

## **D. ISSUING ACTIVITY OF THE NBS AND CURRENCY IN CIRCULATION**





## 1. ISSUES OF SLOVAK BANKNOTES AND COINS

To satisfy currency circulation needs in 2001, the National Bank of Slovakia provided for additional printing of banknotes at nominal values of Sk 20 and Sk 100. In addition, banknotes produced at the end of 2000 in the denomination of Sk 500 were imported. Over the period subject to review, 158.02 million banknotes were produced and delivered by foreign suppliers. Twenty-crown banknotes were printed by the BA Banknote, the Canadian works of the German security printer Giesecke & Devrient, and banknotes in the denominations Sk 100 and Sk 500 by the British security printer De La Rue Currency.

In addition to the aforementioned notes, coins in the nominal values of 10 halier, 20 halier, 50 halier and Sk 2, worth 62.33 million, were produced in 2001. Apart from banknotes and coins earmarked for currency circulation, the National Bank of Slovakia issued four commemorative coins. Three of which were struck in silver and the fourth, the World UNESCO Heritage – the Vlkolínec folk architecture reserve, was struck in gold. All the coins for circulation and the commemorative coins were produced at the state mint in Kremnica.

### 1.1. Currency in Circulation

The total value of currency in circulation (including cash in the NBS cashier's offices) at 31 December 2001 amounted to Sk 91.5 billion. In comparison with the same period of the previous year, the value of currency in circulation in 2001 increased by Sk 15.3 billion (by 20%), which represents the second highest year-on-year increase since the introduction of the Slovak currency. The development of currency in circulation (according to the balance at the end of individual months) followed a typical curve, falling in the first quarter (with a minimum value of Sk 72.6 billion on 31 March 2001) and rising from April till the end of the year.

Daily development of the total value of currency in circulation was similar to the development in 2000, with an increase of approximately Sk 9 – 11 billion. From the end of October this increase was Sk 4 – 6 billion, and in December the value of currency in circulation reached its maximum at Sk 95.5 billion. A marked growth of currency in circulation in the fourth quarter of 2001 was, apart from a seasonal increase in the pre-Christmas period, due to compensations paid to clients of Devín banka, a.s. in return for inaccessible deposits, and the development of a chain of hypermarkets opened towards the end of the year.

Of the total amount of currency in circulation, cash in commercial banks, which in accounting

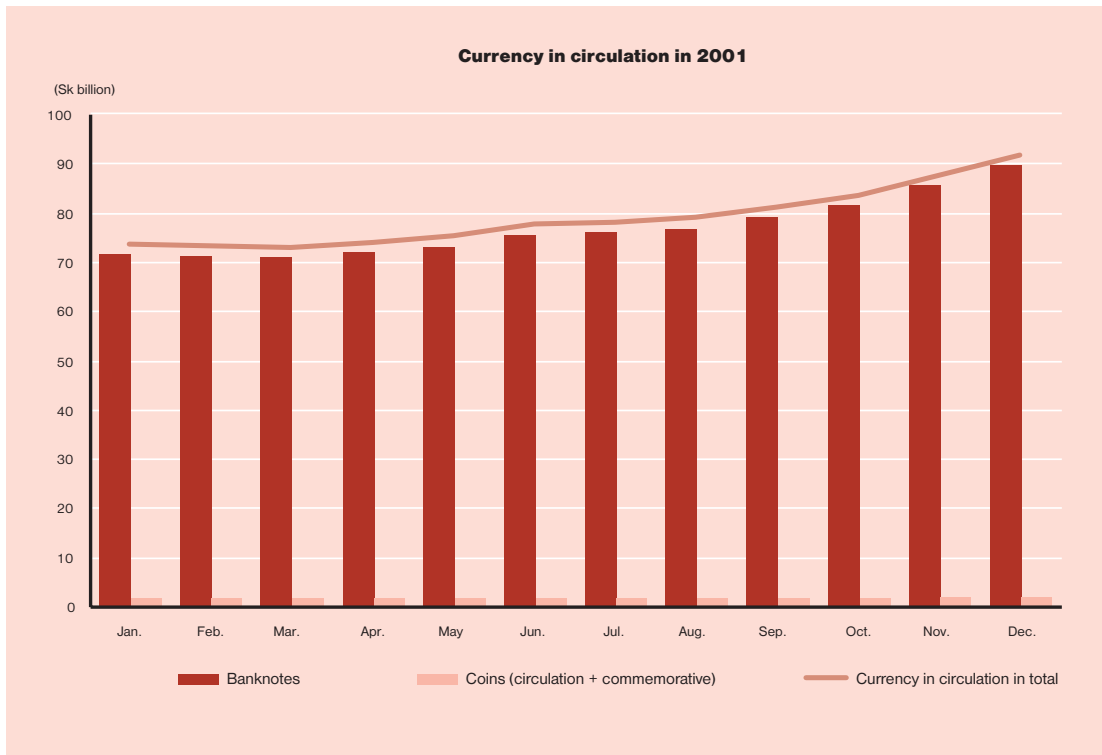
#### Commemorative coins issued by the NBS in 2001

