the rates.

*SAX index*

With regard to the structure of share and bondholders registered at the Securities Centre, the most significant month-on-month change was recorded in the number of bonds held by residents excluding banks (a decrease of 4.66%). In term of securities held by domestic banks, the number of bonds increased by 2.50%, that of shares by 2.63%, and that of bonds held by non-residents by 1.68%.

## 6. Interbank foreign exchange market

*Foreign exchange market in the SR*

In August, the foreign exchange market was characterised by an increase in trading between domestic commercial banks as well as between Slovak and foreign banks. The total volume of transactions concluded on Slovakia's foreign exchange market increased month-on-month by 26.2%, from US\$ 5,334.8 million to US\$ 6,732.9 million.

*Transactions between Slovak banks*

In August, the volume of trading between Slovak commercial banks increased by 19.9%, from US\$ 2,326.9 million (in July) to US\$ 2,789.5 million. Most trading was again concluded in US\$ (84.6%, compared with 80.2% in July), followed by DM (11.9%, compared with 13.8% in July) and other European currencies (3.5%, compared with 6.0% in July). The number of contracts increased to 1,486 (from 1,152 in July), while the average amount per contract fell from US\$ 2.0 million to US\$ 1.9 million.

*Transactions between Slovak and foreign banks*

The volume of trading between Slovak and foreign banks increased by 24.4%, from US\$ 2,977.6 million to US\$ 3,703.8 million, and maintained its dominant position on the country's foreign exchange market (55%). Most trading was again concluded in US\$ (87.1%), followed by DM (11.2%), and other European currencies (1.7%). The number of transactions increased from 963 to 1,248, with an average amount of US\$ 3.0 million per contract. Trading between Slovak and foreign banks resulted in a negative balance of US\$ 95.9 million, which indicates that foreign banks purchased more foreign exchange from Slovak commercial banks than they sold.

## 7. Balance of payments for January to June 1998

*The current account deficit continued to grow, ....*

During the first half of 1998, the external relations of the Slovak Republic were characterised by an increase in the tendencies that increase the imbalance on the current account of the balance of payments. The inability of the economy to procure foreign exchange resources from exports resulted in a current account deficit of Sk 38.2 billion, i.e. US\$ 1.1 billion. According to preliminary data from the Statistical Office of the SR, the current account deficit reached 11% of GDP. Thus the current account deficit, which has remained above 10% of GDP since 1996, is now the factor most at risk in economic development and monetary stability in Slovakia.

The deficit in the current account was counterbalanced by the inflow of foreign funds into the Slovak economy. During the first half of the year, the capital and financial account of the balance of payments generated a surplus of Sk 48.4 billion, i.e. US\$ 1.4 billion. The net inflow of foreign capital, expressed as the difference between assets and liabilities on the capital and financial account, exceeded the current account deficit during the entire period under review. As a result, the foreign exchange reserves of the NBS increased by Sk 16.7 billion, i.e. US\$ 0.5 billion (excluding exchange rate differences). A significant part of this increase occurred in May and June, when the Government of the SR floated, through Nomura International Plc., bonds on foreign markets in the amount of Sk 29.7 billion.

*... due mainly to the negative balance of trade*

The shortfall in the current account was again caused by the balance of trade, which resulted in a deficit of Sk 38.4 billion. During the first half of 1998, Slovakia's foreign-trade turnover reached Sk 397.0 billion, of which exports accounted for Sk 179.3 billion and imports Sk 217.7 billion (foreign-trade figures for the 1st half of the year are based on data compiled by the Statistical Office of the SR in July).

*Exports of goods*

The structure of exports by commodity remained virtually unchanged during the first half of the year. According to the two-digit code of SITC, only two categories of goods exceeded 10%: road vehicles (15.2%) and iron and steel (12.7%). In

evaluating the steady increase in dynamics of vehicle exports, it is necessary to take into account the fact that this category covers 'goods for assembly', which are currently dependent on imported components and have a relatively low added value.

According to preliminary data from the Statistical Office of the SR, the volume of commodity imports reached Sk 217.7 billion during the first six months of the year. The structure of imports was dominated by machines and vehicles (37.5%). Of the total imports of machine engineering products (Sk 81.6 billion), passenger cars and other vehicles (including imported parts and accessories) accounted for Sk 28.9 billion, i.e. 35.5%. Imports in the sub-category 'parts and accessories for motor vehicles' are closely linked with the growth in car exports in the category 'goods for assembly', which are dependent on imported components.

*Imports of goods*

The deteriorating balance of payments on current account was also influenced by the balance of services, which ended the first half of the year with a deficit of Sk 3.9 billion, i.e. Sk 3.7 billion more than in the same period a year earlier. This development was due primarily to the growing deficit in the tourism industry. The decrease in the number of foreign tourists (according to data from the Statistical Office of the SR, the number of visitors during the first six months of the year was 2.7% less than the figure for the same period of the previous year) was accompanied by a marked fall in revenue from tourism (26.5%).

*Balance of services*

The fall in revenue from foreign tourism accompanied by stagnation in expenditure was due to the fact that services in the area of foreign tourism make a loss on foreign exchange during the 1st half of 1998, after making a profit on foreign exchange for several years. The downward trend in foreign currency income from tourism, which is one of the main services-balance items, is in contrast with the worldwide trend. In addition, tourism represents the second item (next to charges for the transit of raw materials) that was forecast to increase with regard to the development of Slovakia's tourism potential.

During the first half of 1998, the highest deficit was recorded in the balance of other services (Sk 8.1 billion). Shortfalls were recorded primarily in production-related services requiring professional qualification (commercial, legal, accounting, consulting, information, and technical services). The low competitiveness of these services, which are important for the development of other activities, is confirmed by the discrepancy between the production structure of services and the actual demands of the market. The only category of services where an active balance was achieved (as in 1997), was that of building, construction and assembly work. However, the increase in domestic demand for building and construction work and the subsequent growth in imports caused a visible fall in foreign exchange revenues from these activities to Sk 226 million, from Sk 541 million.

With regard to the individual items of the current account, surplus was achieved only in the balance of current transfers (Sk 6.4 billion). However, this surplus sufficed to cover only less than 14.2% of the current account deficit produced by other deficit items (trade balance, services balance, and the income balance).

*Current transfers*

During the first half of 1998, the capital and financial account of the balance of payments generated a surplus of Sk 48.4 billion, i.e. US\$ 1.4 billion.

*Surplus in the capital and financial account*

During the first half of the year, foreign companies invested roughly Sk 7.6 billion in the Slovak economy. This amount represents the highest figure in year-on-year comparisons since 1993. Increased direct investment was recorded in industrial production (57.6%), particularly in metal-working (50%) and the processing of food and beverages (43%).

*Direct foreign investment*

Efforts to increase exports of Slovak goods and services during 1998, led to growth in the export of capital in the form of direct foreign investment. During the first half of the year, the volume of direct investment by Slovak companies abroad increased by Sk 2.1 billion. Most capital was invested in Hungary (almost 85% of this amount). With regard to structure by sector, the largest investments were made in trade (81%), while capital employed in industrial production accounted for only 10.1% of the total.

*Portfolio investments* During the first half of 1998, the Slovak capital market saw an outflow of foreign portfolio investments. Numerous foreign investors sold their stakes (securities) in Slovak companies, which caused a fall in foreign capital interests (up to 10%) in Slovak companies (Sk 2.1 billion).

The net inflow of other long-term capital, which reached Sk 41.4 billion, took place mainly in the form of financial credits to the government and corporate sectors.

*Financial credits to the corporate and government sectors* With regard to structure by sector, the inflow of long-term capital underwent a marked change during the 1st half of 1998. Although the volume of financial credits drawn by enterprises directly from abroad, which had been the main component of long-term capital inflow during the last few years, increased further (by Sk 20.2 billion). In addition, credits were drawn in the government sector (Government and the NBS) in the amount of Sk 31.3 billion. After excluding repayments made during the 1st half of the year, the volume of long-term financial credits in the Slovak economy grew by Sk 40.0 billion, which increases the risk of excessive indebtedness and consequent increase in debt servicing.

