



NÁRODNÁ BANKA SLOVENSKA



Annual Report 1998

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Foreword

During 1998, the monetary policy of the National Bank of Slovakia was implemented under economic conditions similar to the previous years, which were characterised by deterioration in the existing internal and external imbalances.

The chief priority of monetary policy was to restore the balance of the country's economy and to renew the trend of long-term growth, so that the process of activation would be stimulated and covered by domestic resources rather than foreign funds. Elimination of the existing imbalances represented a vital condition for the fulfilment of the Bank's primary objective, the maintenance of currency stability.

The external economic and financial environment had a significant effect on the development of the Slovak economy. During the year under review, the world economy showed rather unbalanced development, marked by a slowdown in the dynamics of growth. The countries of Asia adopted some measures for economic stabilisation, but their basic economic indicators failed to improve. The financial turbulence in Russia culminated during the summer months, then it spread, together with other problems in Asia, and had affected the economic performance of most countries in the world by the end of the year. In September, it became apparent that the situation in Russia, Asia, and subsequently in Latin America, would affect not only the emerging economies, but advanced industrial countries as well, as was later confirmed.

The slow process of transformation in the Slovak economy, especially the delayed restructuring of resource-generating sectors, was also responsible for the slowdown in the output of the domestic economy, which recorded a 4.4% rate of year-on-year growth, the lowest figure since 1994. The structure of domestic demand, which was - along with foreign demand - the engine of growth in gross domestic product, remained unsatisfactory. The dynamics of domestic demand were stimulated by the growth of final consumption in the household sector and the developing activities of the public sector in the area of investment, both directly and indirectly, through the provision of government guarantees for loans.

The fiscal deficit of the Government reached its highest level since 1993, both in absolute value and in terms of dynamics of growth. The expansive fiscal policy absorbed a large part of the country's limited domestic resources, and had a restrictive effect on the economic activities of entrepreneurial entities. With regard to the growth in investment demand and consumption, the resources generated on the domestic market in 1998 were not large enough, leading to increased borrowing from abroad. The persistence and strengthening of negative trends, particularly the deficit in public finance and the shortfall in the current account of the balance of payments, combined with the absence of systemic measures in economic policy, led to reassessment of the country's credit rating and inclusion in the non-investment grade by international rating agencies. As a result, the access of companies to foreign resources was limited in 1998: loans from abroad could only be obtained at higher rates of interest and with shorter maturities.

Despite accelerating growth in the external debt of the Slovak economy, expressed in terms of a double increase in net foreign debt (US\$ 2.3 billion), for the first time, the capital and financial account failed to fully cover the deficit in the balance of payments current account; this was combined with a decline in the foreign exchange reserves of the NBS, which were 2.3 times greater than the average volume of monthly imports of goods and services to Slovakia in 1998. The inflow of foreign

capital was insufficient in terms of volume, with regard to the size of the deficit in the current account. Apart from domestic factors, the inflow of capital from abroad was negatively affected by the external environment, particularly the financial crisis in Russia.

The increased deficit in the balance of foreign trade in 1998 was due to the inappropriate structure of exports, when the acceleration in their year-on-year dynamics was offset by an increase in the volume of imports. Another factor was the continued slow rate of economic growth, and/or decline in the economies of our main trading partners, which restricted the market for Slovak products abroad.

The above facts had the effect of intensifying the devaluation expectations among domestic entities, which culminated before the parliamentary elections in September 1998, and led to the conversion of crown assets into foreign-currency assets, increased purchases of goods for long-term consumption, premature payments for imports and delayed collections for exports. After the elections, the fear of devaluation persisted despite the fact that the NBS had intervened in the money and foreign exchange markets in support of the existing fixed exchange rate regime, by using almost US\$ 1 billion of its official reserves. On 1 October 1998, the Bank Board of the NBS decided to cancel the system of fixed exchange rates against a basket of two currencies with a fluctuation band and to replace it with a floating exchange rate regime. At the same time, the National Bank of Slovakia announced that the exchange rate of the Slovak crown would be determined by the level of supply and demand on the interbank foreign exchange market, in which the NBS would intervene only to mitigate the volatility of the crown's exchange rate.

Over the course of 1998, the exchange rate of the crown (in relation to the original currency basket) depreciated by 10%. Despite this development and the adoption of the floating rate system, the annual rate of inflation did not increase in comparison with 1997. The rate of depreciation in the value of the Slovak crown was less than had been expected. The original goals of the NBS relating to the internal stability of the currency were met, when the annual rate of inflation reached the level of 5.6%. The favourable development of consumer prices was positively affected by the cancellation of the import surcharge, the absence of deregulation in the sector of goods and services with regulated prices, and the world-wide downward trend in price levels.

In 1998, the financial and capital account of the balance of payments continued to be liberalised. With effect from 1 April 1998, the surrender requirement (obligation of business entities to sell foreign currency holdings) was cancelled in the intent of ensuring better provision against exchange rate risks. The limit on the purchase of foreign exchange by private individuals was also removed. The liberalisation of trade in foreign securities had no marked effect on economic development in the SR, but is expected to make a significant contribution to the revival of the Slovak capital market.

At the end of 1998, twenty-seven banking entities were operating in the Slovak banking sector, i.e. 25 banks, 2 branches of foreign banks, and 9 representative offices of foreign banks. Of this number, four banks were licensed to conduct mortgage transactions.

During the year under review, the volume of subscribed capital in the banking sector of the SR, including funds permanently provided to branches of foreign banks (excluding NBS), increased by Sk 2,598.8 million, to Sk 34,624.6 million. The share of foreign investors in the total volume of subscribed capital of banks and funds permanently provided by foreign banks to their branch offices, ranged between 35.5% and 39.2%.

The banking sector ended the year with a profit of Sk 350.9 million. The total assets of banks operating on the Slovak money market increased during the year by 3%. The share of the balance sum of transforming banks in the total balance of the banking sector showed a tendency to decrease, due mainly to delay in the process of restructuring the banking sector. Deterioration in the financial situation of entrepreneurial entities led to growth in the volume of outstanding loans with a negative effect on the quality of the loan portfolios of banks. Classified assets increased at a number of banks and the creation of reserves and provisions also began to fall behind.

Despite an increase in internal and external imbalances in 1998, the monetary policy of the NBS, in addition to acting as a stabilising factor on price development, served to ameliorate existing macroeconomic inadequacies as well. One of the goals of monetary policy was to stabilise the country's money market. The fulfilment of this goal was, however, disturbed during the year by government borrowing activities, the fear of currency devaluation among the population, and by the attempt of the Bank to dispel this. Actual events show that a prerequisite for the stabilisation of economic conditions and the elimination of imbalances is the coordination of macroeconomic policies and the accelerated restructuring of banks and the microsphere. Macro-economic development in 1998 showed that the long-term ignorance of these factors leads to inadequacies in economic processes and improper behaviour on the part of those involved.

May 1999

Vladimír Masár
Governor



Members of the Bank Board

from left:

Ján Mathes, Executive Director, Currency Division

Jozef Mudrík, Vice-Governor

Vladimír Masár, Governor

Marián Jusko, Vice-Governor

Elena Kohútiková, Executive Director, Monetary Division

Jozef Magula, Director, General Relations Department

A. THE EXTERNAL ECONOMIC ENVIRONMENT



1. THE WORLD ECONOMY

Global Trends in Outputs and Prices

Forecasts of the development of the world economy in 1998 held that the year concerned would see a marked slowdown in the rate of growth in global output and continuation of the trend of moderate increase in prices. These forecasts were based on the assumption that the divergent development in the main regions of the world economy would continue and that price levels would continue to show a tendency to fall on global commodity markets. Both tendencies showed a stronger than expected intensity.

In 1998, global output increased by 2.5% (in 1997 by 4.2%) and global trade by 3.3% (in 1997 by 9.9%). With regard to the fall in the dollar price of petroleum (32.1% on average) and other commodities (14.8%), as well as in the prices of several items of final production, the value of global trade fell somewhat in 1998.

The continued divergence in the trends of development in the world economy resulted mainly from the regional effects of the financial crises that erupted in 1997 in countries of Southeast Asia and which spread to other economies belonging to the group of emerging markets (Russia, Brazil).

In 1998, advanced industrial countries (mainly the USA and Western Europe) experienced a relatively dynamic economic growth, the rate of which, however, slowed over the course of the year. The Japanese economy showed signs of recession. The revival of economic activity in emerging markets (Southeast Asia, Latin America) was again suppressed by the unfavourable effects of the financial crisis in Russia and the devaluation of the rouble in August 1998 with a view to regain the confidence of investors. A massive outflow of capital was recorded first and foremost in

Brazil, which was on the verge of financial crisis at the end of the year.

A slowdown in the rate of economic growth was recorded in most transition economies of Central and Eastern Europe. Apart from the Russian financial crisis, which acted in these countries as a factor causing an outflow or marked slowdown in the inflow of foreign capital, the slowdown in the rate of growth in Central and Eastern European countries was also supported by microeconomic problems connected with the uncompleted structural reforms in their corporate and banking sectors.

Development in the Main Centres of the World Economy: USA, Japan, European Union

In 1998, the US economy recorded the most rapid economic growth among advanced industrial countries. Over the course of the year, however, the dynamics of growth in GDP slowed somewhat, to 3.5% at the end of December. The slowdown in the rate of economic growth was due to the growing deficit in the current account, caused mainly by the downturn in Asian markets and the strong exchange rate of the dollar. Domestic demand remained high, the economy worked close to the level of potential output, and the rate of unemployment fell to 4.5%, which exerted upward pressure on the level of wages. Prices showed a very moderate increase and the annual rate of inflation reached 1.6%.

Economic development in Japan during the 90's was marked by ineffective economic procedures applied for the solution of long-term structural problems, a crisis in the banking system, and the direct effect of the financial crisis in Asia on the position of Japan and the entire East Asian region in the global structures of the world economy. In 1998, the Japanese economy ran into recession, characterised by a fall in GDP (2.6%), increased unemployment (to 4.1%), and a moderate year-on-year increase

in consumer prices (0.6%). The economic decline was caused by a marked reduction in domestic aggregate demand and a fall in exports due to the collapse of demand in the leading East Asian markets.

Over the course of 1998, the dynamics of economic growth slowed in EU countries as well. Nonetheless, domestic demand maintained its high level and the constraining effects of the Asian crisis on Western European exports were to a significant extent offset by the favourable development of trade relations, the low level of long-term interest rates, and the continued rapid growth in several non-Asian markets. In 1998, the rate of growth in GDP for the EU as a whole, continued to show an upward trend and reached 2.8%, while the annual rate of inflation stood at 1.4%. A persistent problem was the situation on the labour market. The high rate of long-term unemployment (10.2% in 1998) was due mainly to the high share of structural unemployment.

Countries in the euro-area recorded higher dynamics of growth than the European Union as a whole. Gross domestic product increased in these countries by 3.0% (in 1997 by 2.5%), while the rate of increase in consumer prices (expressed in terms of the harmonised consumer price index - HICP) slowed to 1.1% (compared with 1.6% in 1997). The engine of economic growth was the high domestic demand, which partially replaced the reduced volume of net exports, caused by uncertain conditions in the external economic environment. The share of the trade surplus in the euro-area's GDP in 1998 reached 1.4%, representing a moderate decline compared with the 1997 figure (1.6%). Despite a decrease of 0.8 percentage points year-on-year, the rate of unemployment in the euro-area reached a two-digit figure (10.9%).

The course of the business cycle in individual EU countries showed marked differences. The ascending phase of the cycle, characterised by a moderate year-on-year increase in GDP growth, was entered by Germany (2.7%), France

(3.1%), and Italy (1.5%). In Great Britain, where the business cycle peaked in 1997, the rate of GDP growth slowed (2.7%), due mainly to the downward effect of the persistently strong exchange rate of the pound on the volume of net exports, and to the fall in domestic demand after the tightening of monetary and financial policy. The annual rate of inflation (HICP) fell to 0.2% in Germany; to 0.3% in France; to 1.7% in Italy; and to 1.5% in Great Britain. The majority of small EU countries achieved a higher rate of growth in GDP: the fastest rate in Europe was recorded in Ireland (9.1%); which was followed by Finland (5.0%); the Netherlands and Spain (4.0% both); and Portugal (3.8%). The level of inflation in these countries was also low (in Spain and Finland, this was achieved through wage control); the fast economic growth generated potential risk of inflation in Ireland, Portugal, and the Netherlands.

Monetary Conditions and Fiscal Policy

Central banks responded to the slowdown in the dynamics of growth in output and inflation by lowering key interest rates, especially during the last quarter of 1998. In countries of the euro-area, the relaxation of monetary policy was connected with the final phase of the convergence process, and was therefore most evident in countries with high interest rates (Ireland, Portugal, Spain, and Italy). During September and October, basic interest rates fell in Portugal from 4.25% to 3.50%; in Spain from 4.50% to 3.75%; in Italy from 5.0% to 4.0%; and in Ireland from 6.75% to 3.7%. However, monetary policy was in fact not relaxed, because real interest rates remained unchanged after the nominal rates had been reduced, with regard to the fall in inflation. As one of the final steps of preparation for transition to the third stage of the monetary union, the central banks of eleven euro-area countries lowered their rates to 3% at the beginning of December (except for Italy, where the rate was lowered to 3.5%). By this co-ordinated step, the eleven central banks set the initial level of interest rates within the Economic and Monetary Union (EMU).

Fiscal positions of countries in the euro-area (% of GDP)

	Surplus (+), deficit (-) of general government			Gross debt of general government		
	1996	1997	1998 ^{1/}	1996	1997	1998 ^{1/}
Euro-area	-4.1	-2.5	-2.1	75.0	74.6	73.8
Belgium	-3.1	-1.9	-1.3	128.0	123.4	117.3
Finland	-4.6	-1.2	+1.0	57.8	54.9	49.6
France	-4.1	-3.0	-2.9	55.7	58.1	58.5
Netherlands	-2.0	-0.9	-0.9	77.0	71.2	67.7
Ireland	-0.3	+1.1	+2.3	69.4	61.3	52.1
Luxembourg	+2.8	+2.9	+2.1	6.3	6.4	6.7
Germany	-3.4	-2.7	-2.1	60.8	61.5	61.0
Portugal	-3.3	-2.5	-2.3	64.9	61.7	57.8
Austria	-3.7	-1.9	-2.1	69.8	64.3	63.1
Spain	-4.5	-2.6	-1.8	68.6	67.5	65.6
Italy	-6.6	-2.7	-2.7	124.6	122.4	118.7

Source: Eurostat

^{1/} Estimate

Outside the EMU, monetary policy was relaxed in 1998 by the Bank of England, which, after a temporary increase in June by 25 points (to 7.50%), lowered the base rate to 6.75%. The key rates were also reduced in Denmark, Sweden, and Canada. In the USA, the Federal Reserve System lowered its base rate gradually from 5.50% to 4.75% during the last quarter of 1998, with the aim of mitigating the impact of turbulence of global markets on the American economy. In the USA, this meant a fall in real rates as well, but the main effect of this step was stabilisation of the international financial markets.

The level of interest rates on the money market was also reduced. In the countries of the euro-area, average short-term interest rates (on 3-month deposits) reached 3.17% in 1998 (in 1997: 4.01%); in Great Britain 6.12% (in 1997: 7.48%); and in the USA 5.00% (in 1997: 5.62%). Interest yields on 10-year government bonds reached 4.71% in the euro-area (in 1997: 5.99%); 5.60% in Great Britain (in 1997: 7.13%); and 5.33% in the USA (in 1997: 6.45%).