(pcs)

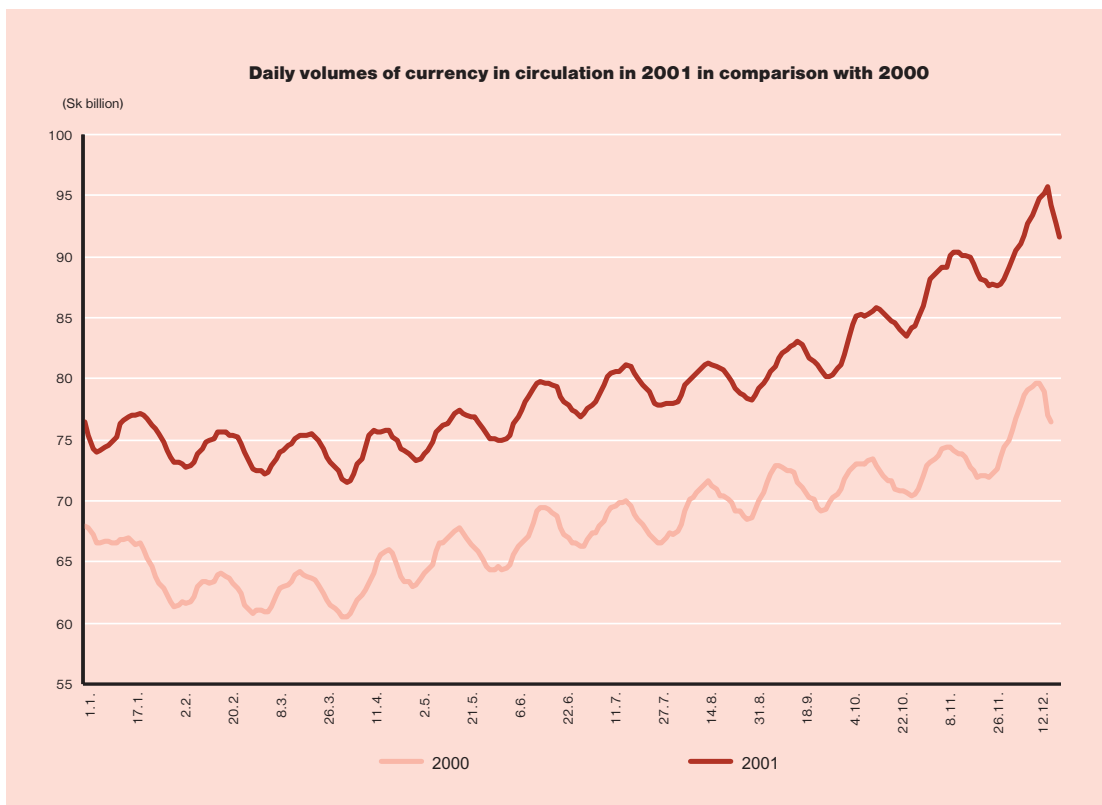
Nominal value	Event commemorated by the coin	Number of coins issued		Decree of the NBS
		Total	Proof	
SCC 500 Sk	Nature and landscape protection – the Malá Fatra National Park	12,000	1,800	176/2001 Z.z.
SCC 500 Sk	Beginning of the third millennium	17,000	4,000	395/2001 Z.z.
SCC 200 Sk	80th anniversary of the birth of Alexander Dubček	15,800	3,000	458/2001 Z.z.
GCC 5000 Sk	UNESCO World Heritage – Vlkolínec, Folk Architecture Reserve	7,200	7,200	454/2001 Z.z.