*Inflow of capital to the banking sector* The main target of short-term capital inflow was the banking sector, where short-term liabilities increased by Sk 27.0 billion. The said increase in short-term liabilities was due primarily to growth in foreign currency deposits held by non-residents at banks operating in Slovakia (Sk 23.3 billion). This growth can be attributed to the fact that financial institutions were still in the process of complying with the provisions of NBS Decree on the foreign exchange positions of banks for monetary purposes. Compared with the previous year, the volume of transactions with foreign banks increased. The balance of trading resulted in a surplus of US\$ 296 million (i.e. US\$ 9.9 billion) and was dominated by purchases of Slovak currency by foreign banks, which gave rise to an inflow of foreign capital aimed at profiting from the advantageous interest-rate differentials between fully convertible currencies and the Slovak crown.

The growth in short-term foreign exchange liabilities of commercial banks was partly offset by an increase in foreign exchange assets, particularly in the form of deposits held with foreign banks (Sk 13.2 billion) and short-term loans granted abroad (Sk 3.9 billion).

## 8. Net foreign debt of Slovakia at 30 June 1998

*Gross external debt* At 30 June 1998, the gross external debt of the Slovak Republic totalled US\$ 11.313 billion. The official debt of the Government and the NBS stood at US\$ 2.286 billion. The level of debt in the commercial sector (i.e. commercial banks and entrepreneurial entities) reached US\$ 8.981 billion and the indebtedness of municipalities (municipal bonds issued by the city of Bratislava) amounted to US\$ 46 million.

With regard to the structure of Slovakia's gross external debt, total gross medium and long-term foreign liabilities amounted to US\$ 6.624 billion and the short-term liabilities of commercial banks and entrepreneurial entities accounted for US\$ 4.679 billion. At the end of the first half of 1998, short-term debt amounted to US\$ 4.689 billion.

Total short-term debt accounted for 41.45% of the country's total gross external debt. Per capital gross external debt amounted to US\$ 2,100.

*Net external debt* The net external debt of Slovakia - calculated as the difference between gross foreign debt, i.e. US\$ 11.3 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\$ 9.1 billion (foreign exchange reserves of the NBS, foreign assets of commercial banks and the corporate sector - export claims and financial credits), reached US\$ 2.2 billion at the end of June 1998.

## **Appendices**





## Monetary survey

(Sk billions)

	1997					1998							
	31.8.	30.9.	31.10.	30.11.	31.12.	31.1.	28.2.	31.3.	30.4.	31.5.	30.6.	31.7.	31.8.*/
Fixed exchange rate SKK / USD	31.895	31.895	31.895	31.895	31.895	34.782	34.782	34.782	34.782	34.782	34.782	34.782	34.782
Fixed exchange rate SKK / DEM	20.514	20.514	20.514	20.514	20.514	19.398	19.398	19.398	19.398	19.398	19.398	19.398	19.398
<b>ASSETS</b>													
Net foreign assets	72.3	71.0	76.8	74.0	71.4	68.3	72.3	72.6	69.7	71.3	70.4	71.1	63.4
Foreign assets	242.3	239.8	254.0	259.9	234.8	252.5	255.3	252.3	259.6	265.8	269.8	275.0	283.3
Foreign liabilities	170.0	168.8	177.2	185.9	163.4	184.2	183.0	179.7	189.9	194.5	199.4	203.9	219.9
Net domestic assets	354.8	352.3	347.9	357.4	382.5	378.6	380.2	371.9	376.8	382.2	380.6	388.2	397.4
Domestic credit	450.7	455.1	458.0	464.4	467.8	463.5	468.0	468.2	476.4	484.6	483.1	494.4	498.1
- Net credit to Government	87.0	89.2	92.3	96.9	100.5	99.3	99.5	94.9	99.3	107.2	103.9	114.4	116.5
- Net credit to FNM <sup>1/</sup>	-2.9	-2.3	-2.0	-2.2	-3.0	-1.7	-0.6	-0.2	-0.2	0.4	0.5	0.4	0.4
Credit to households and enterprises	366.6	368.2	367.7	369.7	370.3	365.9	369.1	373.5	377.3	377.0	378.7	379.6	381.2
- Credit in SKK	332.7	333.8	334.7	335.4	334.6	331.1	334.5	338.8	341.5	340.6	342.2	341.2	342.4
- Credit to enterprises	313.5	314.5	315.1	315.6	314.2	310.9	314.1	318.1	320.5	319.0	320.0	318.7	319.0
- Credit to households	19.2	19.3	19.6	19.8	20.4	20.2	20.4	20.7	21.0	21.6	22.2	22.5	23.4
- Credit in foreign currency	33.9	34.4	33.0	34.3	35.7	34.8	34.6	34.7	35.8	36.4	36.5	38.4	38.8
<b>LIABILITIES</b>													
Liquid liabilities [M2]	427.1	423.3	424.7	431.4	453.9	446.9	452.5	444.5	446.5	453.5	451.0	459.3	460.8
Money [M1]	160.5	156.6	154.0	160.1	166.1	154.3	161.0	150.1	149.2	155.4	154.4	159.0	159.9
Currency outside banks [M0]	46.8	46.4	46.0	46.8	48.7	51.0	50.7	49.5	50.2	50.6	51.2	51.6	52.5
Demand deposits	113.7	110.2	108.0	113.3	117.4	103.3	110.3	100.6	99.0	104.8	103.2	107.4	107.4
- Households	49.3	47.9	46.0	45.8	46.2	45.7	45.1	44.0	44.5	44.7	44.6	45.3	
- Enterprises	63.1	61.3	61.1	66.6	69.6	56.3	63.5	55.6	53.9	59.2	57.7	61.1	
- Insurance companies	1.3	1.0	0.9	0.9	1.6	1.3	1.7	1.0	0.6	0.9	0.9	1.0	
Quasi-money [QM]	266.6	266.7	270.7	271.3	287.8	292.6	291.5	294.4	297.3	298.1	296.6	300.3	300.9
Time and savings deposits	218.7	219.9	223.7	224.5	240.4	244.7	242.0	245.0	246.7	247.2	243.6	246.5	247.5
- Households	156.7	159.6	164.3	168.3	182.8	185.9	188.8	190.8	192.9	194.5	196.1	197.4	
- Enterprises	43.3	42.5	42.7	39.6	41.4	41.4	35.5	35.7	36.1	34.9	32.4	34.8	
- Insurance companies	18.7	17.8	16.7	16.6	16.2	17.4	17.7	18.5	17.7	17.8	15.1	14.3	
Foreign currency deposits	47.9	46.8	47.0	46.8	47.4	47.9	49.5	49.4	50.6	50.9	53.0	53.8	53.4
- Households	38.8	39.1	39.3	39.6	40.0	39.2	38.9	38.9	39.2	39.4	39.6	40.0	
- Enterprises	9.1	7.7	7.7	7.2	7.4	8.7	10.6	10.5	11.4	11.5	13.4	13.8	
Other items net	95.9	102.8	110.1	107.0	85.3	84.9	87.8	96.3	99.6	102.4	102.5	106.2	100.7