In 1998, the relaxation of monetary policy in Japan encountered a situation referred to as 'liquidity trap', which is characterised by extremely low interest rates. The discount rate

was at the level of 0.50%, while the overnight call rate fell by 25 base points, to 0.25% in September. The short-term money market rate fell to 0.18% (in 1997, to 0.36%); yields on 10-year government bonds dropped to 1.30% (in 1997, to 2.15%). To revive domestic demand, the Japanese government relaxed its fiscal policy in the spring of 1998 (increase in expenditures, reduction in taxes). The unre-solved long-term problems of the Japanese banking sector, burdened by high volumes of bad loans, which remained after the collapse of the 'bubble' economy at the beginning of the 90ies, culminated in 1998 and substantially worsened the lending opportunities of Japanese banks on international financial markets. In October, the Japanese government approved a large-scale plan (12% of GDP) for the recovery and restructuring of the banking sector.

In 1998, fiscal policy in most euro-area countries was basically neutral in relation to changes in economic activity, with regard to the fact that, during the previous two years, these countries had applied fiscal consolidation measures aimed at meeting the Maastricht criteria for convergence. In other countries of Western Europe, fiscal policy had a moderately restrictive character. The fiscal

policy applied by the US Government can also be described as moderately restrictive.

European Union on the Threshold of the Third Stage

In May 1998, the EU summit in Brussels approved the further details of the EMU, being the third stage of the European Economic and Monetary Union, and the introduction of the common currency - the euro. The first phase was joined by eleven EU countries (Belgium, Ireland, Finland, the Netherlands, France, Luxembourg, Germany, Portugal, Austria, Spain, and Italy), which showed interest in joining the EMU and met the Maastricht convergence criteria for national financial and monetary stability. In these countries, the euro will be used in non-cash payments as legal tender, along with local currencies, with effect from 1 January 1999. The period from 1 January 1999 to 31 December 2001 will be a transitional phase during which the euro will be used along with the national currencies of EMU countries. From 1 January 2002, all financial transactions will be conducted exclusively in the euro, and euro banknotes and coins will be put into circulation. Banknotes and coins in national currencies will be used as legal tender until 30 June 2002, with the possibility of conversion into euro at commercial banks.

The introduction of the single currency is part of the plan to adopt a common monetary policy within the euro-area, which will be operated by the European System of Central Banks (ESCB), consisting of the European Central Bank (ECB) and the national central banks (NCB) of 15 EU member states. The European Central Bank and ESCB were established on 1 June 1998. During the following months, an operating framework was created for the monetary policy of the Eurosystem (i.e. ECB and 11 NCBs of EMU member states) and relations were established between the NCBs of 4 non-member states of

ESCB (Denmark, Greece, Sweden, and Great Britain) and the Eurosystem. The agreement on the creation of an exchange rate mechanism for the third stage (ERM II) was signed on 1 September 1998. On 1 January 1999, Denmark and Greece joined ERM II by establishing a fixed connection between the central parities of their national currencies and the euro, with a fluctuation band of 2.25% Danish crown, and 15% Greek drachma.

In October, the Governing Council of ECB formulated the monetary policy of the Eurosystem. The primary objective of monetary policy is to maintain the price stability, defined as a less than 2% year-on-year increase in the harmonised consumer prices index (HICP) within the euro-area, which is to be maintained in the medium-term. A key role in the implementation of this monetary policy will be played by the money supply as a natural 'nominal anchor'. For the euro-area, the growth in the money supply (M3 monetary aggregate) was set in terms of a reference value at 4.5% per year, allowing for a less than 2% increase in HICP; 2.0-2.5% year-on-year growth in real GDP; and a 0.5-1.0% slowdown in the circulation of M3 on a year-on-year basis. Monetary development in relation to this reference value will be monitored monthly on the basis of the three months moving average of the year-on-year rate of growth in M3.

The ratio of minimum required reserves, which is to be maintained by every credit institution operating in the euro-area, was set at 2%.

The key parameters of monetary policy within the Eurosystem were determined by the Governing Council of ECB on 22 December 1998. The interest rate for the main refinancing operations of ECB was set at 3%. The first refinancing tender was announced for 4 January 1999. At the same time, the limit-values of interest rates for stand-by operations were set with effect from 1 January 1999 as follows: the sanction rate for overnight credits was set at 4.5% and the minimum rate for overnight deposits at 2%.

On 31 December 1998, the conversion rates of the euro were fixed irrevocably for the national currencies of the eleven member states of EMU. This will be the only rate to be applied for the conversion of the euro into a national currency as well as between the national currencies of EMU member states. The latest official rate of ECU and the first rate of the euro against the US dollar was set at USD 1.168 = EUR 1 as at 1 January 1999 at 00:00 a.m.

The macroeconomic position of the euro-area, which summarises the aggregate performance of

Irrevocably fixed conversion rates of the euro

1 EUR =		
Belgium	BEF	40.3399
Finland	FIM	5.94573
France	FRF	6.55957
Netherlands	NLG	2.20371
Ireland	IEP	0.787564
Luxembourg	LUF	40.3399
Germany	DEM	1.95583
Portugal	PTE	200.482
Austria	ATS	13.7603
Spain	ESP	166.386
Italy	ITL	1,936.27

the economic unit of 11 EU countries and the basic indicators of its monetary and financial stability in 1998, i.e. the last year before entry into the third stage of the European Economic and Monetary Union, is given in the table below:

Basic macroeconomic indicators of the euro-area in 1998

GDP (at constant prices, annual growth)	3%
Inflation (HICP)	1.1%
Unemployment rate	10.9%
Trade balance / GDP	1.4%
Balance of general government budget / GDP	-2.1%
Gross debt of general government / GDP	73.8%
Short-term interest rate (3-month deposits)	3.17%
Yield on 10-year government bonds	4.71%
Exchange rate USD/EUR (as at 1.1.1999 at 00:00 a.m.)	1.168

2. ECONOMIC DEVELOPMENT IN CENTRAL EUROPEAN TRANSITION ECONOMIES

The turbulence on the world financial markets and the slowdown in the rate of growth in global economy were reflected in the results of transition economies as well. The economic growth achieved in this group of countries in 1997 (2.2% in real GDP) turned into a decline of 0.2% in 1998. This result was due mainly to the monetary crisis in Russia, which stopped the trend of moderate revival that started in this country a year earlier (the 0.8% growth in GDP in 1997 turned into a 4.8% decline). The situation in Russia negatively affected the economies of neighbouring countries as well. The only transforming country, where the economic decline has not been interrupted since the beginning of the reform, i.e. the beginning of the 90ies, is Ukraine.

In the group of countries seeking admission to the EU, the rate of growth slowed from 3.5% in 1997 to 2.8% in 1998, when economic growth in dynamically advancing countries (Poland, Slovakia, Latvia, Lithuania, and Estonia) slowed below 5%, while Rumania and the Czech Republic showed an economic decline. An acceleration in the rate of growth was recorded in Hungary and to a lesser extent in Slovenia. After two years of decline, the economy of Bulgaria showed some signs of revival.

The integration of Central European countries into the EU recorded further progress at the London summit of the EU, where the applications of six candidates were confirmed - Poland, Hungary, the Czech Republic, Slovenia, Estonia, and Cyprus, which are regarded by the European Commission as best prepared to meet the criteria of admission to the EU. Apart from making efforts to join the European structures, the countries of Central Europe continue to strengthen their trade relations within CEFTA, which is gradually being extended to new countries. In 1997, CEFTA was joined by Rumania, and on 1 January 1999, Bulgaria gained admission.

In CEFTA countries, economic growth was stimulated by domestic demand in Hungary, Poland, and Slovakia. In Rumania and the Czech Republic, total domestic demand declined, so economic growth was only supported by foreign demand. In Slovenia, economic growth was driven by foreign demand, while domestic demand remained weak.

The average 12-month rate of inflation in Hungary, Poland, and Slovenia continued to increase at a slower rate. In Rumania, due to restrictive monetary policy, a marked

slowdown was achieved in the rate of increase in price level. In Slovakia and the Czech Republic, the rate of price inflation accelerated in comparison with the figure for the previous period. However, Slovakia remained the country with the lowest rate of inflation within CEFTA. Slovakia's inflation rate was not affected significantly even by replacement of the fixed exchange rate regime with a floating rate system in October 1998.

In 1998, the favourable course in economic development led to a decrease in the rate of unemployment in Hungary and to a certain extent in Poland and Slovenia. At the same time, unemployment figures increased in Slovakia, the Czech Republic, and Rumania, which indicates the need for structural changes in the economies of these countries.

In transition economies, the growing coverage of domestic demand from foreign resources led to an increase in the deficit of trade, which resulted into a deficit in the current account. The current account deficit itself was not regarded as a threat to economic growth and stability where it was compensated for by an inflow of capital in the form of foreign investment. However, the recent financial crises gave rise

Macroeconomic results of CEFTA countries (in %)

		Slovakia	CR	Hungary	Poland	Slovenia	Rumania
Index of GDP growth	1996	6.6	3.9	1.3	6.1	3.3	3.9
	1997	6.5	1.0	4.6	6.9	3.8	-6.6
	1998	4.4	-2.7	5.1	4.8	4.0	-5.5
Inflation (CPI) (average for the period)	1996	5.8	8.8	23.6	19.9	9.9	38.7
	1997	6.1	8.5	18.3	14.9	8.4	154.9
	1998	6.7	10.7	14.3	11.8	7.9	59.1
Unemployment rate (at the end of the period)	1996	12.8	3.5	10.7	13.6	14.4	6.3
	1997	12.5	5.2	10.1	10.5	14.8	8.8
	1998	15.6	7.5	9.1	10.4	14.5	10.3
Balance of payments current account/GDP	1996	-11.0	-7.6	-3.7	-0.4	-1.3	-7.3
	1997	-6.9	-6.2	-2.1	-3.0	0.4	-6.2
	1998	-10.3	-1.9	-4.8	-4.2	0.2	-7.0
State budget surplus (deficit)/GDP	1996	-4.4	-0.1	-6.7	-2.8	0.3	-5.8
	1997	-5.7	-1.2	-3.1	-4.0	-1.1	-4.5
	1998	-5.4	-1.7	-4.7	-2.5	1.0	-2.5

Source: National statistics

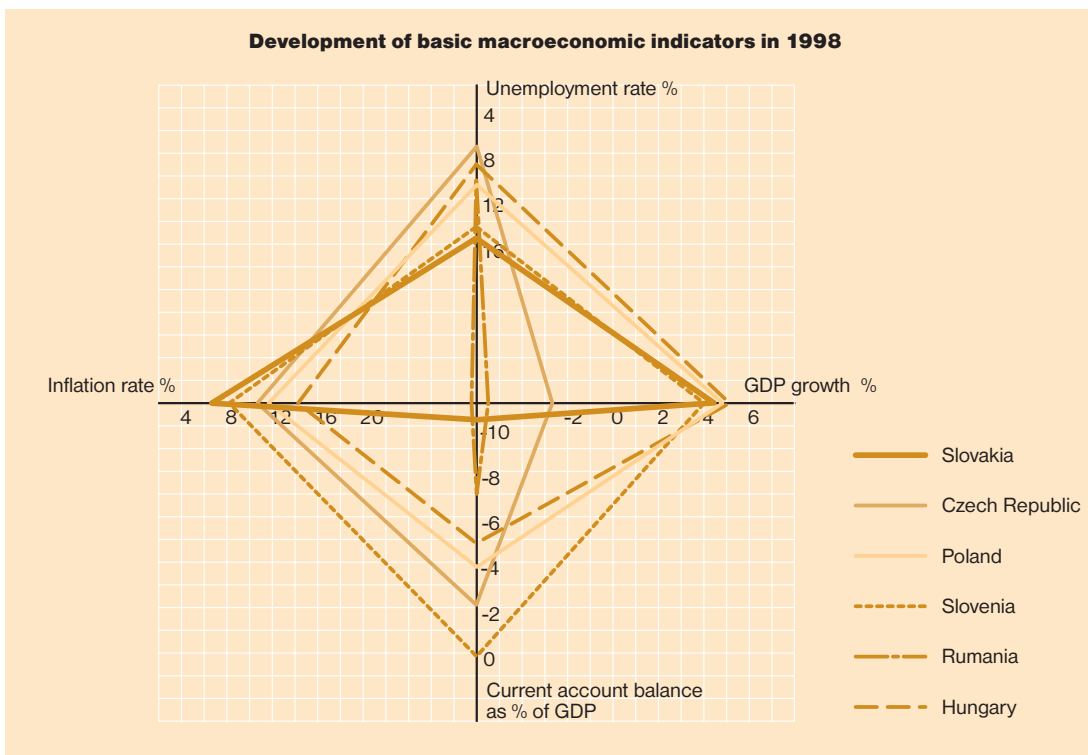
to concern about the stability of such a system in an environment of highly volatile financial flows.

Except Slovenia, which maintained a balanced current account, and the Czech Republic, where the fall in domestic demand reduced the external imbalance of the economy, the countries of Central Europe showed an increase in the external imbalance during 1998. While in Poland and Hungary, the deficit in the current account increased to a level which is acceptable with regard to the capital account balances of these countries, current account deficits in Slovakia and Rumania reached a level that gave rise to concern.

The creation of a stable economic environment requires sound government financing. Reduction in the level of public consumption, the budget deficit, and the need for structural changes in the State budget remain the priorities of individual countries in connection with their intention to join the EU.

The indicators of economic development in the areas of output, labour market, price stability, and foreign relations illustrated in the chart below show that the most balanced development was achieved in Slovenia. On the other hand, the most uneven development took place in Rumania, which 'loses' one of the peaks of the quadrangle with regard to the high rate of inflation, and falls behind the other countries of the group in terms of GDP growth and the current account balance as well. In the case of Slovakia, the largest disproportion is shown by the current account balance, while the Czech Republic falls behind in terms of GDP growth.

The recent financial crises have focused attention on the financial stability of new markets. It is obvious that if these countries are to be able to cope with the consequences of globalisation, their sound fiscal and monetary policies, must be based on an economy with competitive structure and a healthy financial sector.



B. REPORT ON MONETARY DEVELOPMENT IN THE SR IN 1998



1. ECONOMIC DEVELOPMENT

Economic development in 1998 was marked by numerous negative trends, which further increased the country's internal and external imbalances.

The rate of growth in gross domestic product (GDP), expressed at constant prices, slowed to 4.4%. A key role in GDP creation was played by services, while added values fell in both agriculture and construction. With regard to demand, the growth in GDP was supported by domestic as well as foreign demand. The growth in domestic demand was stimulated mainly by gross fixed capital formation, which was involved in the increase in the level of foreign debt. As the dynamics of imports exceeded those of exports, the external imbalance of the economy increased in 1998.

The growing problems in the entrepreneurial sector led to a marked decline in the financial results of financial and non-financial organisations. Profits earned in 1998 were more than 50% lower than in 1997. At the same time, the profit to cost ratio decreased and the insolvency of entrepreneurial entities increased.

In comparison with the previous year, the share of the private sector in GDP creation decreased by 0.2 percentage points, to 82.4%.

The average annual rate of consumer-price inflation reached 6.7%. The average monthly increase in the level of consumer prices fell from 0.53% in 1997, to 0.45% in 1998. The annual rate of inflation reached its maximum in May (7.6%) and minimum in December (5.6%).