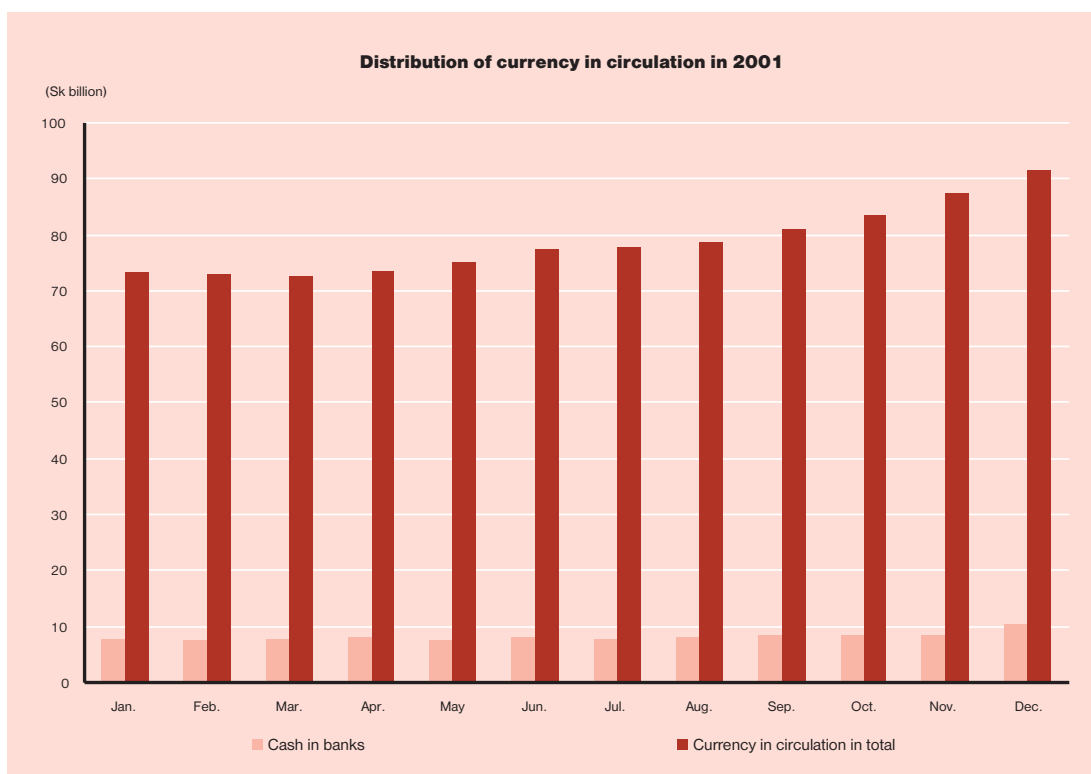
SCC – silver commemorative coin

GCC – golden commemorative coin



terms forms a part of currency in circulation, the end of respective months), approximately accounted for 10.4% on average (as measured at 1.5% down from the year 2000.





## 1.2. Structure of Currency in Circulation

At 31 December 2001, the value of banknotes in circulation reached Sk 89.6 billion, 20.2% up in comparison with the same period of the previous year. The total number of banknotes in circulation grew by 11.2 million (by 9.5%) to 129.2 million items. The proportion of banknotes in the value of currency in circulation grew by 0.2% (to 97.9%), and their share in the total number of banknotes and coins equalled that in 2000 (11.9%).

The total value of banknotes in circulation increased by Sk 15.1 billion. The greatest year-on-year increase was recorded for banknotes with nominal values of Sk 5000 (30.7%) and Sk 1000 (15.6%). At the year-end, their share in the total value of currency in circulation was almost 88%.

The total value of coins in circulation increased by 9.3% over the year 2000 (to almost Sk 1.4 billion) and their number increased by 9.8% (to 955.3 million items). As of the end of 2001, coins in circulation accounted for

1.5% of the total value of currency in circulation, but for as much as 88% of the total number of currency items in circulation. The value and number of coins in circulation increased for all individual nominal values.

At 31 December 2001, the total value of currency in circulation per capita including commemorative coins amounted to Sk 17,015.40. Of the given amount, banknotes represented Sk 16,656.90, coins in circulation Sk 253.30, and commemorative coins Sk 105.20. Compared to 2000, the total value of currency in circulation per capita increased by Sk 2,890.80. The value of banknotes per capita increased by Sk 2,857.70, of coins in circulation by Sk 22.40 Sk, and of commemorative coins by Sk 10.70.

In 2001, there were 24 items of banknotes per inhabitant of the Slovak Republic (in 2000 this was 22 items), with banknotes of the nominal values Sk 1000 (8 items) and Sk 20 (5 items) being the most frequent ones. The number of circulation coins per capita was 178 items (161 items in 2000), with the highest share of halier coins, namely ten-haliers with the number of 53