\*/ Preliminary data

1/ FNM - National Property Fund

**Balance of Payments for January to June 1998**

	Receipts / Credit (+)		Expenditures / Debit (-)		Balance	
	Sk million	USD million	Sk million	USD million	Sk million	USD million
<b>Goods</b>	179,275.0	5,133.0	217,687.0	6,232.8	-38,412.0	-1,099.8
<b>Services</b>	35,200.0	1,007.8	39,125.0	1,120.2	-3,925.0	-112.4
Transportation	12,852.0	368.0	7,681.0	219.9	5,171.0	148.1
Travel	6,230.0	178.4	7,229.0	207.0	-999.0	-28.6
Other services total	16,118.0	461.5	24,215.0	693.3	-8,097.0	-231.8
<b>Income</b>	7,970.0	228.2	10,223.0	292.7	-2,253.0	-64.5
Compensation of employees	366.0	10.5	116.0	3.3	250.0	7.2
Investment income	7,604.0	217.7	10,107.0	289.4	-2,503.0	-71.7
<b>Current transfers</b>	11,439.0	327.5	5,079.0	145.4	6,360.0	182.1
<b>CURRENT ACCOUNT</b>	233,884.0	6,696.6	272,114.0	7,791.2	-38,230.0	-1,094.6
<b>Capital account</b>	1,267.0	36.3	-201.0	-5.8	1,066.0	30.5
<b>Financial account</b>	463,609.1	13,331.7	-416,316.2	-11,963.2	47,292.9	1,368.5
Direct investment	99,734.6	2,855.6	-93,635.0	-2,681.0	6,099.6	174.6
<i>Abroad</i>	808.6	23.2	-3,104.0	-88.9	-2,295.4	-65.7
Equity capital and reinvested earnings	195.6	5.6	-2,316.0	-66.3	-2,120.4	-60.7
Other capital	613.0	17.6	-788.0	-22.6	-175.0	-5.0
<i>In SR</i>	98,926.0	2,832.4	-90,531.0	-2,592.1	8,395.0	240.4
Equity capital and reinvested earnings	8,419.0	241.1	-822.0	-23.5	7,597.0	217.5
Other capital	90,507.0	2,591.4	-89,709.0	-2,568.5	798.0	22.8
Portfolio investment	2,238.5	64.1	-3,998.0	-114.5	-1,759.5	-50.4
Assets	2,081.5	59.6	-1,786.0	-51.1	295.5	8.5
Liabilities	157.0	4.5	-2,212.0	-63.3	-2,055.0	-58.8
Other investment	361,636.0	10,412.0	-318,683.2	-9,167.8	42,952.8	1,244.2
<i>Long-term</i>	58,854.3	1,694.2	-17,441.8	-499.6	41,412.5	1,194.6
Assets	1,070.7	32.0	-286.8	-7.4	783.9	24.6
Liabilities	57,783.6	1,662.2	-17,155.0	-492.2	40,628.6	1,170.0
<i>Short-term</i>	302,781.7	8,717.8	-301,241.4	-8,668.2	1,540.3	49.6
Assets	112,941.0	3,233.7	-133,842.0	-3,838.7	-20,901.0	-605.0
Liabilities	189,840.7	5,484.1	-167,399.4	-4,829.6	22,441.3	654.6
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	464,876.1	13,368.0	-416,517.2	-11,969.0	48,358.9	1,399.0
<b>ERRORS AND OMISSIONS</b>	-700,366.8	-20,107.1	706,959.0	4,708.5	6,592.2	183.7
<b>OVERALL BALANCE</b>	-1,606.7	-42.6	18,327.8	530.7	16,721.1	488.1
Monetary gold	0.0	0.0	-2,108.0	-60.1	-2,108.0	-60.1
Special drawing rights	239.6	7.1	0.0	0.0	239.6	7.1
Foreign exchange	1,367.1	35.5	-16,219.8	-470.6	-14,852.7	-435.1
<i>Currency and deposit</i>	0.0	0.0	-14,206.4	-409.8	-14,206.4	-409.8
<i>Securities</i>	1,367.1	35.5	-2,013.4	-60.8	-646.3	-25.3
Bonds and notes	1,367.1	35.5	0.0	0.0	1,367.1	35.5
Money market instruments and financial derivats	0.0	0.0	-2,013.4	-60.8	-2,013.4	-60.8
<b>RESERVE ASSETS</b>	1,606.7	42.6	-18,327.8	-530.7	-16,721.1	-488.1

Used exchange rate of: USD = 34.926 Sk

**Volume of foreign capital in the SR at 30 June 1998**

	Corporate sector		Banking sector		Total	
	Sk bn	%	Sk bn	%	Sk bn	%
<b>Total volume of foreign capital</b>	49.5	100	11.6	100	61.1	100
<b>Structure of capital by investor</b>						
Germany	10.8	21.8	1.3	11.2	12.1	19.8
Austria	9.4	19.0	2.5	21.6	11.9	19.5
Great Britain	7.0	14.2	0.7	6.0	7.7	12.6
USA	5.5	11.1	1.2	10.4	6.7	11.0
France	3.7	7.5	0.4	3.4	4.1	6.7
Czech Republic	3.3	6.7	2.6	22.4	5.9	9.7
The Netherlands	2.6	5.2	2.3	19.8	4.9	8.0
Gibraltar	2.4	4.8	-	-	2.4	3.9
Other countries	4.8	9.7	0.6	5.2	5.4	8.8
<b>Structure of capital by sector</b>						
Extraction of raw materials	0.9	1.8	-	-	0.9	1.5
Industrial production	29.1	58.8	-	-	29.1	47.6
Generation and distribution of electricity and gas	0.2	0.4	-	-	0.2	0.3
Building and construction	1.3	2.6	-	-	1.3	2.1
Wholesale and retail trade, repairs to motor vehicles	11.3	22.8	-	-	11.3	18.5
Hotels and restaurants	0.7	1.4	-	-	0.7	1.2
Transport, storage and communications	2.3	4.7	-	-	2.3	3.8
Finance and insurance	1.9	3.9	11.6	100.0	13.5	22.1
Real estate, rental and comm. services, research and development	1.6	3.2	-	-	1.6	2.6
Other public, social and pers. services	0.2	0.4	-	-	0.2	0.3

Note: Preliminary data

**Foreign capital in the SR in 1993-1998**

(Sk millions)

	Corporate sector						Banking sector					Total				
	1993	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998
<b>As of 1 January</b>	8,156	13,702	21,954	28,961	36,957	41,854	1,156	1,750	3,754 <sup>1/</sup>	11,388 <sup>2/</sup>	11,608	14,858	23,704	32,715	48,345	53,462
Net change	5,198	8,033	6,000	7,747	5,155	7,589	567	681	2,403	234	-8	8,600	6,681	10,150	5,389	7,581
Valuation changes	348	219	1,007	249	-258	102	27	28	218	-14	-25	246	1,035	467	-272	77
<b>End of year <sup>3/</sup></b>	13,702	21,954	28,961	36,957	41,854	49,545	1,750	2,459	6,375	11,608	11,575	23,704	31,420	43,332	53,462	61,120

Note: Preliminary data

1/ Change of methodology - inclusion of CZK in the group of convertible currencies

2/ Change of methodology - inclusion of capital in Sk (in 1994-1996, only capital in foreign currency)

3/ In 1998, as of 30 June

**Inflow of foreign capital during January to June 1998**

	Corporate sector		Banking sector		Total	
	Sk millions	%	Sk millions	%	Sk millions	%
<b>Inflow of foreign capital in total</b>	7,589	100	-8	-	7,581	100
<b>Structure of capital by country</b>						
Great Britain	2,179	28.7	260	-	2,439	32.2
USA	2,158	28.4	14	-	2,172	28.7
Gibraltar	1,764	23.2	-	-	1,764	23.3
Germany	292	3.8	-	-	292	3.9
Holland	246	3.2	17	-	263	3.3
Belgium	210	2.8	-	-	210	2.8
Czech Republic	182	2.4	-227	-	-45	-0.6
Austria	171	2.3	32	-	203	2.7
Other countries	387	5.2	-104	-	283	3.7
<b>Structure of capital by sector</b>						
Industry	4,383	57.8	-	-	4,383	57.8
Building and construction	20	0.3	-	-	20	0.3
Trade	2,751	36.2	-	-	2,751	36.3
Hotels and restaurants	-15	-0.2	-	-	-15	-0.2
Transport, storage and communications	154	2.0	-	-	154	2.0
Finance and insurance	27	0.4	-8	-	19	0.2
Real estate, rental, comm. services	284	3.7	-	-	287	3.8
Other public, social and pers. services	-15	-0.2	-	-	-15	-0.2
<b>Structure of capital by region</b>						
Bratislava, Bratislava region	2,844	37.5	-	-	2,844	37.5
Trnava, Trenčín, and Nitra regions	376	4.9	-	-	376	4.9
Banská Bystrica and Žilina regions	52	0.7	-	-	52	0.7
Prešov and Košice regions	4,317	56.9	-	-	4,317	56.9