The downward trend in employment continued in 1998, when the average number of employees registered in the Slovak economy decreased by 0.4%. This was due primarily to a reduction in the number of employees in agriculture and industry. Employment was positively influenced by the development of trade

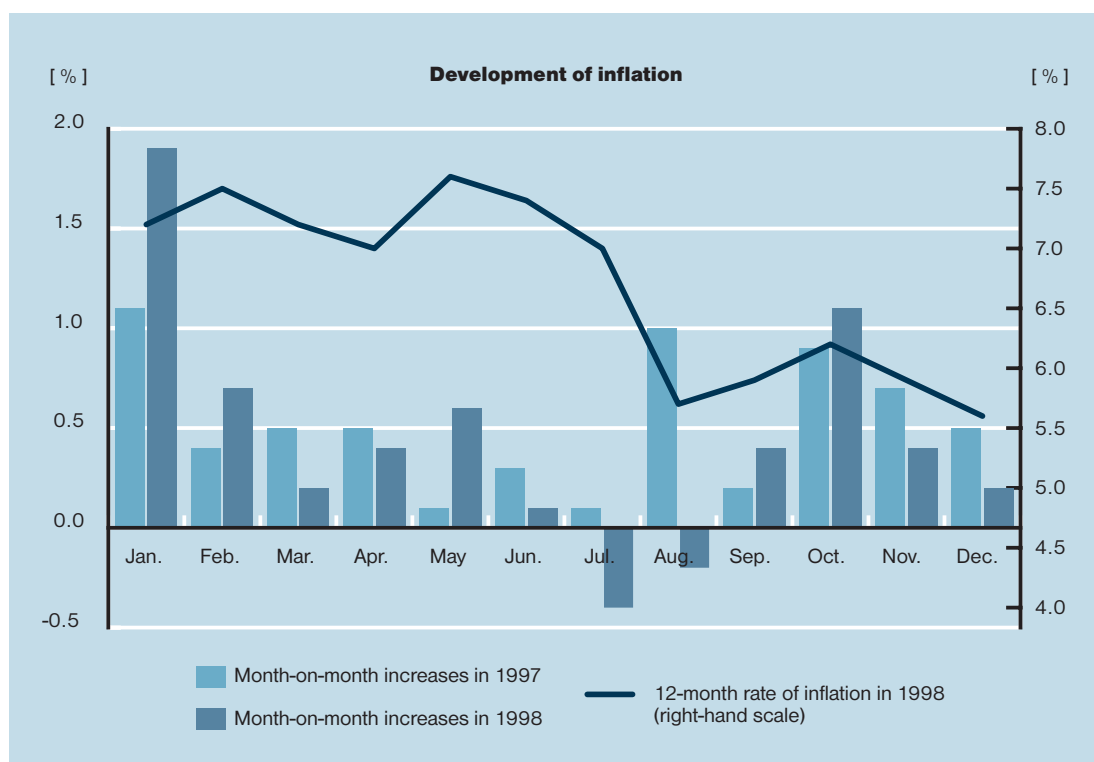
and trade-related services. According to data from labour offices, the rate of unemployment increased to 15.6% at the end of the year, i.e. by 3.1 percentage points compared with the same period a year earlier. The average figure for the year was 13.7%. As a result of a decrease in the number of vacancies and increase in the number of unemployed, there were 23 unemployed persons per one vacancy.

1.1. Price Development

In 1998, the increase in the general price level slowed somewhat in comparison with 1997. The 12-month rate of inflation, expressed in terms of the consumer price index, reached 5.6% at the end of December 1998, which was in line with the monetary programme of the NBS for 1998 (5.6 to 5.9% at year-end). In 1998, the average annual rate of price inflation stood at 6.7%.

The slowdown in the rate of year-on-year increase in consumer prices in 1998 resulted from the slowdown in price deregulation and the low rate of inflation 'imported' from abroad.

The slow increase in the prices of domestic regulated commodities and services, combined with a fall in the prices of raw materials and foodstuffs, led to reduction in the prices of production inputs and cost-push inflation. A favourable effect on the level of consumer prices was exerted by the gradual lowering of the import surcharge and the relatively stable exchange rate of the Slovak crown during the first half of 1998. During the second half of the year, fears of currency devaluation and price inflation increased in connection with the growing external imbalance of the economy and the run-up to parliamentary elections. The growth in consumer demand induced by fears of devaluation and the subsequent depreciation in the currency after the cancellation of the crown's fixed exchange rate regime (with effect from 1 October 1998) accelerated the price



increase during September and October. At the close of the year, inflation was at a relatively low level. This was due mainly to the development of consumer prices in November and December, which recorded a marked fall both in comparison with October and the same period of 1997.

Price development in the tradable and non-tradable sectors

According to the structure of the consumer basket by sector, the rate of inflation in the non-tradable sector (6.5%) continued to exceed the figure for the tradable sector (5.2%). The differences between the sectoral rates of

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

Increase in consumer prices in % since previous December	Const. weight in % (valid in 1998)	December 1997 ^{1/}	December 1998	Change in % points
Tradable sector:	66.93	5.52	5.20	-0.32
of which: Food prices	26.76	4.52	4.55	0.03
Other goods	40.18	6.18	5.62	-0.56
Non-tradable sector:	33.07	8.17	6.46	-1.70
of which: Regulated prices	17.82	7.97	6.30	-1.67
Market services	15.24	8.39	6.65	-1.75
TOTAL	100.00	6.40	5.63	-0.77

NBS figures based on data from the Statistical Office of the SR

^{1/} By the decision of the Ministry of Finance of the SR to liberalise fuel prices in January 1998, fuels were moved from the sector of regulated prices into that of other tradable commodities. For the purpose of year-on-year comparison of price increases by sector, the data for 1997 have been adjusted according to the classification of items from 1998 by sector. This means that fuels are regarded in these adjustments as other tradable goods in 1997 as well (the weighting of fuels in the consumer basket is ca. 2.6% and their prices increased in 1997 by 0.7%).

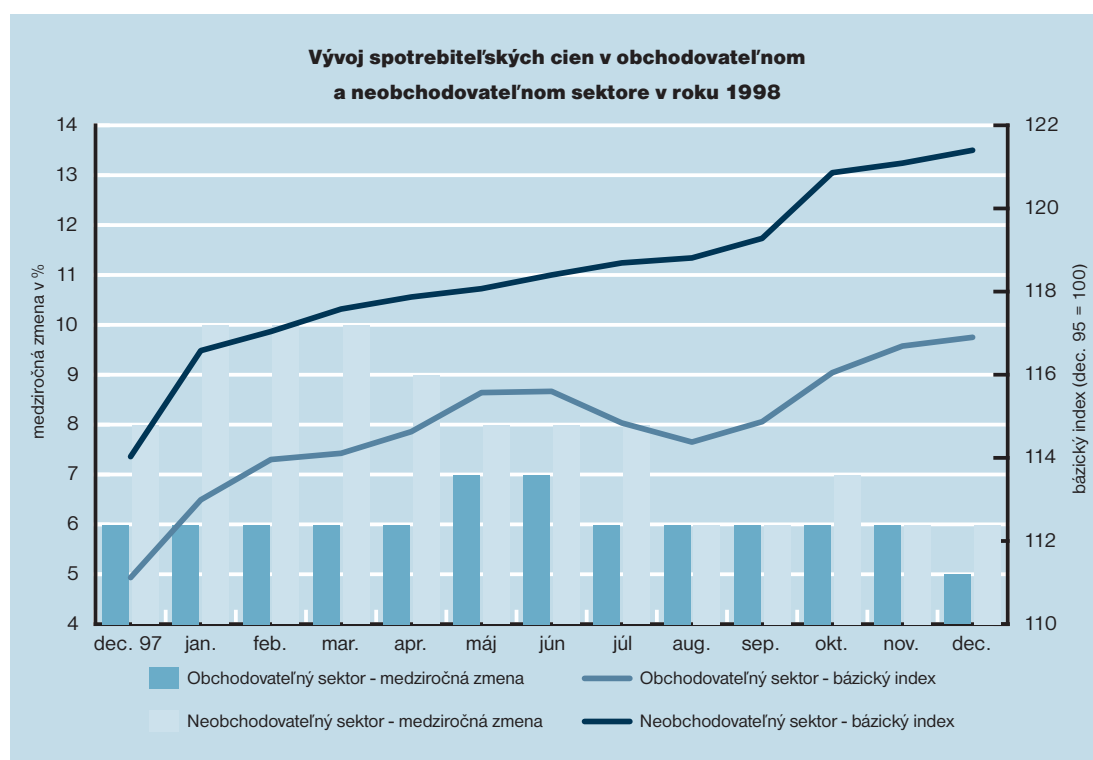
inflation (so-called 'dual inflation') persisted in 1998 in spite of the fact that the non-tradable sector recorded a sharper fall in the 12-month rate of inflation (1.7 percentage points) than the tradable sector (0.3 percentage points).

Food Prices

Food prices (excluding non-alcoholic beverages) recorded almost the same year-on-year increase as a year earlier. On a month-on-month basis, the development of food prices in 1998 differed from the trend recorded in previous years mainly during the second quarter of 1998, when the rate of price increase accelerated in this sector. Apart from seasonal factors, the said development was due to the setting of a minimum guaranteed price for sugar payable to the producer, as of April 1998. During the second half of the year, however, food prices acted as a brake on the rise in the level of consumer prices, as in previous years.

Other Tradable Commodities

In comparison with the same period of the past year, the rate of price increase in the sector of other tradable goods slowed by 0.3 percentage points during the first three quarters of 1998. This reduction was due to the low rate of inflation in the countries of our main trading partners, the relatively stable exchange rate of the Slovak crown, and the gradual reduction in the import surcharge (from 7% to 5% on 1 January 1998; from 5% to 3% on 1 April 1998 and then to be cancelled with effect from 1 October 1998). At the beginning of the last quarter, the price increase accelerated in the sector. This was due mainly to an increase in consumer demand, caused by fears of currency devaluation and inflation, which culminated at the end of September and the beginning of October. The depreciation in the currency after the cancellation of the fixed exchange rate regime on 1 October 1998, also contributed to the acceleration in the rate of price advance in the sector. The increase in the price of other tradable goods in October 1998 was



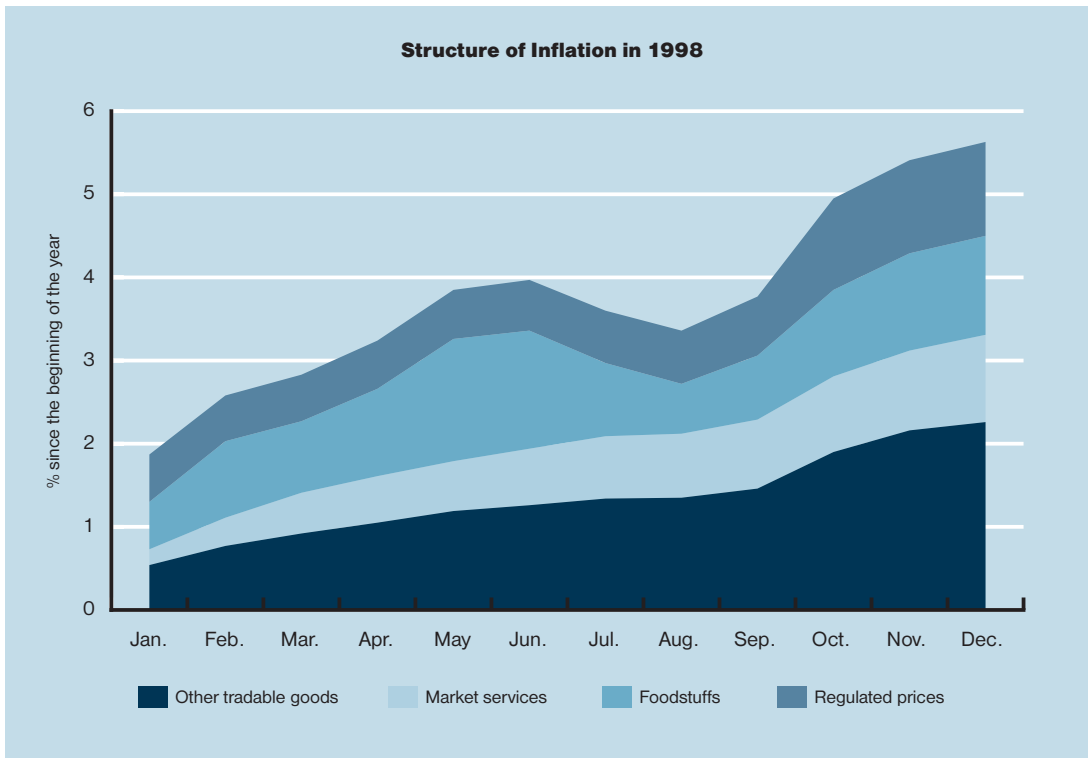
comparable with the figure for the same period a year earlier, when the consequences of the import surcharge introduced in July 1997 became apparent. Thus, the 12-month rate of price inflation in the sector of other tradable goods recorded only a moderate increase in October. As a result of a fall in the level of consumer demand and the stabilisation of the crown's exchange rate at the close of the year, the said prices continued to show a tendency to fall.

Regulated Prices

At the end of December 1998, the prices of services and commodities which were regulated during 1998, recorded an average year-on-year increase of 6.3%, which was 1.7 percentage points less than a year earlier. The contribution of the sector of regulated prices to the 12-month rate of inflation weakened in 1998 by 0.28 percentage points compared with 1997. In comparison with the other sectors of the consumer basket, regulated prices made the largest contribution to the slowdown in the rate of increase in consumer prices over the past year. Apart from a short-term favourable influence on inflation, the slowdown in price deregulation had an unfavourable effect on the functioning of the real economy and the course of price inflation. The slowdown in the rate of increase in regulated prices in comparison with non-regulated prices, changes the level of relative prices and disturbs the effective allocation of resources. Postponement of an adequate increase in regulated prices reduces the profits or increases the losses of producers. The subsequent fall in tax revenues, or pressure to increase subsidies, generates an increase in the deficit of the State budget with an unfavourable impact on price development. Last but not least, the postponement of price deregulation increases the fear of inflation amongst economic entities and thus acts against reduction in core inflation.

Prices of Market Services

Despite a fall of 1.75 percentage points, the prices of market services recorded the most rapid increase among the sectors under review (6.6% year-on-year). The structural causes of the accelerated rate of price increase in services (compared with tradable goods) may be divided into causes related to demand, supply, and causes arising from the characteristics of the market in the given sectors. The demand-related causes of the higher price inflation in services originate from the high income elasticity of services in comparison with the income elasticity of goods. The growth in revenues, which is related to the country's economic growth, causes a relatively higher increase in demand for services than in demand for goods, which exerts increased pressure on price advance in the service sector. Supply-related causes arise from the differences in labour productivity. Since the structure of the service sector offers limited possibilities for the growth of labour productivity, the general increase in wages exerts greater pressure on costs and prices than in the sector of tradable goods. The essential cause of the higher rate of structural price increase in services lies in the market conditions existing in the sector, characterised by an absence of foreign competition and a low level of domestic competition. The weak competition allows the providers of market services to transfer their increased costs into selling prices to a larger extent than producers in the tradable sector, which is exposed to increased competition from abroad. The rate of inflation in the sector of market services got closer to the figure for the sector of tradable goods, due to the lower pressure exerted by regulated prices on the costs of service providers and to the relative decline in demand for services, as a result of the slowdown in economic growth.



Producer Prices

In 1998, producer prices recorded a slowdown in dynamics. The most rapid increases were recorded in the prices of construction work and building materials. Agricultural prices showed even a decline on a year-on-year basis.