**Volume of currency in circulation (in millions of Sk)**

<b>Nominal value</b>	<b>Volume at 31.12.2000</b>	<b>Volume at 31.12.2001</b>	<b>Share in % at 31.12.2000</b>	<b>Share in % at 31.12.2001</b>
Banknotes	74,515.52	89,605.02	97.70	97.89
5000 Sk	29,410.97	38,430.39	38.56	41.98
1000 Sk	36,175.02	41,826.63	47.43	45.70
500 Sk	4,093.03	4,280.33	5.37	4.68
200 Sk	1,338.42	1,470.48	1.75	1.61
100 Sk	2,378.91	2,405.31	3.12	2.63
50 Sk	622.16	662.98	0.82	0.71
20 Sk	497.01	528.90	0.65	0.58
Circulation coins	1,246.80	1,362.54	1.63	1.49
10 Sk	646.80	707.68	0.85	0.78
5 Sk	221.50	242.25	0.29	0.26
2 Sk	151.35	167.36	0.20	0.18
1 Sk	104.38	110.13	0.14	0.12
0.50 Sk	25.85	25.68	0.03	0.03
0.50 Sk II	27.61	32.53	0.03	0.04
0.20 Sk	43.78	48.65	0.06	0.05
0.10 Sk	25.53	28.26	0.03	0.03
Commemorative coins	510.62	566.18	0.67	0.62
Total	76,272.94	91,533.74	100.00	100.00

**Volume of currency in circulation (in millions of items)**

<b>Nominal Value</b>	<b>Volume at 31.12.2000</b>	<b>Volume at 31.12.2001</b>	<b>Share in % at 31.12.2000</b>	<b>Share in % at 31.12.2001</b>
Banknotes	118.02	129.18	11.94	11.91
5000 Sk	5.88	7.69	0.59	0.71
1000 Sk	36.18	41.83	3.66	3.85
500 Sk	8.19	8.56	0.83	0.79
200 Sk	6.69	7.35	0.68	0.68
100 Sk	23.79	24.05	2.41	2.22
50 Sk	12.44	13.26	1.26	1.22
20 Sk	24.85	26.44	2.51	2.44
Circulation coins	870.18	955.26	88.00	88.03
10 Sk	64.68	70.77	6.54	6.52
5 Sk	44.30	48.45	4.48	4.47
2 Sk	75.67	83.68	7.65	7.71
1 Sk	104.38	110.13	10.56	10.15
0.50 Sk	51.69	51.37	5.23	4.73
0.50 Sk II	55.21	65.06	5.58	6.00
0.20 Sk	218.90	243.24	22.14	22.42
0.10 Sk	255.35	282.56	25.82	26.03
Commemorative coins	0.61	0.66	0.06	0.06
Total	988.81	1,085.10	100.00	100.00

### Currency marks in 1994-2001

(in Sk)

	Banknotes	Circulation coins	Total including commemorative coins
<b>1994</b>	384.1	2.0	76.4
<b>1995</b>	455.6	1.8	76.7
<b>1996</b>	537.3	1.7	81.8
<b>1997</b>	566.3	1.6	80.5
<b>1998</b>	552.3	1.5	72.2
<b>1999</b>	594.1	1.5	76.1
<b>2000</b>	631.4	1.4	77.1
<b>2001</b>	693.6	1.4	84.4

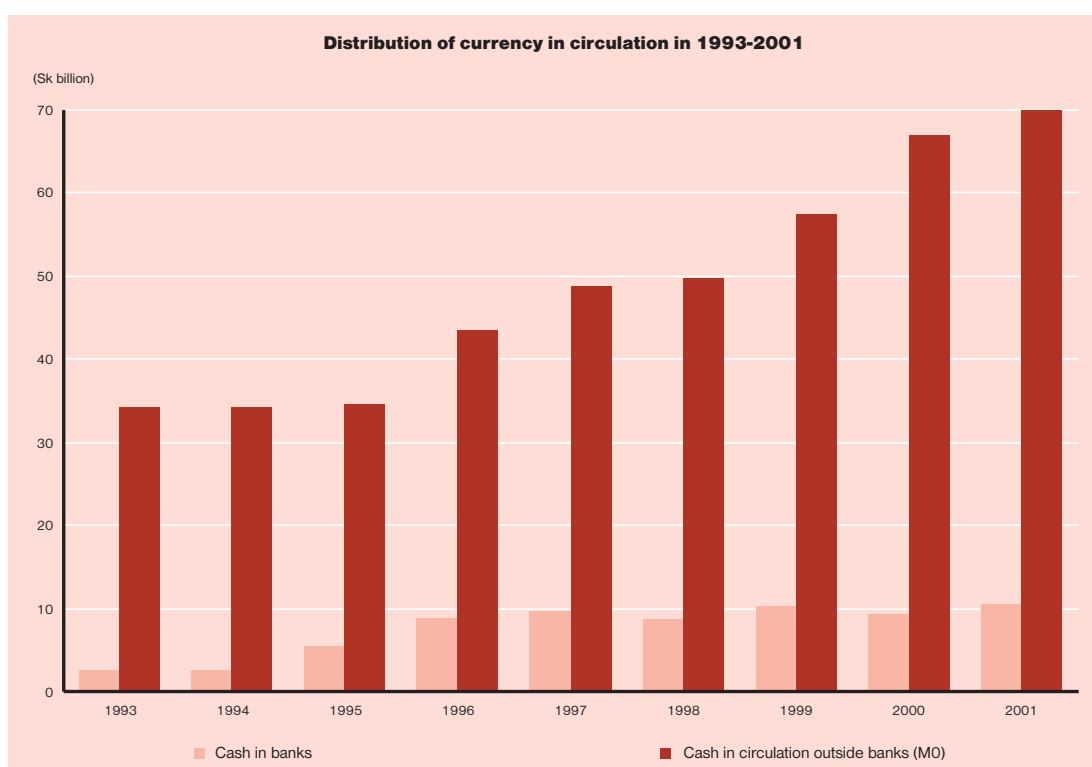
items, and twenty-haliers with the number of 45 items. The total number of halier coins in circulation per capita (120 items) is high. Because of their low real value, only half of the coins originally put into circulation returns to the NBS.