Note: Preliminary data

**Outflow of capital from the SR at 30 June 1998**

	Sk billions	%
<b>Outflow of capital from SR in total</b>	8.82	100.0
<b>Structure of investment by country</b>		
Czech Republic	4.01	45.5
Hungary	2.00	22.7
Ukraine	0.98	11.1
Yugoslavia	0.43	4.9
Russia	0.39	4.4
Austria	0.27	3.0
Germany	0.24	2.7
Bulgaria	0.22	2.5
Other countries	0.28	3.2
<b>Structure of investment by sector</b>		
Industry	4.32	49.0
Generation and distribution of electricity and gas	1.47	16.7
Trade	1.57	17.8
Transport, storage, and communications	0.16	1.8
Finance and insurance	0.39	4.4
Other sectors	0.91	10.3

Note: Preliminary data

**Outflow of capital from the SR during January to June 1998**

	Sk millions	%
<b>Outflow of capital from SR in total</b>	2,670	100.0
<b>Structure of investment by country</b>		
Hungary	1,812	67.9
Czech Republic	804	30.1
Other countries	54	2.0
<b>Structure of investment by sector</b>		
Industry	218	8.1
Export of electricity, gas, and water	205	7.7
Finance and insurance	1,736	65.0
Real estate, rental, comm. services	-105	-3.9
Wholesale and retail trade	614	23.0
Other sectors	2	0.1

Note: Preliminary data

**Foreign Exchange Reserves**

(USD millions)

End-of-period figures	1997					1998							
	8	9	10	11	12	1	2	3	4	5	6	7	8
Official reserves of NBS	3,181.0	3,150.9	3,410.9	3,446.0	3,284.9	3,161.1	3,202.1	3,142.8	3,348.9	3,722.7	3,789.9	3,770.0	3,621.4
Reserves of commercial banks	3,550.5	3,625.7	3,859.1	3,883.2	3,204.9	3,862.7	3,881.4	3,838.9	3,937.5	3,746.3	3,737.0	4,056.1	4,269.0
Total	6,731.5	6,776.6	7,270.0	7,329.2	6,489.8	7,023.8	7,083.5	6,981.7	7,286.4	7,469.0	7,526.9	7,826.1	7,890.4

**Gross Foreign Debt**

(USD billions)

End-of-period figures	1997							1998					
	6	7	8	9	10	11	12	1	2	3	4	5	6
Total gross foreign debt	9.0	9.4	9.5	9.7	10.3	10.7	9.9 */	10.5	10.5	10.4	10.7	11.2	11.3
- official debt of the Government and the NBS	1.6	1.6	1.6	1.8	1.9	1.8	1.8	1.8	1.8	1.7	1.7	2.2	2.3
- foreign debt of enterprises	4.3	4.3	4.4	4.5	4.9	5.1	5.1	5.2	5.3	5.3	5.4	5.6	5.6
- foreign debt of commercial banks	3.0	3.2	3.3	3.3	3.4	3.6	2.9	3.5	3.4	3.4	3.5	3.3	3.3
Total gross debt per capita (in USD)	1,705	1,766	1,789	1,826	1,937	2,023	1,867	1,990	1,982	1,972	2,000	2,082	2,100

\*/ At the end of December 1997, the actual level of foreign debt was higher by roughly USD 800 million. The level of foreign debt was reduced to USD 9.9 billion artificially, due to an accounting operator performed by a foreign bank based in the SR in December 1997.

## Money Supply M2

(Sk billions)

	1.1.1998	31.7.1998	31.8.1998 <sup>*/</sup>	Month-on-month change	Month-on-month change (in %)	Change since beginning of year	Change since beginning of year (in %)	31.8.1997	Year-on-year change	Year-on-year change (in %)
Money Supply [M2]	453.5	459.3	460.8	1.5	0.3	7.3	1.6	427.1	33.7	7.9
Money [M1]	166.1	159.0	159.9	0.9	0.6	-6.2	-3.7	160.5	-0.6	-0.4
Currency outside banks [M0]	48.7	51.6	52.5	0.9	1.7	3.8	7.8	46.8	5.7	12.2
Demand deposits	117.4	107.4	107.4	0.0	0.0	-10.0	-8.5	113.7	-6.3	-5.5
Quasi-money [QM]	287.4	300.3	300.9	0.6	0.2	13.5	4.7	266.6	34.3	12.9
Time deposits	240.4	246.5	247.5	1.0	0.4	7.1	3.0	218.7	28.8	13.2
Foreign currency deposits	47.0	53.8	53.4	-0.4	-0.7	6.4	13.6	47.9	5.5	11.5
Crown deposits	357.8	353.9	354.9	1.0	0.3	-2.9	-0.8	332.4	22.5	6.8
- Households	229	242.7	241.6	-1.1	-0.5	12.6	5.5	206.0	35.6	17.3
- Enterprises (incl. insurance)	128.8	111.2	113.3	2.1	1.9	-15.5	-12.0	126.4	-13.1	-10.4

\* / Preliminary data

**Monetary-Policy Instruments**

	As at 1 January 1997	Change during the year 1997	As at 1 January 1998	Change during the year 1998
1. Discount rate	8.8%		8.8%	
2. Lombard rate	15%		15%	
3. REPO rate				
sterilisation	-	Jan. 16.1% <sup>1/</sup> Feb. 15.4% Mar. 14.2% Apr. 15.2% May - Jun. - Jul. - Aug. - Sep. - Oct. - Nov. - Dec. -	-	Jan. 11.7% Feb. - Mar. - Apr. - May 12.44% Jun. 10.37% Jul. 9.05% Aug. 8.97% Sep. - Oct. - Nov. - Dec. -
refinancing	-	Jan. 14.8% <sup>2/</sup> Feb. - Mar. 17.4% Apr. 15.8% May 16.8% Jun. 19.2% Jul. 16.6% Aug. 13.9% Sep. 15.9% Oct. 19.7% Nov. 15.7% Dec. 19.2%	-	Jan. 21.95% Feb. 19.45% Mar. 15.25% Apr. 17.80% May 14.99% Jun. - Jul. - Aug. 24.66% Sep. - Oct. - Nov. - Dec. -
4. Reserve requirements	9% of primary deposits of banks 3% of primary deposits of building societies		9% of primary deposits of banks 3% of primary deposits of building societies	
5. Exchange rates vis-a-vis convertible currencies				
a) currency basket	60% DEM, 40% USD		60% DEM, 40% USD	
b) fluctuation band	± 7%		± 7%	

1/ Average interest rate on tenders conducted during the second RR-period

2/ Average interest rate on tenders conducted during the first RR-period



## Development of Deposits

(Sk billions)

	31.7.1998	31.8.1998 <sup>1/</sup>	Change
<b>Deposits in Sk and foreign currency</b>	447.1	446.5	-0.6
<b>- Deposits in Slovak crowns</b>	389.9	388.5	-1.4
of which			
- Entrepreneurial sector	101.3	102.1	0.8
- Government sector	36.0	33.9	-2.1
- Households	242.6	241.6	-1.0
- Other <sup>2/</sup>	10.0	10.9	0.9
<b>- Deposits in foreign currency <sup>3/</sup></b>	57.2	58.0	0.8

1/ Preliminary data

2/ Nonresidents, unincorporated and non-profit organisations

3/ In convertible currencies (residents and non-residents)

## Development of Loans

(Sk billions)