The prices of industrial producers recorded a seven-year minimum, and continued to show the lowest dynamics among producer prices (a year-on-year increase of 3.3%). Price development in this category was influenced by

a slowdown in the rate of increase in the price of electricity, gas, heating, and hot water (by 3 points). The level of energy prices rose by an average of 4.7%. In mining and surface extraction, prices increased by only 0.5%. The prices of industrial products rose by 3.1%. The most rapid increase was recorded in the price of timber and wood products, which had risen by an average of 6.5% since the beginning of the year. Relatively high increases were recorded in the producer prices of foodstuffs and tobacco (5.8%), leather and leather products (5.8%), textile and textile products (5.3%). In the category 'electrical and optical instruments', producer prices fell by an average of 0.1%.

Development of consumer and producer prices in 1995 - 1998

Average index	1995	1996	1997	1998
Same period of last year = 100				
Consumer prices	109.9	105.8	106.1	106.7
Industrial producer prices	109.0	104.1	104.5	103.3
Construction prices	112.0	115.0	109.7	108.9
Building material prices	112.2	107.4	107.6	107.3
Agricultural prices	103.3	105.4	105.6	99.7

The slowdown in the pace of year-on-year increase in industrial producer prices was due mainly to the favourable trend in commodity prices (mainly petroleum) on the world market. This was reflected in the development of producer prices of petroleum refinery products (index: 100.6), chemicals (index: 100.0), and rubber and plastic goods (index: 101.9).

Despite the lasting highest increase among producer prices, the prices of construction work and building materials showed a tendency to slow. Since 1995, the rate of increase in construction prices has slowed by 3.1 points and the price of building materials by 4.9 points.

The purchase prices of agricultural products fell year-on-year by an average of 0.3%. This development was attributable to the prices of plant products, which fell year-on-year by an average of 6.2%. The excess of supply over demand, mainly on the domestic market for animal feed crops, contributed to the fall in prices (8% in the case of grain including corn). The price of potatoes and fruit recorded marked seasonal fluctuations.

The year-on-year increase in the prices of animal products (an average of 3.3%) significantly influenced the purchase prices of animals raised for meat, mainly beef cattle (3.9%). The average price of cow milk of class I. increased by 6.8%. The fall in agricultural prices acted as a brake on the rise in the producer prices of foodstuffs.

GDP Deflator

The slowdown in the dynamics of consumer and producer prices affected the development of the GDP deflator, which increased by 5.1% (in 1997 by 6.6%) on a year-on-year basis. The most rapid increase was recorded in the deflator of final household consumption (6.4%), the lowest in the deflator of exports (3.9%).

1.2. Gross Domestic Product

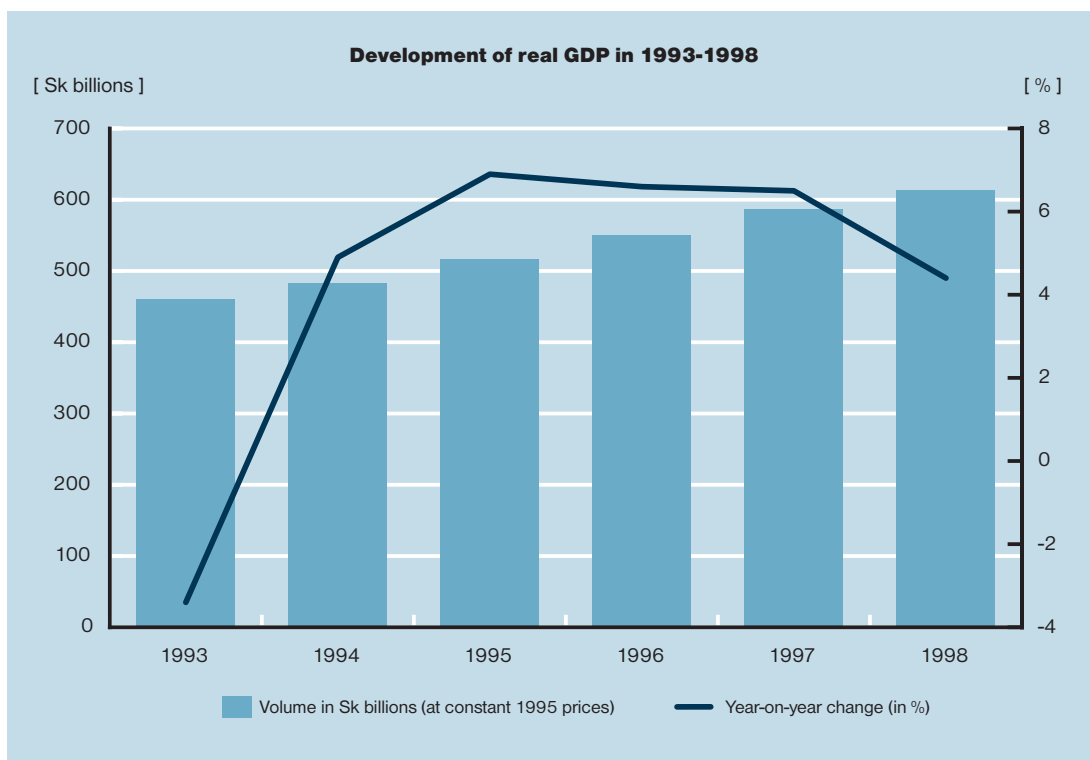
The 12-month rate of economic growth slowed to 4.4% in 1998, compared with the years 1995-1997, when the rate of year-on-year growth was above 6.0%. The slowdown was due mainly to the development of gross domestic product (GDP) during the 4th quarter, when it increased by only 0.5%. The creation of GDP was influenced mainly by the continued rise in the added value of market services, while its utilisation was affected by the level of domestic and foreign demand.

A long-term problem facing the Slovak economy is the imbalance between domestic demand and domestic supply, which is reflected in the growing deficit in the balance of trade and the balance of payments on current account. This disproportion persisted in 1998, when the volume of domestic demand exceeded the volume of domestic supply by 7.2%. The low

Development of aggregate demand and supply

	Sk billions ^{1/}			Share in %		
	1996	1997	1998	1996	1997	1998
Aggregate supply	931.5	1,002.2	1,067.8	100.0	100.0	100.0
of which: Domestic supply (GDP)	550.8	586.8	612.7	59.1	58.6	57.4
Foreign supply (imports of goods and services)	380.7	415.4	455.1	40.9	41.4	42.6
Aggregate demand	931.5	1,002.2	1,067.8	100.0	100.0	100.0
of which: Domestic demand	606.6	631.2	656.9	65.1	63.0	61.5
Foreign demand (exports of goods and services)	324.9	371.0	410.9	34.9	37.0	38.5

^{1/} Constant 1995 prices



level of domestic supply (GDP creation) in comparison with that of domestic demand, led to growth in the imports of goods and services (foreign supply). The imports of goods and services reached a share of 42.6% in aggregate supply and was 1.2 percentage points higher than in the previous year. This was due partly to growth in foreign demand, depending on imported components and semi-finished products for further processing.

Aggregate Supply

The development of domestic supply (creation of gross domestic product) was characterised by data on gross production and intermediate consumption. Gross production increased at constant prices by 3.6% compared with 1997, while intermediate consumption grew by 2.9%. The creation of added value, resulting from the difference between gross production and intermediate consumption, increased year-on-year by 4.7%, representing a slowdown of 2.6 points compared with the figure for 1997. The slower rate of year-on-year growth in added

Creation of gross domestic product (Sk billions, constant 1995 prices)

	1996	1997	1998	index 1997/96	index 1998/97
Gross production	1,401.5	1,458.9	1,511.5	104.1	103.6
Intermediate consumption	885.3	904.8	931.4	102.2	102.9
Added value	516.2	554.1	580.1	107.3	104.7
Other ^{1/}	34.6	32.7	32.6	94.5	99.7
GDP	550.8	586.8	612.7	106.5	104.4

^{1/} Value added tax, tax on imports, input production of banking services

value, accompanied by a fall in the volume of indirect tax revenues, led to a slowdown in GDP creation.

A long-term negative phenomenon in the development of domestic supply was the inadequate appreciation in material, labour, and capital inputs in the production process. This is documented by the share of intermediate consumption in gross production, which reached 61.6% (compared with 62.0% in the previous year). The relatively high share of intermediate consumption in gross production (despite a moderate fall) is associated with the persistent material and energy intensive structure of GDP creation, which is a result of the existing structure of production, marked by a dominant share of production with a low added value and a small share of sophisticated products. Another unfavourable factor was the high share of industrial products dependent on imported components and semi-finished products for further processing.

The creation of GDP can also be defined by data on the development of the added value by sector. The rate of increase in added value at constant prices was in almost every sector slower than in the previous year. The most rapid increases were recorded in added values in market services (mainly in transport and trade) and in non-market services. In industry, the

added value recorded only a slight increase, while in industrial production it increased at a faster rate than in the past year. The most significant year-on-year changes were recorded - due to reduction in the investment demand of the Government during the second half of the year - in construction, where the added value fell by 7.3%. The volume of added value also declined in agriculture.

Services

Despite the reduced rate of growth in GDP, the share of services in its creation increased year-on-year by 2 points, due to a rise in the added value of market (8.8%) and non-market services (6.3%).

Of market services, the largest contribution to GDP creation was made by trade, which achieved a year-on-year growth of 5%. Receipts from retail sales were 8.2% higher than in 1997 (at constant prices). The receipts increased mainly during the 2nd and 3rd quarters, when they reached 11.6% and 9.1% respectively, due to fears of currency devaluation. The most rapid increases were recorded in the sales of electronics, building materials, and fuels. A significant growth (more than 43% at constant

Breakdown of gross domestic product by sector (Sk billions, const. 1995 prices)

	1996	1997	1998	index 1997/96	index 1998/97
GDP	550.8	586.8	612.7	106.5	104.4
Agriculture	28.6	28.8	28.5	100.7	99.0
Industry	167.1	171.0	172.5	102.3	100.9
of which: industrial production	138.1	143.1	149.9	103.6	104.8
Construction	23.7	27.3	25.3	115.2	92.7
Market services	230.6	252.4	274.7	109.5	108.8
of which: Trade	120.9	126.7	133.0	104.8	105.0
Transport	33.6	33.8	36.6	100.6	108.3
Non-market services	66.2	74.6	79.3	112.7	106.3
Other ^{1/}	34.6	32.7	32.4	94.5	99.1

^{1/} Value added tax, tax on imports, input production of banking services

prices) was recorded in receipts from catering, including services. Receipts from hotel services increased year-on-year by 34.7% (at current prices), due to an increase in the number of visitors (by 21.8%), while the average length of visit remained unchanged. Travel agencies also recorded a year-on-year increase in receipts.

In 1998, transport organisations achieved a total income of Sk 25.2 billion, representing a year-on-year increase of 0.7%. A substantial part (more than 71%) of the income was realised in public freight transport. Of this income, 68.1% was generated by railway transport, where receipts increased year-on-year by 4.6%. Public passenger transport recorded a year-on-year decline of 4.6% in receipts, while the dominant part of this income (58%) came from road transport.

Receipts increased by more than 11% in the sector of postal and telecommunications services. In postal services, dynamic growth was recorded in Express Mail Services and in cash services, mainly deposit services for the Postal Bank (index: 140.4). The receipts of telecommunications were positively affected by the continued increase in the number of telephones. In 1998, there were 2.6 times more mobile phones in operation than in 1997.

Receipts from other market services increased by 4.9% (at constant prices) compared with the figure for 1997. The largest part (54.6%) was formed by proceeds from other commercial services, mainly architecture and advertising services. Within the scope of other market services, only real estate services recorded a year-on-year decline (8.6%).

Industry

Industrial output, expressed in terms of production of goods recorded its highest year-on-year increase in the past three years. The

volume of production totalled Sk 611.3 billion (at current prices) and its rate of year-on-year growth accelerated by 2.3 points, to 5.0% (at constant prices).

Manufacturing recorded a year-on-year increase of 6.5% (at constant prices), due mainly to the manufacture of transport means, electrical and optical equipment, and other non-metal mineral products. The generation and distribution of electricity, gas, steam, and heating, continued to decline, due mainly to the mild weather at the end of the year and the resulting fall in power consumption. Another factor was the fall in the output of companies, which use a large amount of electricity, mainly in mining and chemical industry. Despite the relatively high dynamics of growth, eight sectors of industrial production (out of fourteen) failed to reach the level of 1997.

The results achieved by the sector were due mainly to growth in the output of the private sector (11.1% at constant prices), which led to an increase in its share of total output from 73.2% in 1997, to 77.8% in 1998.

In 1998, the volume of added value in industry increased by only 0.9% (at constant prices) compared with the 1997 figure. The slowdown in the rate of year-on-year growth reduced the share of the sector in GDP creation, which had been on the decrease since 1995 and reached 28.2% in the year 1998. The development of the added value was affected by the year-on-year increase in manufacturing, the extraction of non-mineral raw materials, and the continued decline in the generation and transmission of electricity, gas and water supply (25.5% at constant prices).

Construction

The trend of revival in construction, recorded in the years 1995-1997, slowed down over the course of 1998; the third and fourth quarters

saw even a decline in production. As a result of non-payment for work on government projects, the level of investment activity fell and the construction of motorways and hydroelectric projects declined. The construction sector ran into recession: the volume of construction work started to decline in September and recorded a year-on-year fall of 3.5% at the end of 1998.

The year-on-year decline in construction was due mostly to a fall in the volume of production in the public sector (11.0% at const. prices). As a result, the share of this sector in total production decreased by 1.5 points, to 16.3%. Despite a fall in production (1.9% at const. prices), the private sector continued to dominate the output of the sector (its share increased to 83.7%).

The volume of construction work abroad continued to fall, by 27.7% compared with the previous year, reaching a share of only 4.9% of the total output of the sector. In the area of residence construction, the number of flats completed in 1998 exceeded the previous year's figure by 1,062, representing the highest increase since 1989.

Entrepreneurial entities operating in the construction sector created added values in the total amount of Sk 25.3 billion (at const. prices), representing a year-on-year fall of 7.3% (at const. prices), which reduced the share of the construction sector in GDP by 0.6 points (to 4.1%) in comparison with 1997.

Agriculture

In 1998, the share of agriculture in the creation of GDP reached 4.2%, representing a year-on-year decrease of 0.2 percentage points. Since 1995, the value of this indicator has fallen by 17.6%.

Proceeds from the sale of agricultural products at current prices reached Sk 34.6 billion, i.e. 2.5% less than a year earlier (proceeds from plant produce were 12.3% lower, whereas those from animal products were 3.1% higher). The upward trend in proceeds, which was recorded during the period 1995-1997, came to an end in 1998 due primarily to a surplus of grain crops on the domestic as well as foreign markets. As a result, a marked year-on-year fall was recorded in the purchase price of fodder crops (wheat: -9.4%; corn: -16.4%), since animal production was not able to absorb the entire supply. A negative factor in this respect was the shortage of resources for government intervention in the form of purchases (the low liquidity of the State Fund for Market Regulation) and restrictions in the area of licensing policy. The minimum guaranteed price of wheat for the food industry (Sk 4,200/ton) became economically unsustainable, due to increased imports of subsidised wheat from Hungary (the import was restricted by the Government of the SR). The unfavourable weather conditions caused a fall in the volume and quality of other crops, which normally have a positive effect on the level of proceeds (sugar beet, sunflower, etc.). Sales were also complicated by other factors such as the low level of contractual relations (especially in the area of grain crops), the non-observance of the Act on Agriculture (14-day supply credit), and the non-flexible adoption of the new method of financing pursuant to Act No. 144/1998 Z.z. on warehouse and commodity certificates (with effect from 1 June 1998). The fall in proceeds was due partly to the unsold produce which remained in the warehouses of primary producers.