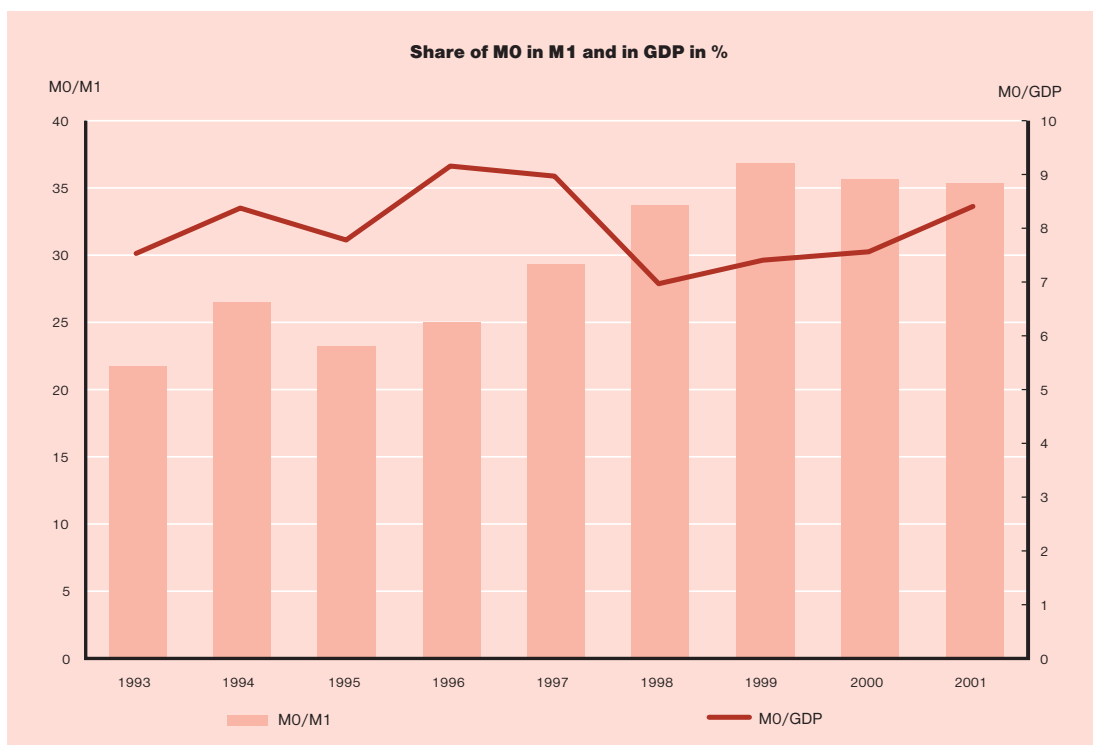
The structure of money in circulation is described by the so-called currency mark, which is the ratio of total value of coins and notes in circulation to their number. The high amount of coins in circulation (of the total number of banknotes and coins of 1.085 billion items they represented 955.3 million items)

influences the average value of currency mark, which was only Sk 84.40 in 2001. Compared to 2000, it grew by Sk 7.30 (since 1994 only by Sk 8), although the value of currency mark for banknotes almost doubled.