	31.7.1998	31.8.1998 <sup>1/</sup>	Change
<b>Loans in Sk and foreign currency</b>	385.5	388.2	2.7
<b>- Loans in Slovak crowns</b>	334.0	335.5	1.5
of which			
- Entrepreneurial sector	300.7	301.0	0.3
- Government sector	7.7	8.0	0.3
- Households	22.5	23.4	0.9
- Other <sup>2/</sup>	3.1	3.1	0.0
<b>- Loans in foreign currency <sup>3/</sup></b>	51.5	52.7	1.2

1/ Preliminary data

2/ Nonresidents, unincorporated and non-profit organisations

3/ In convertible currencies (residents and non-residents)

## Average Lending Rates of Commercial Banks

(%)

	1997						1998						
	7	8	9	10	11	12	1	2	3	4	5	6	7
1. Total volume of loans <sup>1/</sup>	15.37	15.49	15.66	15.75	15.84	16.22	16.66	17.28	16.70	16.75	16.50	16.35	16.03
A) Loans by sector of which													
a) Enterprise sector	15.35	15.49	15.60	15.66	15.80	16.16	16.71	17.27	16.71	16.12	16.00	15.95	15.69
- Public sector	14.79	14.89	14.95	14.96	14.99	15.33	15.72	16.31	15.87	14.55	14.38	14.26	14.05
- Private sector (incl. cooperatives)	15.90	16.08	16.24	16.35	16.60	16.98	17.70	18.22	17.55	17.68	17.62	17.63	17.33
b) Households	7.73	7.74	7.69	7.86	7.53	7.37	7.51	7.48	7.50	8.55	8.32	8.12	7.86
B) Loans by term of which													
- Short-term	18.23	18.38	18.72	18.92	19.13	19.91	20.77	20.77	20.50	20.83	20.47	20.00	19.34
- Medium-term	15.94	16.00	16.10	16.06	16.35	16.41	16.61	16.47	16.58	16.64	16.67	16.58	16.32
- Long-term	11.77	11.82	11.82	11.90	11.88	11.90	12.26	13.86	12.34	12.54	12.34	12.36	12.36
2. NEW LOANS IN TOTAL	18.59	18.51	19.91	19.84	20.56	20.92	20.75	20.82	20.29	19.54	18.59	16.44	14.17
A) Loans by sector of which													
a) Enterprise sector	17.43	16.27	18.70	19.38	19.39	21.25	19.06	19.53	21.24	20.90	21.26	20.32	17.60
- Public sector	15.64	13.11	17.72	19.09	18.65	21.30	15.84	17.45	21.86	20.19	23.46	20.08	21.03
- Private sector (incl. cooperatives)	19.22	19.43	19.67	19.67	20.12	21.19	22.28	21.60	20.61	21.60	19.06	20.56	14.17
b) Households	10.52	10.11	9.96	10.07	10.43	10.18	13.59	9.99	9.99	10.70	9.68	12.19	11.07
B) Loans by term of which													
- Short-term	18.98	18.97	20.90	20.76	21.56	21.60	21.56	21.81	20.58	19.86	18.97	16.64	14.17
- Medium-term	16.28	15.39	16.80	15.78	17.60	16.30	17.56	16.88	15.26	16.43	13.64	15.21	14.05
- Long-term	16.14	16.12	15.46	16.46	15.12	15.40	13.04	13.73	15.87	14.73	16.09	14.47	14.87

1/ Excluding loans at zero interest rate

## Average Interest Rates on Crown Deposits and Volume of Crown Deposits

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Total deposits	a	363,532	363,937	361,401	361,865	368,269	388,784	378,097	382,397	375,142	376,340	383,200	376,843	383,662
	b	8.07	8.09	8.65	8.82	8.76	8.69	10.21	9.98	9.99	10.23	10.15	9.92	9.53
of which														
Demand deposits	a	128,557	126,628	124,935	121,642	127,027	140,524	114,600	121,846	113,384	112,544	116,557	116,798	120,198
	b	3.43	3.41	3.48	3.50	3.57	3.50	3.78	3.73	3.70	3.68	3.64	3.69	3.68
Time deposits	a	234,976	237,309	236,466	240,214	241,242	248,260	263,496	260,550	261,758	263,796	266,642	260,045	263,464
	b	10.63	10.63	11.40	11.54	11.48	11.62	13.00	12.90	12.71	13.03	12.98	12.71	12.2
- 7-day deposits	a	11,138	12,339	10,621	11,764	10,106	8,702	15,394	13,893	15,586	15,514	14,200	14,369	14,833
	b	16.91	14.67	20.43	18.54	16.46	17.10	20.48	17.35	15.47	16.97	16.20	15.01	13.27
- 1-month deposits	a	24,081	28,735	32,863	38,779	43,216	49,095	49,923	51,504	53,582	57,423	59,829	55,265	57,462
	b	12.52	12.43	15.45	15.95	15.84	16.25	18.59	18.66	18.00	18.02	17.25	16.36	15.28
- 3-month deposits	a	9,188	9,556	9,338	8,599	10,814	11,166	17,330	17,584	19,258	21,350	24,629	26,448	29,102
	b	11.65	12.61	13.30	13.08	13.37	15.04	18.85	18.74	18.68	18.98	18.77	18.45	17.63
- 6-month deposits	a	11,308	10,416	9,619	9,781	8,977	6,743	13,209	14,117	14,669	14,930	16,031	16,308	16,512
	b	9.84	10.59	10.74	11.27	11.10	11.37	15.59	16.20	16.41	16.46	16.64	16.52	15.23
- 9-month deposits	a	2,137	2,195	1,673	1,194	661	518	533	569	647	1,352	2,049	2,092	2,384
	b	11.48	11.81	12.52	12.85	15.04	16.78	17.76	17.41	18.92	18.41	19.11	18.97	18.51
- 12-month deposits	a	72,932	70,761	70,279	68,674	67,406	64,957	63,275	61,818	59,393	58,804	56,949	55,786	54,900
	b	10.29	10.38	10.49	10.52	10.63	10.51	10.69	10.67	10.73	10.81	10.82	11.04	11.08
- 18-month deposits	a	1,430	1,296	1,324	1,302	1,482	1,341	1,324	1,003	817	784	837	690	745
	b	11.45	10.43	10.72	10.69	10.96	11.14	11.72	12.78	12.73	12.73	13.34	12.82	12.84
- 2-year deposits	a	52,131	51,444	50,248	49,531	48,044	50,785	48,170	45,974	44,112	40,314	39,235	38,433	37,909
	b	10.86	10.86	10.84	10.84	10.79	10.77	10.80	10.76	10.80	10.64	10.66	10.66	10.68
- 3-year deposits	a	1,363	1,367	1,418	1,459	1,501	1,447	1,521	1,817	1,700	1,530	1,397	1,362	1,219
	b	12.99	12.95	12.89	12.84	12.12	12.14	12.36	12.87	12.57	12.58	12.66	12.38	12.31
- 4-year deposits	a	8,579	8,586	8,583	8,605	8,600	8,601	8,443	8,406	8,334	8,059	8,007	5,759	4,892
	b	13.13	13.13	13.14	13.13	13.13	13.13	12.90	12.98	12.60	12.58	12.98	12.86	12.93
- 5-year deposits	a	12,871	12,664	12,387	11,956	11,506	11,832	11,246	10,755	10,232	9,689	9,426	9,607	9,257
	b	13.25	13.00	12.99	13.03	12.98	12.92	13.39	13.26	10.42	13.26	13.23	13.17	9.79
- above 5 year	a	27,819	27,951	28,114	28,570	28,930	33,072	33,129	33,110	33,426	34,047	34,053	33,926	34,247
	b	4.75	4.75	4.74	4.69	4.69	4.51	4.54	4.49	4.51	4.11	4.10	4.07	4.06
- short-term	a	130,784	134,001	134,393	138,791	141,180	141,182	159,663	159,484	163,136	169,373	173,687	170,269	175,194
	b	11.36	11.41	12.75	12.96	12.90	13.39	15.42	15.24	15.05	15.40	15.24	14.88	14.22
- medium-term	a	76,374	75,357	73,959	72,853	71,132	74,006	70,704	67,956	65,195	60,376	58,902	55,851	54,023
	b	11.50	11.51	11.50	11.50	11.46	11.42	11.51	11.52	11.04	11.40	11.47	11.39	10.80
- long-term	a	27,819	27,951	28,114	28,570	28,930	33,072	33,129	33,110	33,426	34,047	34,053	33,926	34,247
	b	4.75	4.75	4.74	4.79	4.69	4.51	4.54	4.49	4.51	4.11	4.10	4.07	4.06
- demand and short-term	a	259,340	260,630	259,328	260,433	268,207	281,705	274,264	281,331	276,520	281,917	290,244	287,066	295,392
	b	7.57	11.02	8.26	8.52	8.48	8.45	10.56	10.26	10.40	10.73	10.59	10.33	9.93

a - Volume of deposits (\$K million)

b - Average interest rate (%)