In animal production, the decline in the sales of animals raised for meat for the processing industry (8.1% year-on-year) was offset by an increase in the purchase prices of beef cattle (3.9%), pigs (2.7%), where the expected high increase in prices (mainly at the close of the year) was held back by imports of pork with pro-export support. The absence of contractual relations between producers and manufacturers

also created room for increased pork imports. However, the consumer price of meat and meat products had not fallen significantly by the end of the year.

The development of food prices had without doubt a negative effect on the purchase price of agriculture products, which fell year-on-year by an average of 0.3%, while prices in food processing rose by 3.4% and the consumer prices of foodstuffs and beverages by 5.8%. At the same time, the price of agricultural inputs increased by 4.1%. The most rapid increase in food prices (since 1995) was recorded in food processing (14.4%), which reflected the low utilisation of processing capacities.

The balance of foreign trade in the sector of agriculture and food processing resulted in a deficit of Sk 15.8 billion, which represented a year-on-year increase of Sk 1.6 billion and accounted for 19.5% of the total deficit countrywide. The increase in the deficit was due primarily to meat and meat products, including live animals, amounting to Sk 1.1 billion. Last year, the trade balance was significantly affected by developments on foreign markets (our pork market was affected by the crisis in Russian and Asian markets and by massive support of pork exports in EU countries) and in our common market with the CR within the customs union (more than 63% of the pork imports came from the CR). With regard to the structure of commodities, the balance of trade recorded a year-on-year improvement only in two items: grain crops and grain products, i.e. Sk 2.0 billion (exports grew by Sk +1.1 billion; imports fell by Sk -0.9 billion) and sugar and sugar products, i.e. Sk 0.4 billion (exports: Sk +0.5 billion; imports: Sk +0.1 billion). The increased exports aimed mainly at reducing the excessive stocks of grain and sugar on the domestic market. However, this did not suffice to compensate for the increase in the negative balance of trade in other agricultural commodities. While the competitiveness of the agricultural sector remained low, imports increased even in such areas of production for which we have suitable

conditions (dairy and pastry goods, margarine, fats, oils, tobacco products, etc.). The protection of internal markets and producers within the limits of the rules laid down in international agreements (WTO, customs union with the CR and CEFTA) is still a hot subject in this sector.

The downward trend in the level of losses in the agricultural sector ceased in 1998, owing to the fact that yields (index: 93.8) fell at a faster rate than costs (index: 94.8). According to statistical data, the financial performance of the agricultural sector (companies with 20 or more employees and subsidised organisations) resulted in a loss of Sk 1.6 billion, i.e. Sk 0.6 billion more than a year earlier. Of the total number of monitored agricultural organisations (4,536), 2,673 (58.9%) ended the year with a loss. Problems with liquidity and payment discipline persisted. Liabilities were 2.2 times higher than receivables, which is a sign of persistent primary insolvency. Within the scope of modernisation and technological innovation, a negative development was a fall of 18.3% in the level of investment activity (investment in machinery and equipment fell by 33.1%). Bank loans in agriculture (including hunting and fishing) totalled Sk 15.5 billion, representing a year-on-year decline of Sk 2 billion (index: 88.6). The proportion of classified assets to total loans in agriculture amounted to Sk 11.3 billion (72.9%). The yearly limit for the volume of loans provided for the rediscounting of agricultural bills (set by the NBS at Sk 3.0 billion) had been utilised to only 48.5% (Sk 1,455 million) by 31 December 1998.

Development of labour productivity, wages and employment

According to data from the Statistical Office of the SR, the average nominal monthly wage of employees in the Slovak economy reached Sk 10,003 in 1998, representing a year-on-year increase of 9.6% in nominal terms, and 2.7% in

real terms. In the same period of 1997, the average wage increased year-on-year by 13.1% and 6.6% respectively. These figures point to a marked year-on-year slowdown in the dynamics of real wages (by 3.9 points), to the lowest level since 1994. The rate of increase in real wages started to slow in 1997, which is documented by the following data:

Comparison by sector indicates that the most

difficulty paid no wages at all, and also tried to avoid dismissals. Hence, we may assume that these developments were reflected in the level and dynamics of the reported average wages.

Labour productivity in relation to GDP (at current prices) per employee increased year-on-year by 4.3% (compared with 6.9% a year earlier), exceeding the dynamics of real wages

	Development of wages				Index (same period of last year = 100)							
	1996				1997				1998			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Average monthly nominal wage	112.2	112.3	112.6	115.3	114.9	114.5	113.2	110.8	110.8	110.4	108.8	108.4
Average monthly real wage	105.8	105.7	107.2	109.5	108.4	107.7	106.8	104.3	103.3	102.8	102.4	102.4

rapid increases in real wages were recorded in other public, social, and personal services (13.5%); electricity generation and transmission, gas and water supply (7.9%); and in trade and maintenance (6.5%). Real wages recorded year-on-year decreases in construction, raw material extraction, and education.

The development of average wages was also affected by the wage regulation and by the deteriorating economic situation of non-financial business entities. The marked fall in profits, accompanied by a growth in insolvency, caused serious financial difficulties for some companies, which paid reduced wages in an effort to maintain the level of employment and to avoid laying off employees. Some companies in

by 1.6 points (last year by 0.3 points). Wage development during the year was characterised by a faster growth in labour productivity than in wages during the first three quarters; during the last quarter, however, labour productivity grew by 0.4% and wages increased by 2.4%. The change in the relation between labour productivity and wages in the last quarter was due mainly to a marked year-on-year decline in GDP.

In industry, labour productivity grew at a faster rate than real wages, i.e. by 6.5 points (1997 saw a more rapid increase in wages). In construction, however, the level of real wages fell by 1.4% and labour productivity fell year-on-year by as much as 4.6%. The fall in labour

		Index (same period of last year = 100)					
		1993	1994	1995	1996	1997	1998
Labour productivity of GDP	curr. p.	111.7	121.5	114.8	110.5	114.0	109.5
per employee	con.p. ^{1/}	96.3	106.8	104.6	105.7	106.9	104.3
Average monthly wage per employee	nom.	118.4	117.0	114.3	113.3	113.1	109.6
	real	96.4	103.2	104.0	107.1	106.6	102.7
Total number of employees		99.9	98.2	102.2	100.8	99.6	99.6

^{1/} Constant prices = average of 1995 = 100

productivity in construction started in the 2nd quarter and culminated in the 4th quarter, when it reached almost 20% on a year-on-year basis. This development was due mainly to a decline in the volume of construction during the last quarter (21% year-on-year).

In 1998, the average number of employees in the Slovak economy was 2,032.1 thousand, i.e. 0.4% less than a year earlier. Development during the past year was characterised by a year-on-year increase in employment in the first quarter (0.5%) and decreases in the remaining three quarters (0.5%; 0.4%; and 0.9%).

The development of employment was most affected by the continued decrease in the number of employees in industry (4.1%, i.e. almost 25 thousand) and agriculture and fishing (3.8%, i.e. 6.6 thousand). In construction, the number of employees increased year-on-year by 1.0%. The development of employment was most affected by the continued increase in the service sector, where the total number of employees increased year-on-year by 32.9 thousand. The level of employment fell only in transport, postal and telecommunications services (0.2%), public administration, defence, and compulsory social insurance (0.7%). The share of non-productive sectors in employment increased to 55.7%.

According to data from the National Labour Office, the absolute number of registered unemployed reached 428,209 at the end of December, i.e. 23.1% more than in the same period in 1997. The rate of unemployment, calculated from the number of disposable unemployed, stood at 15.6% at 31 December 1998. The course of unemployment during the year was characterised by an increase, which accelerated mainly during the 4th quarter, when 42,418 new unemployed were registered. In a breakdown by region, the largest increase in unemployment was recorded in the region of Eastern Slovakia (Prešov and Košice districts), where the rate of unemployment exceeded 20%. Unemployment above 20%, which is regarded as

a critical level, was recorded in a total of 25 districts in December.

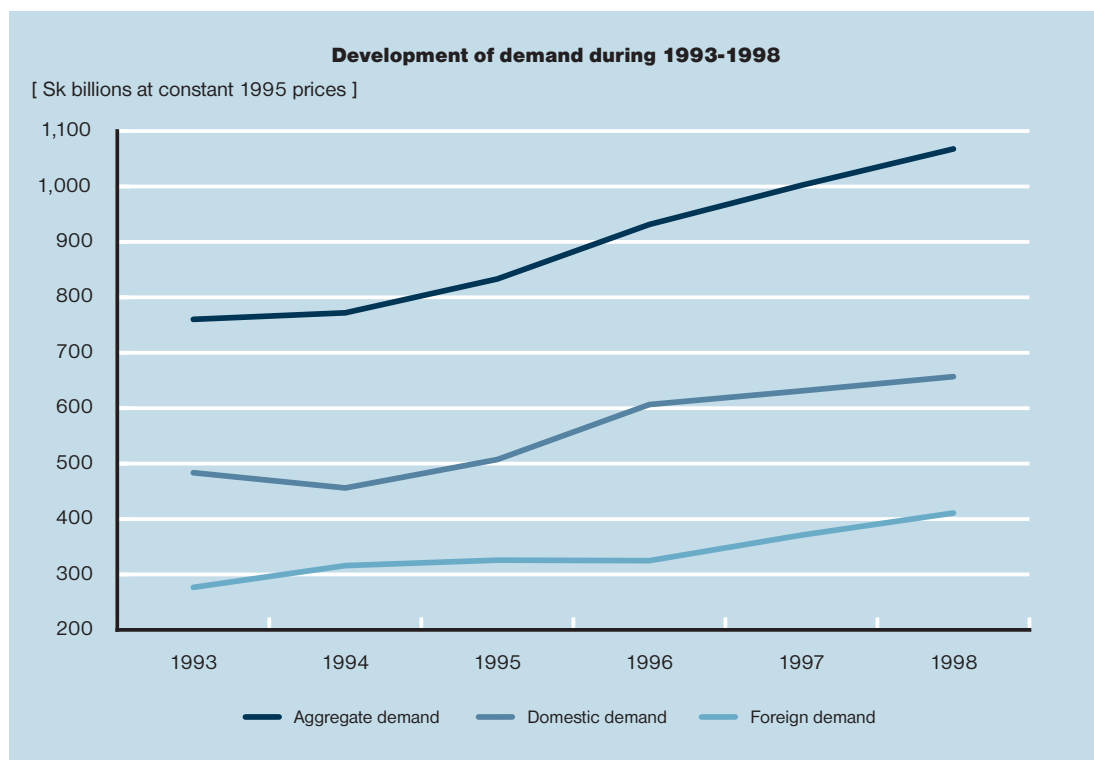
According to preliminary data from the National Labour Office, expenditure on unemployment benefits for registered unemployed increased year-on-year by 40.1% (to Sk 3.9 billion), and transfers for health, sickness, and pension insurance for job applicants receiving unemployment benefits by 30.7% (to Sk 1.6 billion). On the other hand, expenditure on promoting job creation fell by 24.2%, due to a shortage of resources.

Aggregate Demand

The growth in aggregate demand was due primarily to an increase in domestic demand (4.1% at constant prices), which was only 0.3 points less than the growth in GDP. The increase in aggregate demand was supported by the development of foreign demand (export of goods and services), which grew year-on-year by 10.8% at constant prices.

Net Foreign Demand

The development of net foreign demand (exports of goods and services less imports of goods and services) was affected by factors in both demand and supply. The increase in domestic demand, combined with inadequate domestic supply, exerted pressure upon the growth of imports, which caused a rapid increase in imports during the last quarter. The imports of goods and services increased by 15.6% (at current prices). Imports grew at a faster rate than exports, which increased by 15.1%. Thus, net exports of goods and services influenced the development of GDP with a negative value of Sk 80.1 billion (at current prices), which represented -11.2% of GDP



(-10.3% of GDP a year earlier). The deficit in net exports was associated with the shortfall in the trading of goods, while services reached a moderate surplus of revenues over expenditures.

A different course of development was recorded for constant prices. With regard to the slower growth in the deflator of export than in

that of import, foreign demand increased at constant prices by 10.8%, while the imports of goods and services grew by 9.6%. As a result of this development, the negative balance of trade in goods and services fell year-on-year by Sk 0.2 billion, to Sk -44.2 billion (i.e. -7.2% of GDP).

Structure of GDP in terms of utilisation (Sk billions, const. 1995 prices)

	1996	1997	1998	index 1997/96	index 1998/97
Gross domestic product	550.8	586.8	612.7	106.5	104.4
Domestic demand	606.6	631.2	656.9	104.1	104.1
of which: Final consumption in total	400.2	417.2	431.8	104.2	103.5
Households	270.2	287.1	301.3	106.3	104.9
Non-profit institutions serving households	2.3	2.4	2.6	104.3	108.3
State administration	127.7	127.7	127.9	100.0	100.2
Gross capital formation	206.4	214.0	225.1	103.7	105.2
Gross fixed capital formation	197.8	226.4	251.2	114.5	111.0
Change in stocks	8.6	-12.4	-26.1	-	-
Net exports	-55.8	-44.4	-44.2	-	-
Exports of goods and services	324.9	371.0	410.9	114.2	110.8
Imports of goods and services	380.7	415.4	455.1	109.1	109.6

The quick growth in exports at constant prices had a stimulating effect on economic growth, which generated an increase in the country's export performance (share of the exports of goods and services in GDP) by 3.9 points compared with the figure for 1997, to 67.1% at constant prices. At the same time, the import intensity of GDP (share of the imports of goods and services in GDP) increased by 3.5 points, to 74.3%. This means that the dynamics of exports were ensured by sectors and/or entrepreneurial entities engaged in export intensive production.

Domestic Demand

One of the factors that increased the external and internal imbalance of the Slovak economy in 1998, was the growth in domestic demand, which affected mainly the formation of fixed capital and the final consumption of households. Final consumption in State administration recorded only a moderate increase.

In domestic demand, the most dynamic component was gross fixed capital formation, the dynamics of which slowed in comparison with the previous year, but still exceeded the rate of growth in GDP. The rate of investment (ratio of gross fixed investment to GDP) increased year-on-year by 2.4 points, to 41% at constant prices.

The rate of investment, expressed as the ratio of gross investment to GDP, reached 36.7% at constant prices. Due to a fall in the level of stocks (Sk 26.1 billion), it was lower than the rate of fixed investment. The increased drawing on stocks, mainly during the last quarter, was one of the factors that slowed the dynamics of economic growth.

The relatively high rate of investment (expressed in terms of gross as well as fixed investments), formed mostly by financially demanding investments in infrastructure, exceeded the level of domestic resources: only 80.4% of gross investment was covered from domestic savings. This fact and the insufficient (though higher than a year earlier) inflow of foreign capital for direct investment created a need for the coverage of the investment demand, in large measure, from foreign resources. The high volume of loans, drawn from abroad by business entities and the Government, caused a further increase in the level of external debt.