### 1.3. Currency in Circulation and Selected Macroeconomic Indicators

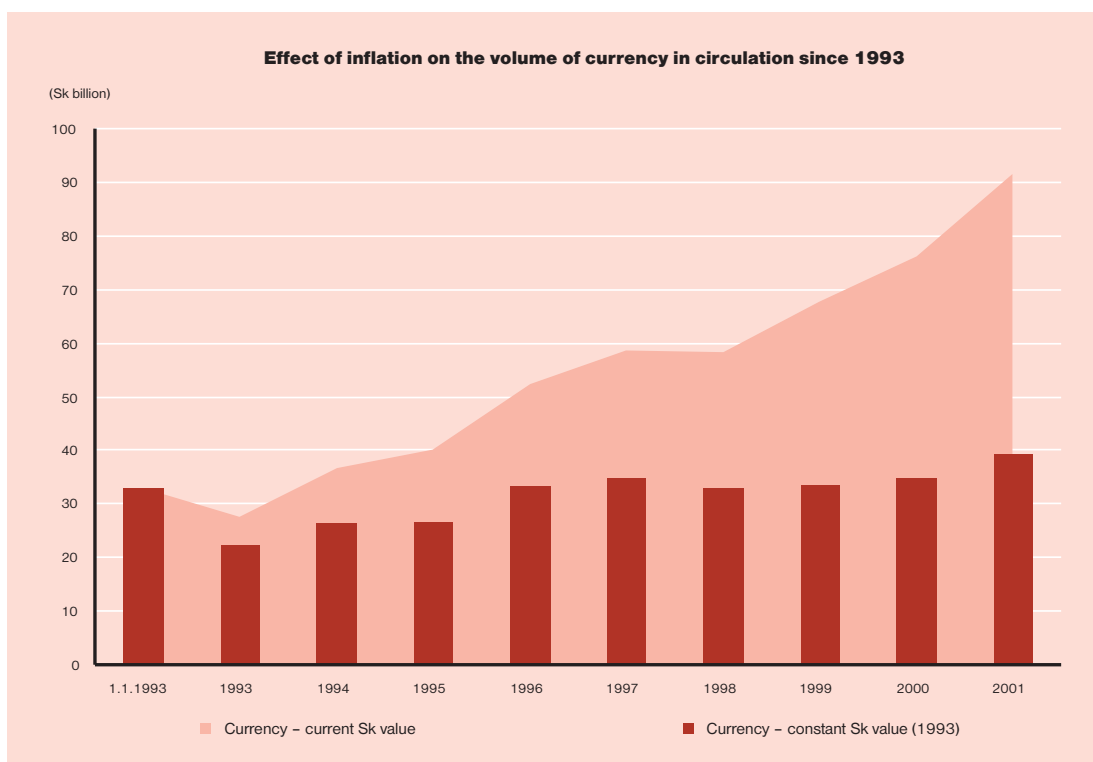
From the establishment of an independent Slovak currency until the present time, cash





outside banks has been steadily growing. Since 1996, cash kept in banks has been on a decline (except for 1999), reaching 11.5% at 31 December 2001, which is evidently due to the optimisation of banks' cash requirements.

The proportion of M0 in the M1 monetary aggregate reached 35.4% in 2000 (in 2000 this was 35.6%), which indicates a persistently lower proportion of non-cash transactions in Slovakia.





In comparison with the development so far, there were no noteworthy changes in the proportion of M0 to the gross domestic product in the Slovak Republic, which reached 8.4% in 2001.

Currency in circulation in nominal Sk is on an upward trend. In 2001, its value in nominal Sk increased by Sk 4.5 billion (to Sk 39.3 billion). Contrary to the previous two years, inflation was not a decisive factor in currency-in-circulation growth over the period under review, as documented by the fact that this growth was three times the inflation rate.