**Development of Average Interbank Offered Rates (BRIBOR)**

	1997					1998							
	8 <sup>1/</sup>	9 <sup>1/</sup>	10 <sup>1/</sup>	11	12	1	2	3	4	5	6	7	8
Overnight	23.63	25.18	27.18	17.71	18.55	16.69	17.22	11.12	15.30	9.49	10.13	9.18	14.27
1 week	24.96	26.20	27.48	22.00	21.18	19.99	21.12	15.31	18.69	13.16	11.14	10.13	14.72
2 weeks	23.31	26.09	27.28	23.06	21.71	21.03	21.60	16.67	19.11	14.43	11.86	10.76	15.19
1 month	24.70	26.51	27.00	25.52	24.42	23.07	22.82	18.70	19.93	16.52	13.54	11.97	16.15
2 months	-	26.50	26.59	26.61	25.54	24.57	24.43	20.03	20.78	18.66	14.97	13.06	17.05
3 months	-	25.66	26.17	26.93	26.48	25.80	24.06	21.30	21.58	19.54	15.93	14.33	18.00
6 months	-	-	26.68	27.10	26.92	26.61	26.04	23.11	23.22	21.94	18.34	16.86	19.30

Note: All average rates were calculated for the days on which they were listed

<sup>1/</sup> Figures based on data from the unofficial Monitoring of Interbank Deposit Rates in the SR (since 29 May 1997), due to the marked fall in trade on the interbank market and the subsequent suspension of listing of BRIBOR rates. The listing of BRIBOR rates was renewed on 16 October 1997.

**Basic Characteristics of Slovakia's Foreign Exchange Market in August 1998**

	USD			DEM			Other currencies			Total	
	Turnover		Number of transactions	Turnover		Number of transactions	Turnover		Number of transactions	Turnover USD million	Number of transactions
	USD million	%		USD million	%		USD million	%			
Foreign exchange fixing	102.4	42.7	21	137.2	57.3	14				239.6	35
Transactions among Slovak banks without participation of foreign banks	2,359.8	84.6	1,086	331.0	11.9	238	98.8	3.5	162	2,789.5	1,486
Interbank foreign exchange market fixing + transactions between Slovak banks.	2,462.2	81.3	1,107	468.2	15.5	252	98.8	3.3	162	3,029.1	1,521
Transactions between Slovak and foreign banks	3,224.3	87.1	874	415.9	11.2	311	63.6	1.7	63	3,703.8	1,248
Foreign exchange market in the SR - total	5,686.5	84.5	1,981	884.1	13.1	563	162.4	2.4	225	6,732.9	2,769

**Average Monthly Exchange Rates of SKK**

midpoint rate	1997					1998							
	8	9	10	11	12	1	2	3	4	5	6	7	8
FRF	5.601	5.716	5.714	5.786	5.806	5.786	5.807	5.730	5.745	5.753	5.800	5.795	5.880
1,000 ITL	19.333	19.695	19.574	19.775	19.832	19.690	19.727	19.513	19.500	19.566	19.743	19.705	19.979
100 JPY	29.563	28.542	27.861	26.883	26.722	27.177	28.092	27.248	26.483	25.416	24.821	24.881	24.348
CAD	25.097	24.829	24.352	23.757	24.229	24.424	24.593	24.745	24.497	23.705	23.784	23.561	23.039
NLG	16.764	17.063	17.019	17.190	17.250	17.197	17.271	17.045	17.100	17.126	17.256	17.232	17.480
ATS	2.683	2.731	2.724	2.753	2.763	2.755	2.767	2.731	2.737	2.742	2.765	2.761	2.802
DEM	18.881	19.217	19.173	19.376	19.438	19.379	19.467	19.211	19.257	19.297	19.449	19.427	19.711
CHF	22.975	23.354	23.189	23.845	24.022	23.854	24.123	23.595	23.215	23.163	23.350	23.076	23.564
USD	34.833	34.429	33.718	33.528	34.528	35.137	35.322	35.041	34.981	34.229	34.809	34.940	35.247
GBP	55.888	55.067	54.941	56.573	57.401	57.525	57.892	58.166	58.505	56.145	57.374	57.496	57.538
XEU	37.173	37.708	37.668	38.328	38.471	38.279	38.439	38.096	38.187	38.023	38.424	38.400	38.884
CZK	1.017	1.024	1.025	1.012	0.994	0.994	1.023	1.031	1.037	1.053	1.047	1.094	1.098

**Gross Domestic Product**

(Sk billions)

		1996	1997				1998		
		year	1. quarter	2. quarter	3. quarter	4. quarter	year	1. quarter	2. quarter
Gross domestic product in constant 1995 prices	a	550.8	136.0	147.3	152.4	151.1	586.8	144.4	156.3
	b	106.6	106.4	106.2	106.6	106.9	106.5	106.2	106.1
	c	-	96.2	108.3	103.5	99.1	-	95.6	108.2
Gross domestic product in current prices	a	575.7	148.7	162.6	170.2	172.4	653.9	166.2	181.6
	b	111.4	113.9	112.7	113.1	114.6	113.6	111.8	111.7
	c	-	98.9	109.3	104.7	101.3	-	96.4	109.3

Note: Conversion is based on the method of ESA, preliminary data

- a - In the specified unit
- b - Index same period of previous year = 100
- c - Index previous quarter = 100

**Consumer Prices**

(according to the methodology being in force since 1 January 1997)

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Goods and services	a	100.1	101.0	100.2	100.9	100.7	100.5	101.9	100.7	100.2	100.4	100.6	100.1	99.6
	b	108.6	109.6	109.9	110.8	111.5	112.1	108.4	109.1	109.4	109.8	110.5	110.6	110.2
	c	103.0	104.1	104.3	105.2	105.9	106.4	101.9	102.6	102.8	103.2	103.8	104.0	103.6
	d	106.0	106.5	105.7	105.9	106.2	106.4	107.2	107.5	107.2	107.0	107.6	107.4	107.0
of which														
foodstuff goods	a	99.3	99.9	100.1	101.0	100.7	101.0	101.9	101.2	99.8	100.6	101.4	100.0	98.5
	b	106.3	106.2	106.3	107.3	108.1	109.1	106.6	107.8	107.6	108.3	109.8	109.7	108.1
	c	101.9	101.8	101.9	102.9	103.6	104.6	101.9	103.0	102.9	103.5	104.9	104.9	103.3
	d	106.0	105.4	103.2	103.3	103.8	104.6	104.9	105.7	104.8	105.2	107.5	106.9	106.0
non-foodstuff goods	a	100.3	100.6	100.4	101.0	100.6	100.5	101.5	100.6	100.4	100.3	100.4	100.1	100.1
	b	109.6	110.3	110.7	111.8	112.5	113.0	108.0	108.7	109.1	109.4	109.8	110.0	110.1
	c	103.2	103.9	104.3	105.3	105.9	106.4	101.5	102.1	102.5	102.8	103.2	103.3	103.4
	d	105.7	105.8	105.8	106.3	106.4	106.4	107.0	107.2	107.2	107.2	106.9	106.8	106.6
public catering	a	100.4	100.0	100.2	100.5	100.6	100.3	100.4	101.2	100.7	100.2	100.4	100.9	100.2
	b	105.1	105.0	105.3	105.8	106.4	106.7	103.0	104.3	105.0	105.2	105.7	106.6	106.8
	c	101.0	101.0	101.2	101.7	102.3	102.6	100.4	101.7	102.4	102.6	103.0	103.9	104.1
	d	103.6	103.2	102.8	102.7	102.7	102.6	103.6	104.8	105.0	105.2	105.2	106.0	105.8
services	a	100.6	102.7	100.2	100.6	100.7	100.1	102.4	100.3	100.4	100.3	100.1	100.1	100.3
	b	110.1	113.0	113.2	113.9	114.6	114.8	111.3	111.6	112.1	112.4	112.5	112.7	113.0
	c	104.2	107.0	107.2	107.8	108.5	108.6	102.4	102.7	103.2	103.5	103.6	103.7	104.0
	d	106.8	108.5	108.1	108.2	108.7	108.6	110.3	110.2	110.1	109.1	108.9	108.8	108.5