The development of investment demand was reflected in the structure of procured investments. A positive moment was the growth in investment in machinery and equipment (16.8% at current prices), which exceeded the growth in investment in building and construction (9.2%). The share of machinery and equipment in the

Development of investments and savings (in %)

	1996	1997	1998
Constant 1995 prices			
Savings rate ^{1/}	27.3	28.9	29.5
Rate of gross investment ^{2/}	37.5	36.5	36.7
Rate of fixed investment ^{3/}	35.9	38.6	41.0
Coverage of investments by savings ^{4/}	73.0	79.3	80.4
Current prices			
Savings rate ^{1/}	27.4	28.4	28.2
Rate of gross investment ^{2/}	39.4	38.7	39.4
Rate of fixed investment ^{3/}	36.9	38.6	40.8
Coverage of investments by savings ^{4/}	69.5	73.3	71.7

^{1/} Share of gross domestic savings in gross domestic product

^{2/} Share of gross capital formation in gross domestic product

^{3/} Share of gross fixed capital formation in gross domestic product

^{4/} Share of gross domestic savings in gross investments

total procured investment increased year-on-year by 2.1 points (to 51.6%), while that of investment in building and construction decreased. In the category 'machinery and equipment', the most significant increase was recorded in investment in transportation means, furniture and office equipment, machines, instruments, and equipment. While investment in conveyance carriers increased at a relatively fast rate during the whole year, the dynamics of growth in investment in machines, tools, and equipment slowed rapidly towards the end of the year.

With regard to structure of investments by sector, most capital was invested by non-financial organisations, which accounted for 70% of the total volume of investment. Organisations with 20 or more employees invested mainly in electricity generation, gas and water supply, transport, postal and telecommunications services, trade and business services. Investments in infrastructure, which have a long rate of return, accounted for more than 40% of the total volume of investments in the non-financial sector. In industrial production, most capital was invested in the processing of foodstuffs, beverages, tobacco goods, the production of coke, petroleum refinery products, and nuclear fuels, cellulose, paper, paper products, transport means, and metal working. Only 10.3% (28.2% in 1997) of these investments were covered from own-resources of non-financial organisations, due to a fall in their profits, which confirms the high dependence of the entrepreneurial sector on credit resources.

In the household sector and in financial organisations, the growth in investment only slightly exceeded the previous year's figure. The most significant changes were recorded in the government sector, in connection with the implementation of infrastructure-related projects. The investment demand of the Government fell significantly during the second half of the year, thus the level of government spending fell by 13.9% and its share in total investment decreased by 3 points, to 9.7%.

The final consumption of State administration (expenditures on its operation and on services provided for society as a whole) increased at constant prices by 0.2%. Due to the relatively small weight of the said increase in total expenditure, the final consumption of State administration did not belong to the key factors of growth in GDP. The development of final consumption was influenced by an increase in average monthly wages in budgetary sectors (mainly public administration and defence), and by other non-investment expenditures (e.g. the costs of parliamentary elections).

The development of domestic demand was affected by both the level of investment demand and the growth in final household consumption, which absorbed almost 50% of GDP in the long run. In 1998, domestic demand continued to grow at a relatively fast rate (11.7% at current prices; 4.9% at constant prices), which exceeded the rate of GDP growth. At the same time, the final consumption of households followed an uneven course of development. During the first half of the year, its level increased by 3.2%, and during the second half by 6.7%. This development was due partly to fears of currency devaluation during the run-up to parliamentary elections and during the period that followed change in the exchange rate regime. In contrast with the previous year, when the growth in private consumption was due largely to a relatively rapid increase in wages, the level of private consumption rose in 1998 to the detriment of household savings. This is documented by data on development of average monthly wages, the rate of household savings, and household deposits.

According to preliminary data from the Slovak Statistical Office, the current income of households increased year-on-year by 7.7% and current expenditure by 12.5%. Compared with 1997, the rate of growth in income slowed by 3.7 points, while the dynamics of growth in expenditure increased by 2.9 points. Development during 1998 was characterised by a sustained surplus of expenditure over income,

whereas the previous year saw an opposite trend.

The slowdown in the rate of growth in income was due mostly to a reduction in the dynamics of wages and salaries (3.7 points) and a fall in the level of mixed income from employment and business (6.3%; while the dynamics slowed by 20 points). Social benefits increased year-on-year by 12.8%. In income from social benefits, the highest increases were recorded in income from unemployment benefits (40%) and other social security benefits (20.3%). Despite a marked increase in income from property and business (interest, dividends, income from rented property, land, etc.) and from accident insurance policies - a total of 6.7%, they had no marked influence on the level of income.

Current expenditures were dominated by unrequited current transfers (88.9%), including mainly personal income taxes and contributions to funds (health insurance, unemployment and pension funds). These transfers increased year-on-year by 8.3%, representing a slowdown of 2.4 points. The highest dynamics were recorded in accident insurance transactions, which grew year-on-year by 91.8%, increasing their share in current expenditures from 4.7% to 7.9%. The increased interest in insurance products resulted from the growing uncertainty among the population in the area of social security, induced by the rising unemployment, price inflation, and other consequences of the worsening economic situation.

After the payment of all current expenditures from current incomes, households had a gross

Income and expenditure of household (at current prices)

	1997		1998	
	Sk billions	Index p.y. = 100	Sk billions	Index p.y. = 100
Compensation of employees	302.2	111.5	325.8	107.8
of which: Gross wages and salaries	233.2	112.3	252.4	108.2
Gross operating surplus	100.5	113.2	94.3	93.7
Incomes from property and business	22.9	107.5	31.3	136.9
Accident insurance transactions	4.5	100.0	6.7	150.4
Unrequited current transfers received	98.3	110.9	111.1	113.1
of which: Pensions	52.5	-	58.5	111.4
Sickness insurance benefits	22.7	-	24.8	109.1
Unemployment benefits	2.8	-	3.9	140.1
Other social security benefits	10.5	-	12.6	120.3
Social security payments in total	88.5	111.7	99.8	112.7
Current income in total	528.3	111.4	569.2	107.7
Income from property and business	4.3	78.2	5.0	117.2
Accident insurance transactions	6.7	117.5	12.9	191.8
Unrequited current transfers paid	132.9	110.7	144.0	108.3
of which: Personal income tax to SB ^{3/}	25.6	125.5	29.4	114.5
Contributions to funds ^{1/}	93.0	-	100.3	107.8
Current expenditure in total	144.0	109.6	162.0	112.5
Gross disposable income	384.4	112.0	407.2	105.9
Final household consumption	322.3	112.7	360.1	111.7
Gross savings of households	62.1	108.9	47.1	75.9
Rate of gross savings ^{2/}	16.2	-	11.6	-

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

^{2/} Gross savings rate = gross savings of households / gross disposable income.

^{3/} SB = State budget

disposable income of Sk 407.2 billion, which was 5.9% more than in the previous year. Of this amount, 88.4% was used for final consumption and the rest (Sk 47.1 billion) was converted into gross household savings. Apart from cash, deposits, and securities, the gross savings of households included household expenditures on investment from private resources, including investment for the development of small businesses and for the purchase or construction of family houses. In comparison with 1997, gross savings declined by 24.1% and dynamics slowed by 33 points.

It may be assumed that the decline in gross savings and growth in final household consumption were closely connected with the slower dynamics of current incomes, mainly wages, salaries, and bonuses, and with fears of currency devaluation, the change in the exchange rate regime, and the orientation of final consumption to long-term consumables. This is indicated by the fact that the sharpest decline in gross savings (more than 50%) took place during the 3rd quarter, when final household consumption recorded the largest increase.

Financial Results of Organisations

In 1998, the financial results of business organisations were rather unfavourable. Financial and non-financial organisations achieved a total profit (before tax) of Sk 31.2 billion (at current prices), i.e. less than a half of the figure for 1997. A marked fall in profits was recorded mainly in non-financial organisations (56.4%), which earned a total profit of Sk 22.8 billion. Financial organisations reported a 26.9% fall in profits, of which insurance companies accounted for 79.7% compared with the previous year.

In the non-financial sector, the sharpest decline in profits was recorded in industry (index 42.2), while the individual sectors of industrial

production suffered a loss of Sk 5.2 billion. Construction recorded a profit of Sk 3.2 billion, representing a decline of 29.9% compared with the previous year. Wholesale and retail trade, repair of motor vehicles, motorcycles, and consumer goods generated a profit of Sk 10.1 billion, which represented only 49.7% of last year's figure. Hotels and restaurants, transport, warehousing, postal and telecommunications services also recorded a loss in 1998. Of 7,417 non-financial organisations with 20 or more employees, only 4,208 achieved a positive result (56.7%), the remaining 3,208 ended the year with a loss (38% higher than in 1997). At the end of 1997, 3,056 (47.9%) non-financial organisations achieved a profit, out of a total of 6,381. The remaining 3,325 ended the year with a loss of Sk 58.2 billion, representing an increase of 10% since the beginning of 1996.

According to data from the Ministry of Economy, industrial companies with 20 or more employees generated a profit of Sk 4.4 billion (before tax), i.e. Sk 11.1 billion (71.7%) less than in 1997. During the last few years, these organisations have recorded a permanent fall in profits; the sharpest fall took place in the 4th quarter of 1998, when the industry as a whole became a loss-making sector (with a loss of Sk 4 billion). This result was due partly to manufacturing, especially manufacture of machinery and equipment, which recorded the highest loss in absolute terms (Sk -10.3 billion), representing an increase of 36% compared with 1997. The most serious loss was recorded in the manufacture of machines for special purposes, accounting for 66.7% of the total loss in the given sector. Other loss-making sectors were production of metals (with a loss of Sk -2.6 billion, index: 415.1) and leather processing and shoe making (with a loss of Sk 2.1 billion, index: 180.1).

The fall in profits and growth in expenditures in 1998 had a negative influence on other economic indicators as well. In non-financial organisations, the profit to cost ratio reached 1.2%, representing a fall of 1.9 percentage

points compared with 1997, while the share of expenditure reached 98.8 haliers per Sk 1 of income.

These indicators were even worse in industry (organisations with 20 or more employees). The profit to cost ratio in industry reached 0.6%, i.e. 1.6 percentage points less than a year earlier. The value ranged from 10.5% in the generation and distribution of electricity, gas, steam, and hot water supply, to -26.3% in tanning and leather processing, bag, saddle, and shoe making. In industry, the share of expenditure per Sk 1 of income amounted to 99.4 haliers. The only profitable sector in this category was the generation and distribution of electricity, gas, steam, and heating, which generated the highest profit (Sk 12.2 billion), which, however, represented a year-on-year decline of 23.4%. Other profitable sectors were food processing, beverage production (profit: Sk 1.3 billion; index: 107.0) and the production of pulp, paper, and paper products (profit: Sk 1.1 billion; index: 106.7).

The financial results of industrial organisations with 20 or more employees led to growth in insolvency. At 31 December 1998, the debts of these organisations amounted to Sk 76.7 billion, representing a year-on-year increase of Sk 11.8 billion. They exceeded the volume of outstanding liabilities, which increased year-on-year by Sk 8.9 billion, to Sk 70.4 billion.

At the end of December 1998, non-financial organisations with 20 or more employees recorded debts in the total amount of Sk 135.7 billion, representing an increase of 17.5% compared with the figure for 1997.

2. BALANCE OF PAYMENTS

2.1. Current Account

In 1998, one of the most serious problems of the Slovak economy was the persistent deficit in the balance of payments current account, which had been, for the last three years, at the level of 10% of GDP, and which is generally regarded as unsustainable in the long run. After two years of favourable development, the balance of payments on current account began to deteriorate at a fast rate in 1996, which had a negative effect on the country's economic development. According to the IMF, the critical size of the current account deficit is 3% to 5%, depending on the inflow of foreign capital in the form of direct investment. If the deficit, financed in large part from foreign loans, is permanently above this limit, unsustainable trends may start in the economy, with negative effects on its further development.

The negative balance of foreign trade, which has been a permanent factor negatively affecting the country's balance of payments since 1996, showed a tendency to grow over this period and caused the external imbalance in the economy, expressed in terms of the current account deficit, to increase year by year. The deficit in the current account reached Sk 72.7 billion (i.e. 10.1% of GDP), representing a year-on-year increase of Sk 8.6 billion.

This situation resulted from various factors, such as the chronically bad structure of the economy, power intensive production, inefficient marketing, etc. The Slovak economy is oriented to primary production, where inputs are inadequately valued, which causes problems in its effective integration into external economic relations.

According to the estimates of the Slovak Statistical Office, economic growth in Slovakia continued to be driven, despite a slowdown

during the last quarter of 1998, by the expansion of domestic demand, the coverage of which required an increase in the volume of imports, due to the current structure of the national economy. A proof of this is the fact that the rate of real growth in imports exceeded that of GDP, while the imports of goods and services as a share of GDP increased year-on-year by 3.8% (from 71.0% in 1997 to 74.8% in 1998).

In 1998, according to preliminary data from the Slovak Statistical Office, Slovakia imported goods in the total amount of Sk 456.7 billion. The dynamics of imports showed a visible increase: the rate of year-on-year growth in imports reached 16.4%. The growth in imports was due to the dynamics of demand for investment, material inputs for production and, last but not least, for consumer goods. The growth in imports was significantly influenced by the increasing number of companies with foreign capital participation, since their investment, distribution and trading activities are dependent on the imports of goods for investment purposes, components, and finished consumer goods.

The growing importance of trade in international business gave rise to changes in the structure of imports by country, which were reflected mainly in the increasing share of imports from Germany. The share of Germany in total imports increased by 6.1%, to 25.9%. On the other hand, the share of imports from the Czech Republic recorded another decrease (from 21.4% in 1997 to 18.5% in 1998), which was accompanied by a decline in imports from the Russian Federation in 1998 (from 13.5% to 9.9%).

The classification of imported commodities according to economic destination indicates that the key commodities in Slovak imports in 1998 were again machines and components, motor vehicles, non-mineral fuels, and electronic equipment. With the exception of non-mineral fuels, the above groups made a significant contribution to the year-on-year growth in imports (64.3%).

The year-on-year increase in imports of motor vehicles and other means of transport took place mainly in the import of components, elements, accessories and bodies for motor vehicles, the total volume of which increased by Sk 12.5 billion and was in large part connected with the growth in car exports.

According to the individual commodities included in the four-digit code of the harmonised system, the increase in imports of machinery and equipment took place in the following categories: rotary internal combustion engines, transmission shafts, air pumps, fuel cells, and various components and accessories for such machines. On the other hand, imports of machines for the individual sectors of industry, agriculture, and construction, showed a downward trend in most cases.

The year-on-year increase in imports in the category 'electrical appliances, audio and video equipment' amounted to Sk 10.5 billion, while, according to NBS estimates, almost a half of the said increase was generated by the import of products that fall into the category of consumer goods (electrical instruments, lighting installations, water heaters, gramophone records, magnetic tapes for sound recording, television sets, etc.).

The increase in imports of consumer goods, which took place in electronics, furniture, clothes, books, toys, sportswear and sports equipment, was also influenced by the gradual reduction in the import surcharge, which was finally cancelled with effect from 1 October 1998. The growth in the imports of consumer goods was due partly to increased purchases in September, which were motivated by fears of currency devaluation, which led to the replenishment of stocks during the following months.

In 1998, Slovakia exported goods in the total amount of Sk 375.9 billion, representing a year-on-year increase of 16.0%. The country's export trade continued to be oriented towards the

European Union. In comparison with 1997, Slovak exports to EU countries increased by 37.6%, to Sk 209.9 billion (i.e. roughly 56%). In terms of structure by country, the most of exports went to Germany (Sk 108.7 billion, representing a year-on-year increase of Sk 31.9 billion), mainly in the form of passenger cars, spare parts, and components (more than 60%). On the other hand, the volume of exports to the Czech Republic recorded a decline, which was spread over the entire range of export commodities, in smaller amounts.