## 2. COUNTERFEIT MONEY SEIZED IN THE SLOVAK REPUBLIC

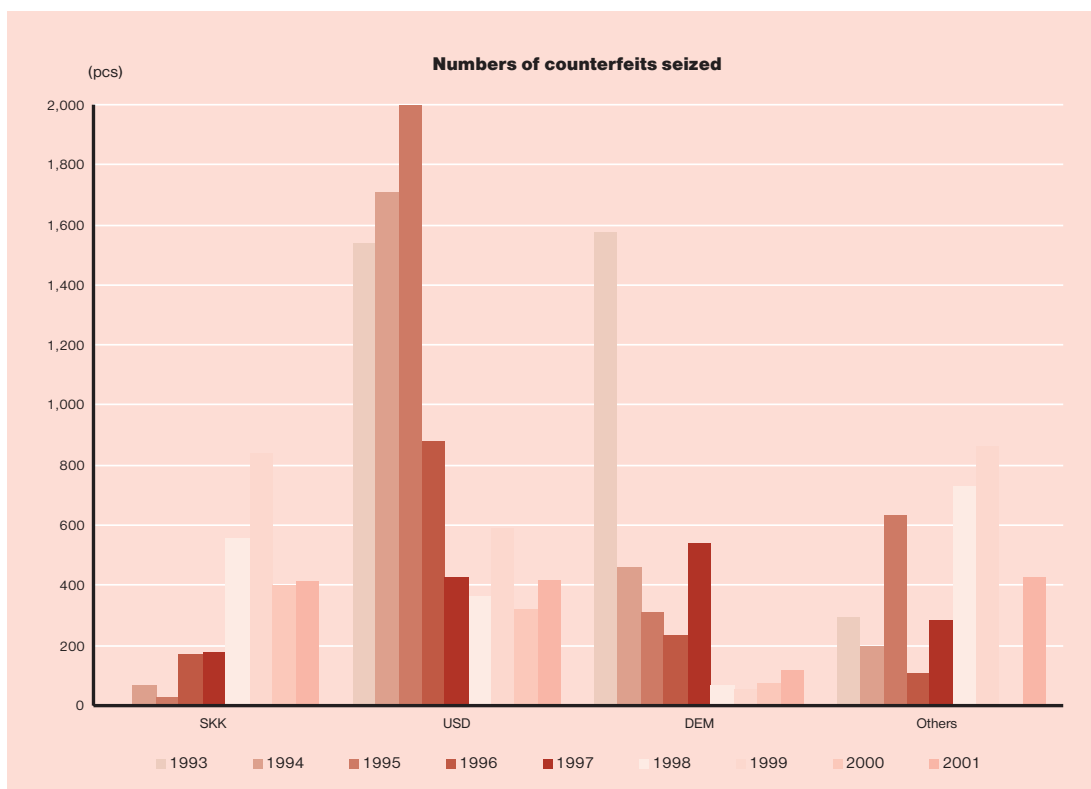
In 2001, 1,380 items of counterfeit Slovak and foreign currency were seized in Slovakia, which means an increase of 37% compared to 2000. Of the given number of counterfeits, 60% were seized directly in money circulation by

staff of commercial banks, non-bank exchange offices and security services.

### 2.1. Slovak Currency Counterfeits

411 items of counterfeit Slovak currency were seized in the Slovak Republic. The highest occurrence was recorded in the region of Banská Bystrica, where in 68 separate instances, 106 items of counterfeit banknotes were seized. Among the most frequent counterfeit banknotes were ones with the nominal values of Sk 1000, Sk 500, and Sk 100.

The majority of counterfeit Slovak banknotes were made by ink-jet printing, or printed with the use of a colour laser printer. As for the reality of colour, this was comparatively true compared to genuine banknotes, and some counterfeits had windowed tread imitated. As for the quality, the counterfeit banknotes were mostly within the danger degree „4“.



**Number of seized US\$ counterfeits**

(in pcs)

	Nominal value										Total
	5000	1000	500	200	100	50	20	10	5	A <sup>1/</sup>	
<b>1997</b>	5	108	39	0	19	0	2	5	0	0	178
<b>1998</b>	26	439	20	16	32	13	10	0	0	0	556
<b>1999</b>	13	649	47	4	108	17	5	0	0	1	844
<b>2000</b>	12	246	84	5	43	9	3	0	0	0	402
<b>2001</b>	2	278	55	15	54	4	3	0	0	0	411

1/ Altered

**Structure of seized Sk counterfeits according to degree of danger**

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1997</b>	0	0	0	0	2	0.6	162	46.7	14	4.0	169	48.7	347	100
<b>1998</b>	0	0	0	0	0	0	477	85.8	79	14.2	0	0	556	100
<b>1999</b>	0	0	0	0	6	0.7	808	95.7	29	3.4	1	0.2	844	100
<b>2000</b>	0	0	0	0	8	2.0	367	91.3	27	6.7	0	0	402	100
<b>2001</b>	0	0	0	0	1	0.2	398	96.9	12	2.9	0	0	411	100

1/ Not included in danger degree categories are imitations of coins (with parameters similar to genuine coins and used in gambling machines) and altered counterfeits.

**2.2. Foreign Currency Counterfeits**

Over the period under survey, 419 US\$ counterfeits, 1 US\$ imitation, and 549 items of

other currency counterfeits were seized in Slovakia. The greatest occurrence of foreign currency counterfeits was recorded in the region of Bratislava.