a - Index previous period = 100

b - Index December two years before = 100

d - Index December of previous year = 100

e - Index same period of previous year = 100

**Producer Prices of Selected Products and Materials**

(%)

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Industrial products	a	100.6	100.6	100.4	101.6	99.8	100.1	100.8	100.0	100.1	100.1	100.1	99.9	100.1
	b	101.9	102.5	102.9	104.5	104.3	104.4	100.8	100.8	100.9	101.0	101.1	101.0	101.1
	c	108.4	109.0	109.4	111.1	110.9	111.0	111.9	111.9	112.0	112.1	112.2	112.1	112.2
	d	104.4	104.3	104.2	104.8	104.4	104.4	104.1	103.5	104.2	103.7	104.4	104.1	103.6
	e	106.3	106.9	107.3	109.0	108.8	108.9	109.8	109.8	109.9	110.0	110.1	110.0	110.1
Building materials	a	100.4	100.9	100.4	100.4	100.5	100.3	101.6	101.5	100.6	100.8	100.4	100.2	98.9
	b	105.8	106.7	107.1	107.5	108.0	108.3	101.6	103.1	103.7	104.5	105.0	105.1	104.0
	c	112.0	113.0	113.4	113.8	114.4	114.7	116.5	118.3	119.0	119.9	120.4	120.6	119.3
	d	107.7	108.5	108.5	108.2	107.9	108.3	108.7	109.3	110.6	109.7	108.2	108.1	106.5
	e	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural products	a	-	-	-	-	-	-	-	-	-	-	-	-	-
	b	-	-	-	-	-	-	-	-	-	-	-	-	-
	c	-	-	-	-	-	-	-	-	-	-	-	-	-
	d	108.6	107.6	105.6	102.0	99.4	98.9	102.9	102.3	100.5	102.3	103.6	104.4	101.2
	e	115.4	118.7	113.1	107.7	107.0	108.0	106.6	109.5	111.5	113.4	113.5	115.6	116.8
of which:	a	-	-	-	-	-	-	-	-	-	-	-	-	
Plant products	b	-	-	-	-	-	-	-	-	-	-	-	-	
	c	-	-	-	-	-	-	-	-	-	-	-	-	
	d	109.7	108.9	107.8	100.7	96.5	92.8	94.5	93.0	89.0	90.6	91.6	93.0	97.3
	e	119.7	123.3	117.8	108.2	108.1	109.4	110.7	111.1	107.7	109.2	110.3	115.1	116.5
Animal products	a	-	-	-	-	-	-	-	-	-	-	-	-	
	b	-	-	-	-	-	-	-	-	-	-	-	-	
	c	-	-	-	-	-	-	-	-	-	-	-	-	
	d	107.3	105.6	103.4	103.4	102.6	103.5	104.8	104.9	103.1	104.0	105.1	105.9	105.7
	e	110.7	112.6	108.4	107.2	105.9	107.1	105.8	109.2	112.3	113.9	113.8	115.6	117.0

a - Index previous month = 100

b - Index December of previous year = 100

c - Index average of previous year

d - Index same period of last year = 100

e - Index same period of 1995 = 100, for industrial producers December 1995 = 100



## Inflation Rate

(in terms of consumer prices)

	1997					1998							
	8	9	10	11	12	1	2	3	4	5	6	7	8
Monthly rate of inflation <sup>1/</sup>	1.0	0.2	0.9	0.7	0.5	1.9	0.7	0.2	0.4	0.6	0.1	-0.4	-0.2
Annual rate of inflation <sup>2/</sup>	6.5	5.7	5.9	6.2	6.4	7.2	7.5	7.2	7.0	7.6	7.4	7.0	5.7
Average annual rate of inflation <sup>3/</sup>	6.2	6.1	6.1	6.1	6.1	7.2	7.4	7.3	7.2	7.3	7.3	7.3	7.1

1 - Index (previous month = 100)

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

3 - Annual rate of inflation, average from the beginning of the year

## Unemployment

At the end of period

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Number of vacancies	a	29,120	28,982	26,765	24,135	20,674	19,318	18,299	19,254	19,261	19,914	20,299	19,723	18,396
	b	577	-138	-2,217	-2,630	-3,461	-1,356	-1,019	955	7	653	385	-576	-1,327
Number of unemployed	a	331,707	332,828	336,858	334,327	328,379	347,753	350,255	353,607	349,024	343,182	336,403	352,271	367,558
	b	11,784	1,121	4,030	-2,531	-5,948	19,374	25,541	3,352	-4,583	-5,842	-6,779	15,868	15,287
Number of unemployed per vacancy	a	11	11	13	14	16	18	20	19	19	18	18	19	21
Unemployment rate (in %)	a	12.8	12.8	13.0	12.9	12.6	12.5	13.4	13.6	13.4	13.2	12.9	13.5	14.1

a - In the specified unit

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

**State Budget**

(Sk millions)

		1997					1998							
		8	9	10	11	12	1	2	3	4	5	6	7	8
State budget revenue	a	109,746	125,153	144,874	159,142	180,826	16,397	25,991	43,939	60,841	73,202	86,356	103,590	116,150
	b	64.1	73.1	84.7	93.0	105.7	9.1	14.5	24.4	33.8	40.7	48.0	57.6	64.6
State budget expenditure	a	134,015	153,121	176,138	192,632	217,825	12,923	25,753	42,835	61,105	75,608	90,224	112,527	124,803
	b	64.4	73.6	84.7	92.6	104.7	7.0	13.9	23.2	33.1	40.9	48.8	60.9	67.5
State budget balance	a	-24,269	-27,968	-31,264	-33,490	-36,999	3,474	238	1,104	-264	-2,406	-3,868	-8,937	-8,653

a - In the specified unit at the end of month (cumulative figures)

b - Budget performance in %

**Industrial Production**

(Sk millions)