The most significant change in the structure of Slovak exports was an increase in the category 'motor vehicles'. In 1998, the Slovak Republic exported motor vehicles in the amount of Sk 70.9 billion, which represented a 100% increase in comparison with 1997. An even more significant change was recorded in the sub-group 'motor vehicles for passenger transport', the exports of which increased from Sk 16.3 billion in 1997, to Sk 53.1 billion in 1998.

Despite the shortage of foreign capital in Slovakia, foreign direct investment has, with regard to its export orientation, had a visible effect on the economy, which is reflected in the dynamically growing exports of products that are closely connected with foreign investments, over the last few months. Apart from passenger cars, the increase in exports took place in electrical equipment, instruments and appliances, office machines, and equipment for data processing, telecommunications, and audio and video equipment.

A key problem facing the Slovak economy in 1998 was the gradual decline in the export of steel and other ferrous and non-ferrous metals, caused primarily by recession on the world markets. These commodities are very sensitive to price fluctuations and developments on the export markets, where cheap competition is on the increase, not only on the part of post-communist countries, but that of Southeast Asia as well. The problem is that these commodities represent an important part of Slovak exports,

and that a huge amount of borrowed funds was invested in their production, which, it was hoped, would be reflected in the growth of exports.

Over the last few years, the imbalance on the current account of the balance of payments has been increased by trade in services, the total balance of which suffered a further decline of Sk 1.8 billion (from Sk 2.5 billion in 1997, to Sk 0.7 billion in 1998). Transport and foreign tourism continued to have a favourable effect on the positive balance of services, but their joint contribution to Slovakia's foreign exchange economy fell year-on-year by more than Sk 5 billion.

The fall in the balance of transport was a result of reduced revenues from freight transport, which recorded a marked increase, combined with increased expenditures in the category 'other transport services' in 1997. These expenditures were associated with services rendered at border crossings, such as the handling, storage, packaging, and insurance of cargoes, etc. Of the total year-on-year increase in the costs of transport services, the aforementioned services - which were connected mainly with the growth in the imports of goods - accounted for more than 85%.

A constant problem of the current account in the past few years has been the diminishing balance of tourism, which is due primarily to a fall in foreign exchange revenues. Tourism made close on a zero contribution (revenues - expenditures) to the creation of GDP, despite the fact that tourism belongs (apart from charges for the transit of gas and oil) to those components of the current account which ought, owing to their potential possibilities, to bring increased revenues into foreign exchange economy of Slovakia.

Within the individual items of the services balance, the largest deficit was recorded in other services (Sk 11.2 billion), which include the entire spectrum of trade and non-trade services. Though the deficit of other services decreased

by more than Sk 3 billion in 1998, the structures and balances of individual services indicate that there is not enough room in the Slovak economy for the expansion of such services. In 1998, the proportion of exported services to total exports of goods and services reached 17.7%, while the share of other services (excluding transport and tourism) amounted to only 8.0%.

More than 40% of the deficit in other services was produced in trade services, which include receipts and payments for expert opinions, fairs, exhibitions of commercial nature, etc. This group of services, which is to foster the growth in foreign trade turnover is the most significant in terms of volume; in 1998, the share of this group of receipts from other services reached 14.8% and of payments 20.7%.

The competitiveness of Slovak companies in the area of services, particularly on the domestic market, is connected with the whole range of other services, where payments have exceeded receipts over the last few years. These services included legal, technical, accounting, consulting, computer engineering, licensing, and advertising services, etc., where the range and quality of services are not yet able to compete with services offered abroad. In the last few years, the above sectors have showed high dynamics of global growth and represented a key component in the export of services in countries such as Belgium, Switzerland, Holland, France, and others.

Extensive borrowing from abroad in the last few years has generated a gradual rise in the level of debt servicing, thereby causing a yearly increase in the income-balance deficit (Sk 5.5 billion). As a result of the rise in the level of debt, 1998 saw a further increase in the amount of interest payable by companies and banks on borrowings from abroad, which was partly offset by receipts of interest on NBS reserves and on deposits held by commercial banks abroad.

With regard to the individual items of the current account, the most significant

contribution to the foreign exchange economy of Slovakia was made by current transfers, which generated a surplus of Sk 12.9 billion. Money transfers to the Slovak Republic from abroad were made predominantly as private transfers in the form of legacies, gifts, pensions, benefits, etc.

2.2. Capital and Financial Account

A crucial question in 1998 was the size of the current account deficit and its financing. In contrast with the previous years, when the capital and financial account exceeded the deficit in the current account, the inflow of foreign capital in 1998 did not suffice to fully cover the deficit in the current account; it had to be financed partly from the foreign exchange reserves of the Central Bank.

The capital and financial account resulted in a surplus of Sk 63.8 billion, i.e. US\$ 1.8 billion. In considering the method of financing the deficit in the current account, it is important to take into account the fact that the net inflow of long-term capital increased year-on-year by Sk 30.4 billion and sufficed to cover 98% of the current account deficit. A positive trend was the growth in coverage of the current account deficit by the balance of foreign direct investments, from 4.4% in 1997 to 21% in 1998.

In 1998, other long-term capital remained the most important source of foreign financing. However, the structure of this source underwent some changes. While the previous years saw a shift from official loans to corporate loans, the year 1998 witnessed drawing on official loans in the total amount of Sk 37.5 billion, exceeding the volume of borrowings in the corporate sector by Sk 35.8 billion. The access of Slovak companies to hard currency resources abroad was hampered by the lowering of the country's credit rating, due to economic and political problems. Difficulties in obtaining new corporate loans

arose mainly during the last quarter, when the volume of financial credits increased by only Sk 6.9 billion, representing a decline of 44% on a year-on-year basis.

The allocation of corporate loans within the national economy remained virtually unchanged: over half the loans was utilised in the sectors of electricity generation and transmission, gas and water supply, transport and communications. The utilisation of funds in the individual sectors of industrial production also remained unchanged: they absorbed only 26% of the total volume of credit. The loans were used in the production of coke and petroleum refinery products, metal products and chemicals.

The utilisation of foreign resources for investment purposes in the given sectors not only strengthened the existing structure of industry (the dominant share being primary production), but increased the average rate of return on investment projects as well.

The increased drawing of long-term financial credits, which has been ongoing since 1995, contributed to the rise in the level of Slovakia's external debt and increased demands on debt servicing. During the period under review, the situation was also complicated by the exchange rate risk arising from fluctuations in the values of USD and DEM, and SKK in relation to foreign currencies, which may increase the costs of these loans to a significant extent. The Slovak economy is capital intensive and there is a time gap between the maturity of the loans and the rate of return on investments, which leads to problems in the repayment of borrowings, which began to be manifested as early as 1998.

In the light of the above, it will be inevitable for the Slovak economy to intensify the acquisition of own-capital. The increased inflow of foreign capital in the form of direct investment, or the acquisition of foreign funds through the capital market, should also become a source of finance for domestic investment. The effective allocation of these resources should create conditions for

the economy to generate technological progress, which will increase its competitiveness.

The year 1998 saw an increased inflow of foreign capital into the Slovak economy in the form of direct investment. An inflow of Sk 19.9 billion resulted from an increase in direct investment in the form of capital participation in companies, banks, and branches of foreign banks operating in the SR (Sk 13.6 billion) and other capital (balance of trade and financial credits allocated to enterprises with foreign capital participation), amounting to Sk 6.3 billion.

Although the volume of capital participation of foreign investors above 10% in the corporate sector increased in 1998 by Sk 12.2 billion, it is too early to speak a new trend of sustained interest in the Slovak economy. Over the course of the year, the interest of foreign investors was concentrated mainly on two sectors: manufacture of metal products and the processing of food and beverages, which absorbed almost 60% of the total inflow of capital. Apart from the persistent interest in trade, which absorbed 13.4% of corporate direct investments, the remaining part was spread in very small amounts over a large number of economic entities. In most cases, the investment was used to increase the volume of an existing capital stocks.

In 1998, the structure of investments by the country of origin changed slightly in comparison with the previous year. Most foreign capital came from the Netherlands (26%), the USA (20%), and Great Britain (20%), ahead of such traditional investors as Germany (12%) and Austria (7%).

Although the balance of short-term capital showed no significant variations during 1998, its individual segments recorded marked changes on both sides of the balance sheet. In the structure of short-term capital, the most significant change was recorded in the short-term liabilities of commercial banks. This development was to a great extent influenced by

short-term deposits by foreign banks, which recorded marked changes over the course of 1998. While the volume of short-term foreign currency deposits held by non-residents with banks operating in the SR increased by almost Sk 25 billion during the period from January to August, the volume of these deposits declined by Sk 35.2 billion during the months of September to December.

The increase and/or decrease in deposits held by non-residents with Slovak banks was due primarily to the introduction of a monetary-policy instrument, i.e. the NBS directive pertaining to the foreign exchange positions of banks and branches of foreign banks for monetary purposes, as a result of which the development of short-term liabilities during the given months was accompanied by roughly the same development in short-term assets.

The situation became more complex in September, when the development of macroeconomic indicators - influenced largely by the run-up to parliamentary elections and the widening deficit in the current account - led to an outflow of short-term capital. Indications that the chances of maintaining the crown's exchange rate within the fluctuation band were diminishing, led to increased turbulence on the foreign exchange market. On the part of foreign entities, short-term deposits held by non-residents at banks operating in the SR declined by Sk 24.3 billion in September, and for domestic entities, increased conversion was reported from crown deposits to foreign currency deposits.

The inflow of funds into the capital and financial account failed to cover the deficit in the current account, which led to a fall in the level of NBS foreign exchange reserves. The annual balance of payments ended the year with a deficit (for the first time in Slovak history), when the foreign exchange reserves of the Central Bank (after the exclusion of valuation changes) fell by Sk 19.5 billion (i.e. US\$ 549.9 million).

2.3. Development of Foreign Exchange Reserves

At the end of 1998, the foreign exchange reserves of the NBS amounted to US\$ 2,923.3 million, representing a decline of US\$ 361.6 million compared with the figure for the end of December 1997. Over the course of the year, the total foreign exchange reserves of the NBS were influenced by numerous factors. A key factor that positively influenced revenues was government borrowing from foreign financial institutions. During this period, the expenditure side was affected by the negative balance of transactions in NBS foreign exchange fixing and debt service payments effected by the Government and the NBS. During the period under review, the level of NBS foreign exchange reserves was also affected by the development of conversion rates between fully convertible currencies on world financial markets. The negative balance of revenues and expenditures (US\$ -549.9 million) was partly offset by positive exchange rate differentials (US\$ 188.3 million), which reflected the actual exchange rate of the D-mark against the US dollar on international financial markets.

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

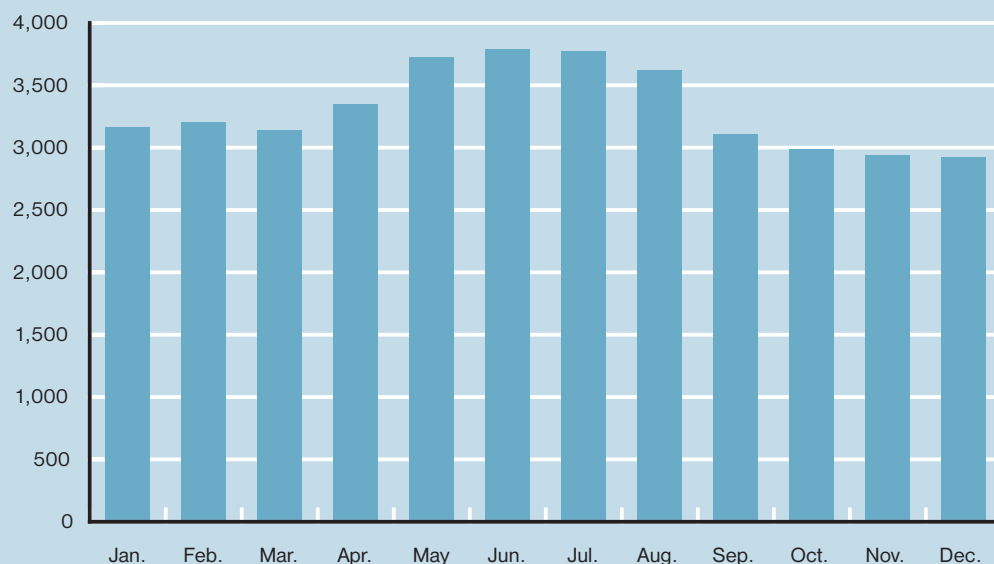
- the drawing of government loans from international financial institutions in the amount of US\$ 1,223.4 million (84% of the total revenue);
- income from deposits and securities in the amount of US\$ 107.5 million;
- central bank borrowings from international financial institutions (EXIM Bank of Japan, EIB) in the amount of US\$ 61.3 million;
- increase in the volume of deposits received (US\$ 16.3 million);
- other receipts of the NBS in the amount of US\$ 38.9 million.

The expenditure side of foreign exchange reserves was affected by:

- the negative balance of NBS foreign exchange fixing amounting to US\$ 992.1 million (50% of total expenditure);

Development of NBS foreign exchange reserves in 1998

[US\$ millions]



- debt service payments by the Government in the amount of US\$ 622.6 million, of which US\$ 381.6 million was used for the repayment of principal on a short-term 'bridging' government loan;
- debt service payments by the NBS in the amount of US\$ 248.0 million, while the repayments of principal on bonds issued by the Central Bank amounted to US\$ 110.6 million;
- other expenditures of the NBS totalling US\$ 142.9 million, incurred mostly in connection with the realisation of cross-border payments for NBS clients.

At the end of 1998, the foreign exchange reserves of the NBS were 2.3 times greater than the average volume of monthly imports of goods and services to Slovakia in 1998, which represented a decline in coverage by nearly a whole month in comparison with the previous year. Apart from the fall in the level of foreign exchange reserves in 1998, the decline was due to an increase in the average volume of monthly imports of goods and services (23.2% in US\$) compared with the previous year.

The foreign exchange reserves of commercial banks may be regarded as short-term foreign exchange assets of commercial banks vis-a-vis non-residents. At the end of 1997, the volume of such assets stood at US\$ 3,203.6 million. At 31 December 1998, commercial banks held foreign exchange reserves in the total amount of US\$ 3,034.5 million, representing a year-on-year fall of US\$ 169.1 million. The total volume of foreign exchange reserves in the banking sector including the NBS stood at US\$ 6,488.5 million at the beginning of January, and at US\$ 5,957.8 million at the end of December.

2.4. The External Debt of Slovakia and Its Servicing by the NBS and the Government

At 31 December 1998, the total gross external debt of the Slovak Republic reached a level of US\$ 11.902 billion. At the end of December, the official debt of the Government and the NBS amounted to US\$ 2.407 billion. The indebtedness of the commercial sector, i.e. commercial banks

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

	31 December 1997	31 December 1998
Total foreign exchange liabilities of the commercial sector	8,021.5	9,391.9
Commercial banks	2,905.5	2,665.6
Entrepreneurial entities	5,116.0	6,625.7
Medium and long-term foreign exchange liabilities	3,917.4	4,786.7
Commercial banks	680.2	602.4
Entrepreneurial entities	3,237.2	4,184.3
Short-term liabilities	4,104.1	4,604.6
Commercial banks	2,225.3	2,063.2
Entrepreneurial entities	1,878.8	2,541.4

and entrepreneurial entities, stood at US\$ 9.391 billion on the last day of the year. The debt owed by municipalities amounted to US\$ 56 million and the foreign debt of government agencies (a loan for the State Road Fund) totalled US\$ 47 million at the close of 1998.