**Number of seized US\$ counterfeits**

(in pcs)

	Nominal value							Total	
	1	5	10	20	50	100	A <sup>1/</sup>		
<b>1997</b>	0	0	1	20	30	346	34		431
<b>1998</b>	2	0	0	14	10	318	20		364
<b>1999</b>	1	0	2	5	22	550	10		590
<b>2000</b>	2	0	0	5	11	292	13		323
<b>2001</b>	1	0	3	9	7	398	2		420

1/ Altered

**Structure of seized US\$ counterfeits according to degree of danger**

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1997</b>	73	17.0	5	1.2	301	69.8	17	3.9	1	0.2	34	7.9	431	100
<b>1998</b>	39	10.7	3	0.8	281	77.2	18	5.0	3	0.8	20	5.5	364	100
<b>1999</b>	38	6.4	0	0.0	278	47.1	7	1.2	256	43.4	11	1.9	590	100
<b>2000</b>	39	12.1	9	2.8	248	76.8	12	3.7	2	0.6	13	4.0	323	100
<b>2001</b>	61	14.5	3	0.7	335	79.8	16	3.8	3	0.7	2	0.5	420	100

1/ Not included in danger degree categories are altered banknotes (where a genuine banknote of a lower nominal value is altered to a note of a higher nominal value) and imitations.

### Number of seized counterfeit of other currencies

(in pcs)

	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other	Total
<b>1997</b>	543	99	101	16	7,731	22	5,211	8	13,731
<b>1998</b>	70	460	226	16	5	9	5,991	13	6,790
<b>1999</b>	56	329	14	13	315	186	0	6	919
<b>2000</b>	73	158	6	8	2	21	0	13	281
<b>2001</b>	119	141	11	1	1	243	1	32	549

### Structure of seized counterfeit of other currencies by degree of danger

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1997</b>	6	0	502	3.7	13,199	96.1	11	0.1	12	0.1	1	0	13,731	100
<b>1998</b>	0	0	450	6.6	6,319	93.1	16	0.2	4	0.1	1	0	6,790	100
<b>1999</b>	1	0.1	351	38.2	234	25.5	327	35.6	4	0.4	2	0.2	919	100
<b>2000</b>	1	0.4	115	40.9	129	45.9	16	5.7	19	6.7	1	0.4	281	100
<b>2001</b>	0	0.0	58	10.6	461	84.0	25	4.5	2	0.4	3	0.5	549	100

1/ / Not included in danger degree categories are imitations, altered banknotes, and test printouts.

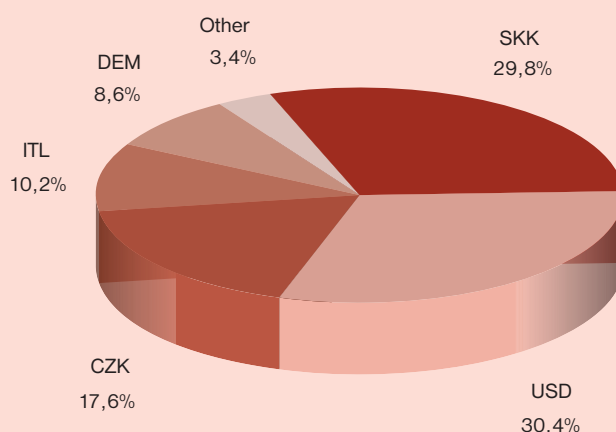
The number of seized USD counterfeit increased by 30% over the year 2000, with the majority being seized in financial institutions.

„super dollars“, 58 were counterfeit banknotes with the nominal value of US\$ 100 and 3 were banknotes with the nominal value of US\$ 50.

As for the quality of USD counterfeit, a mild increase was recorded in the number of counterfeit classified in the danger degree „1“ in 2001 compared to the previous year. Of the total number of 61 seized counterfeit of the so-called

During the period under survey, the number of seized counterfeit of other foreign currencies grew compared to 2000. The greatest increase was recorded for CZK (12 times) and DEM (by 60%).

Structure of counterfeit seized in 2001



With regard to the method of counterfeiting and the nature of imitation of individual security features, a prevailing portion of counterfeits of other currencies were classified in the danger degree „3“. In most cases the counterfeits were made by offset with an imperfect imitation of security features.

In terms of the structure of counterfeits seized in the Slovak Republic in 2001, the largest portion was represented by USD (30.4%), SKK (29.8%), CZK (17.6%), ITL (10.2%) and DEM (8.6%).

The replacement of banknotes, which were largely damaged as a result of natural disasters, or other unforeseeable circumstances, was conducted by the National Bank of Slovakia in its capacity as the only authorised financial institution, in accordance with applicable regulations.

The nominal value of submitted damaged banknotes and coins totalled Sk 12,448,530, and the National Bank of Slovakia paid in compensation Sk 12,317,568, i.e. 98.95% of the nominal value.

### **2.3. Expert Analyses of Damaged Slovak Legal Tender**

In 2001, the National Bank of Slovakia received from 92 applicants, damaged banknotes and coins with the request to carry out expert assessment and provide a replacement.