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Total industrial production	a	44,016	43,349	47,711	53,611	52,811	49,050	45,980	46,773	52,750	50,900	51,423	52,541	49,429
	b	90.7	98.5	110.1	112.4	98.5	92.9	94.3	101.7	112.8	96.5	101.0	102.2	94.1
	c	103.5	98.3	99.3	102.4	103.3	105.2	100.6	102.4	110.9	105.6	107.5	104.6	108.3
	d	321,136	364,485	412,196	465,807	518,618	567,668	45,980	92,753	145,503	196,403	247,826	300,367	349,796
	e	103.5	102.9	102.4	102.4	102.5	102.7	100.6	101.5	104.7	104.9	105.5	105.3	105.7
	f	40,991	40,129	44,047	48,879	48,112	44,586	41,585	42,593	48,021	46,280	46,648	47,668	44,393
of which														
in the private sector														
	a	32,717	31,843	35,579	40,361	39,634	36,576	33,802	35,148	40,142	39,264	39,837	42,064	38,989
	b	90.2	97.3	111.7	113.4	98.2	92.3	94.0	104.0	114.2	97.8	101.5	105.6	92.7
	c	112.3	104.5	107.8	108.3	111.0	112.9	107.5	109.6	118.0	112.3	114.4	111.8	114.3
	d	231,283	263,126	298,705	339,066	378,700	415,276	33,802	68,950	109,092	148,356	188,193	230,257	269,246
	e	111.9	111.0	110.6	110.3	110.4	110.6	107.5	108.6	111.8	112.0	112.5	112.3	112.6
	g	74.3	73.5	74.6	75.3	75.0	74.6	73.5	75.1	76.1	77.1	77.5	80.1	78.9
Labour productivity (Sk / employee)														
	a	72,407	71,419	78,371	87,959	86,848	81,307	76,113	77,815	87,996	87,016	88,237	90,310	85,322
	b	91.2	98.6	109.7	112.2	98.7	93.6	94.9	102.2	113.1	98.9	101.4	102.3	94.5
	c	105.9	100.9	101.7	104.8	105.8	108.4	101.8	104.5	113.1	109.8	111.0	102.5	113.6

- a - In the specified unit
- b - Index previous month = 100
- c - Index same period of last year = 100
- d - From the beginning of year (in Sk million)
- e - Index same period of last year = 100 (cumulative)
- f - In the specified unit at constant 1995 prices
- g - Share of private sector in industrial production (%)

**Construction**

(Sk millions)

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Total construction sector output (including output abroad)	a	6,870	6,944	6,980	8,031	7,614	6,411	4,783	5,248	6,039	6,319	6,805	7,322	7,421
	b	102.4	101.1	100.5	115.1	94.8	84.2	73.5	109.7	115.1	104.6	107.7	107.6	101.4
	c	111.0	111.8	106.6	111.4	110.2	105.8	115.2	111.2	120.2	102.9	101.4	100.5	100.5
	d	38,143	45,087	52,067	60,098	67,712	74,123	4,783	10,031	16,070	22,389	29,194	36,516	43,937
	e	109.2	109.6	109.2	109.5	109.6	109.2	115.2	113.1	115.6	111.8	109.2	107.4	106.2
	f	5,585	5,609	5,629	6,445	6,077	5,100	3,760	4,075	4,656	4,824	5,171	5,547	5,613
of which in the private sector	a	5,562	5,650	5,771	6,597	6,226	5,514	3,913	4,262	4,938	5,204	5,473	5,984	6,131
	b	104.1	101.6	102.1	114.3	94.4	88.6	74.7	108.9	115.9	105.4	105.2	109.3	102.5
	c	110.2	110.2	107.0	109.2	107.6	106.2	108.6	105.5	119.5	104.8	102.0	103.1	102.6
	d	31,208	36,858	42,629	49,226	55,452	60,966	3,913	8,175	13,113	18,317	23,790	29,774	35,905
	e	107.5	107.9	107.8	108.0	107.9	107.8	108.6	107.0	111.3	109.4	107.6	106.7	106.0
	f	81.0	81.4	82.7	82.1	81.8	86.0	81.8	81.2	81.8	82.3	80.4	81.7	82.6
	g													
Construction output in the SR	a	6,493	6,487	6,543	7,539	7,164	6,062	4,528	4,965	5,722	6,002	6,430	6,952	7,089
	b	105.2	99.9	100.9	115.2	95.0	84.6	73.4	109.7	115.2	104.9	107.1	108.1	102.0
	c	117.0	115.2	110.9	115.6	111.5	107.2	115.7	112.1	123.1	105.2	103.7	103.7	101.6
	d	35,527	42,014	48,557	56,096	63,260	69,322	4,447	9,412	15,134	21,136	27,566	34,518	41,607
	e	113.7	113.9	113.5	113.8	113.5	112.9	115.7	113.8	117.1	113.5	111.1	109.6	108.1
	f	5,279	5,240	5,277	6,051	5,717	4,823	3,560	3,855	4,412	4,582	4,886	5,267	5,362
Construction output abroad	a	377	457	437	492	450	349	255	283	317	317	375	370	332
	b	70.5	121.2	95.6	112.6	91.5	77.6	75.1	111.0	112.0	100.0	118.3	98.7	89.7
	c	59.2	78.8	68.0	71.3	92.6	86.3	107.9	97.2	83.7	73.0	72.9	63.7	81.9
	d	2,616	3,073	3,510	4,002	4,452	4,801	255	538	855	1,172	1,547	1,917	2,249
	e	71.3	72.3	71.7	71.7	73.3	74.1	107.9	102.0	94.4	87.5	83.5	78.8	79.3
	f	306	369	352	394	360	277	200	220	244	242	285	280	251
Labour productivity per employee in Sk (of total construction output)	a	45,324	45,318	45,140	51,383	49,108	42,465	32,450	35,739	40,589	41,844	45,080	48,355	48,897
	b	100.5	100.0	99.6	113.8	95.6	86.5	75.5	110.1	113.6	103.1	107.7	107.3	101.1
	c	111.3	111.2	105.4	108.9	108.0	102.9	111.6	108.5	116.3	99.8	99.1	98.7	100.4

- a - In the specified unit  
b - Index previous month = 100  
c - Index same period of last year = 100  
d - Cumulative from the beginning of year in Sk million  
e - Index same period of last year = 100 (cumulative)  
f - In the specified unit at constant prices - average 1995 prices  
g - Share of private sector in production (%)

**Foreign Trade**

(Sk millions)

		1997						1998						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Imports	a	28,665	26,060	27,975	30,556	27,097	26,480	29,455	34,085	39,440	38,138	35,500	39,924	36,905
	b	206,881	232,941	260,916	291,472	318,569	345,049	29,455	63,540	102,980	141,118	176,618	216,542	253,447
	c	111.4	110.2	109.0	107.1	104.5	101.2	-	-	-	-	-	-	-
of which: Czech Republic	a	5,612	6,038	6,930	7,562	6,042	5,260	5,534	7,000	7,308	7,387	6,276	7,498	6,292
	b	47,503	53,541	60,471	68,033	74,075	79,335	5,534	12,534	19,842	27,229	33,505	41,003	47,295
	d	19.6	23.2	24.8	24.7	22.3	19.9	18.8	20.5	18.5	19.4	17.7	18.8	17.0
Exports	a	25,745	24,753	26,250	27,009	26,094	20,070	24,254	29,069	33,100	29,899	29,594	33,540	30,081
	b	171,398	196,151	222,401	249,410	275,504	295,574	24,254	53,323	86,423	116,322	145,916	179,456	209,537
	c	113.3	113.7	112.6	112.0	110.4	109.2	-	-	-	-	-	-	-
of which: Czech Republic	a	6,162	6,576	6,765	7,681	6,552	4,735	5,711	6,273	6,812	5,981	6,120	6,819	5,853
	b	46,472	53,048	59,813	67,494	74,046	78,781	5,711	11,984	18,796	24,777	30,897	37,716	43,569
	d	23.9	26.6	25.8	28.4	25.1	23.6	23.6	21.6	20.6	20.0	20.7	20.3	19.5
Balance	a	-2,920	-1,307	-1,725	-3,547	-1,003	-6,410	-5,202	-5,016	-6,340	-8,239	-5,905	-6,385	-6,824
	b	-35,483	-36,790	-38,515	-42,062	-43,065	-49,475	-5,202	-10,218	-16,558	-24,797	-30,702	-37,087	-43,911
of which: Czech Republic	a	550	538	-165	119	510	-525	177	-728	-496	-1,406	-156	-679	-439
	b	-1,031	-493	-658	-539	-29	-554	177	-551	-1,047	-2,453	-2,609	-3,288	-3,726

Note: Preliminary data

a - In the specified unit in current prices

b - From the beginning of the year in Sk millions

c - Index same period of previous year = 100 (cumulative)

d - Share of total volume in period (%)