With regard to the structure of the gross external debt, total gross medium and long-term liabilities accounted for US\$ 7.297 billion. At the end of December, the volume of short-term debt totalled US\$ 4.605 billion. The share of the total gross external debt per capita reached US\$ 2,209. During 1998, Slovakia's per-capita external debt increased by US\$ 342, representing an increase of US\$ 1,647 (393%) since 1 January 1993. The proportion of total short-term debt to the country's total gross external debt came to 38.69%.

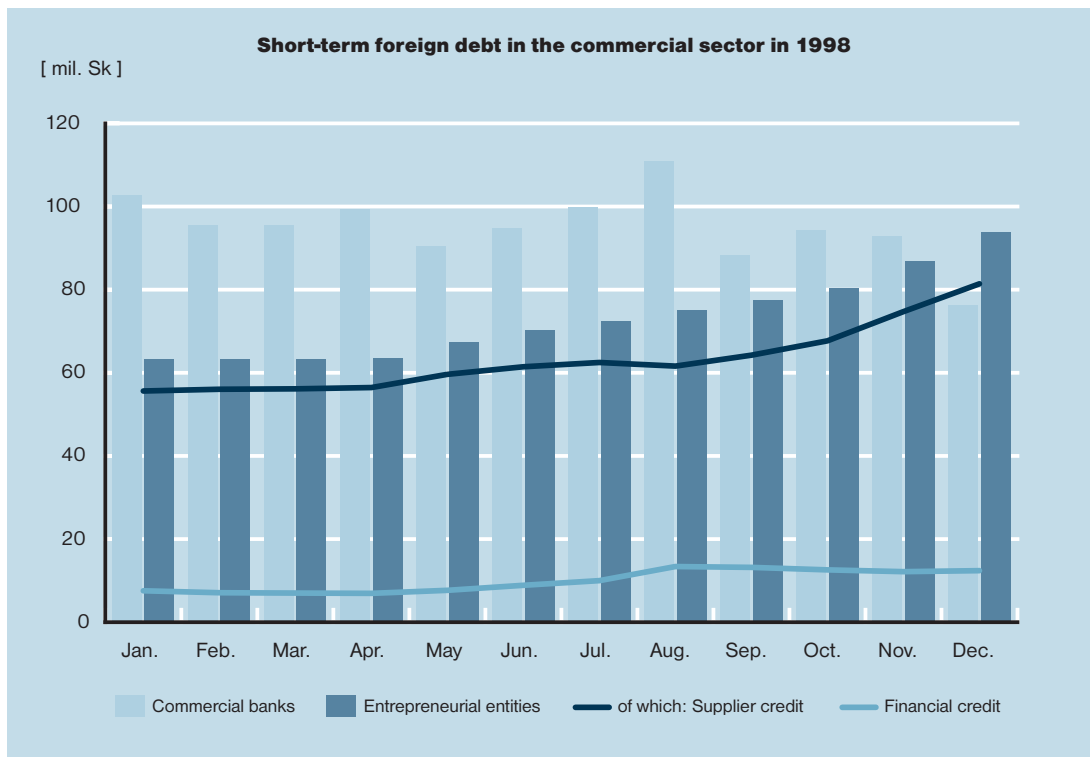
In 1998, the equivalent of US\$ 489 million was repaid by the NBS to foreign creditors in connection with debt servicing. Of this amount, repayments of principle accounted for the equivalent of US\$ 383.5 million and interest (coupon) payments for US\$ 105.5 million.

By the end of 1998, Slovakia's total external debt had increased by the equivalent of US\$ 2 billion, compared with the figure for end-1997. The most significant rise in the level of gross external debt was reported in October 1998, when the country's total gross external debt reached a level of US\$ 12.185 billion. In August, the statistical level of the external debt (US\$ 12 billion) was exceeded for the first time (US\$

12.184 billion). In 1998, the total increase in the level of external debt was also influenced by drawings on a government loan (bond issue), in the equivalent of US\$ 1 billion, over the course of the year.

The end of the year saw a marked year-on-year increase in the level of debt in the commercial sector, i.e. foreign debt of entrepreneurial entities and commercial banks, which amounted to US\$ 1.4 billion in absolute value.

The net external debt of the SR - calculated as the difference between gross foreign debt, i.e. US\$ 11.9 billion (liabilities of the Government and the NBS, liabilities of commercial banks and the corporate sector minus import commitments and financial credits) and foreign assets, i.e. US\$ 7.7 billion (foreign exchange reserves of the NBS, foreign assets of commercial banks and the corporate sector minus export claims and financial credits), reached US\$ 4.2 billion at 31 December 1998. At the beginning of 1998, the volume of net external debt stood at US\$ 1.9 billion, equivalent to an increase of US\$ 2.3 billion over the course of 1998, while the highest increase in net external debt was recorded in the corporate sector (US\$ 1.4 billion).



2.5. Licensing Activity of the NBS

In 1998, the National Bank of Slovakia, acting as a foreign exchange authority in accordance with the relevant provisions of the Foreign Exchange Act, issued:

- foreign exchange permits: 680 permits and 85 supplements;
- foreign exchange licences: 38 licences and 24 supplements.

Foreign Exchange Permits

Investment abroad

In 1998, the NBS issued 64 foreign exchange permits and 5 supplements, of which 52 permits and 5 supplements for direct investment abroad (except OECD countries), in the amount of Sk 98.6 million and 12 permits for portfolio investment abroad (including OECD countries) in the amount of Sk 42.5 million.

Structure of investment by country

	Number of licences and supplements	Investments (in Sk millions)
Ukraine	19	57.4
Russian Federation	14	46.3
Czech Republic	2	19.4
China	1	6.6
Rumania	9	3.9
Brazil	2	2.9
Austria	2	1.2
Azerbaijan	2	0.9
Other	18	2.5
Total	69	141.1

Note: Direct investment in OECD countries has been liberalised.

Of the total number of permits issued for investment abroad, 57 foreign exchange permits and 4 supplements were for investment in the form of cash deposits in the amount of Sk 99.6 million, and 7 permits and 1 supplement were for investment in securities (shares) in the amount of Sk 41.5 million.

Acceptance of financial credits from abroad

In 1998, the NBS granted 141 foreign exchange permits and 36 supplements relating to borrowing from abroad, of which 122 foreign exchange permits were for the acceptance of financial credits totalling Sk 18,793.0 million and 19 permits were for the repayment of credits received in the amount of Sk 719.5 million. Eight foreign exchange permits remained unused. At the same time, exceptions to the surrender requirement were allowed in 3 cases in the total amount of Sk 163.9 million, and there were 6 exceptions to the transfer requirement totalling Sk 592.3 million.

Estimated drawing and repayment of credits approved in 1998, with a maturity of up to 3 years (Exchange rate as at 31.12.1998)

	[Sk millions]		
	1998	1999	2000
Drawing	18,420.9	372.1	0.0
Repayment	4,773.5	13,420.8	598.7
Balance	13,647.4	-13,048.7	-598.7

With regard to structure by term, credits with a maturity of up to one year represented 84.54% (Sk 15,888.7 million), up to two years 15.42% (Sk 2,896.9 million), and those maturing in up to three years accounted for 0.04% (Sk 7.4 million).

Of the total number of loans approved, 46 were provided by non-bank entities (Sk 5,276.9 million) and 76 by foreign banks (Sk 13,516.1

million). A total of 79 loans (Sk 4,436.7 million) were backed by bank guarantees and 4 loans (Sk 6,970.3 million) by government guarantees.

The largest volumes of credits (including international loans) were provided by entities based in Great Britain (Sk 6,447.6 million); the Czech Republic (Sk 2,928.1 million); Luxembourg (Sk 2,780.6 million); Austria (Sk 1,778.8 million); Germany (Sk 1,610.2 million); and France (Sk 1,336.2 million).

Structure of credits by sector

Sector	Numb. of licen.	Vol. in Sk mil.
Transport, tourism, telecommun.	7	7,859.7
Industrial production	49	6,778.6
Trade, catering, hotel services	45	1,867.3
Building and construction	8	93.7
Extraction of raw materials	1	54.1
Agriculture	1	0.1
Other	11	2,139.5
Total	122	18,793.0

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

The majority of credits (Sk 17,359.6 million, i.e. 92.4%) was provided for the coverage of operating expenses, the remaining amount (Sk 1,433.4 million, i.e. 7.6%) was earmarked for the financing of investments.

Covering the obligations of non-residents by residents

To secure the obligations of subsidiary or dealer companies abroad, the Bank issued 56 foreign exchange permits and 4 supplements to domestic entities, in the total amount of Sk 12,882.7 million.

Provision of financial credits

During the period under review, 3 foreign exchange permits were issued for the provision of financial credits abroad in the amount of Sk 427.2 million. The granting of loans to OECD countries with a maturity of five or more years, and loans to OECD countries for payments for exported goods and services, have been liberalised.

Trading in foreign securities

For the sale and purchase of foreign securities, the Bank issued 226 foreign exchange permits totalling Sk 83.5 million. For the sale of foreign securities, 216 foreign exchange permits were issued in the amount of Sk 37.8 million. For purchase, 10 foreign exchange permits were issued in the amount of Sk 45.7 million.

One foreign exchange permit was issued for the acceptance of foreign securities as payment for financial liabilities vis-a-vis abroad, and three supplements to foreign exchange permits for the purchase of foreign securities - employee shares.

Trading in financial derivatives

The Bank issued 34 permits for the conclusion of option contracts for the purchase of foreign securities (employee shares), and 2 foreign exchange permits and 1 supplement for trading in financial derivatives, in connection with the repayment of loans received in foreign currency.

Opening foreign-currency accounts at foreign banks

- 51 foreign exchange permits and 19 supplements were issued for the purpose of covering necessary expenses incurred in connection with construction, assembly, or repair work abroad, in a total amount of Sk 1,824.4 million (estimated in the contracts);
- 10 foreign exchange permits and 2 supplements were issued for the direct use of funds derived from foreign loans for payment for imported technology, transport means, and raw materials abroad, via the providers of the loans - foreign banks;
- 2 foreign exchange permits and 2 supplements for the opening of foreign-currency accounts - custody accounts;
- 2 special foreign exchange permits and 1 supplement were issued for the purchase of foreign exchange and transfer into accounts held abroad for trading on foreign commodity markets and for the purchase of foreign securities;
- 1 foreign exchange permit was issued in connection with trading on foreign commodity markets.

Opening foreign-currency accounts at domestic banks

- the NBS issued 38 foreign exchange permits and 8 supplements for the promotion of exports; 35 foreign exchange permits and 2 settlements for the conduct of re-export operations;
- 1 foreign exchange permit and 1 settlement to promote the utilisation of foreign credits.

The foreign exchange permits were issued with effect from 1 April 1998.

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

- 4 foreign exchange permits were issued for the purchase of foreign exchange to finance

the business journeys of employees;

- 1 foreign exchange permit was granted for the payment of royalties and fees to foreign participants at an international event;
- 1 foreign exchange permit was issued in connection with forwarding activities.

The foreign exchange permits were issued with effect from 1 April 1998.

Foreign Exchange Licences

- 33 foreign exchange licences and 22 supplements were issued for trading in foreign exchange and cheques (non-bank exchange offices);
- 2 supplements were issued to foreign exchange licences for trading in financial derivatives;
- 5 foreign exchange permits were issued for transactions in foreign securities.

3. THE PUBLIC SECTOR

Budgetary Performance

Act No. 375/1997 Z.z. on the State Budget for 1998 set the size of the budget deficit at Sk 5.0 billion, revenue at Sk 179.8 billion and expenditure at Sk 184.8 billion. The budgeted deficit was allowed to be exceeded by the amount of proceeds from the sale of government bonds issued to raise funds for the financing of housing construction and the payment of compensation for the expropriation of land for the purpose of motorway construction in the total value of Sk 3.0 billion.

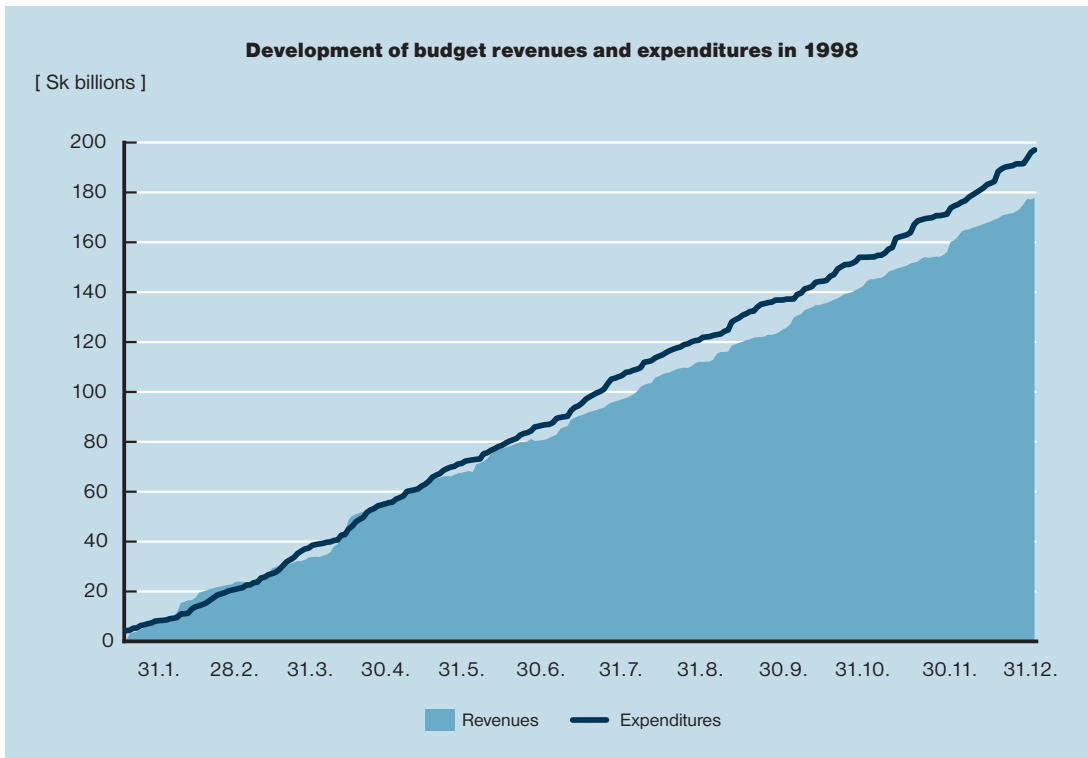
Due to the non-fulfilment of budget revenues, the State budget was modified by the National Council of the SR (Act No. 376/1998 Z.z.) in December 1998. In the new budget, total revenue was reduced to Sk 168.6 billion and the size of the deficit increased to Sk 16.2 billion, with the possibility of an excess of Sk 3.0 billion.

At the end of the year, actual budget revenue reached Sk 177.8 billion, expenditure Sk 197.0 billion, and the size of the deficit Sk 19.2 billion. However, the revenue and expenditure sides of the budget had to be adjusted with so-called grants and transfers, which were used as supplementary budgetary resources, mainly via the accounts of the Ministry of Transport, Postal Services and Telecommunications in connection with the transfer of funds to the State Road Fund for the construction and repair of motorways. The total amount of grants and transfers reached Sk 11.8 billion. This was a neutral accounting operation, which does not affect the size of the deficit, but increases the volume of revenues and expenditures.

The actual volume of revenues (excluding grants and transfers) amounted to Sk 166.0 billion (98.5% of the modified budget), representing a shortfall of Sk 2.6 billion. Shortfalls in tax revenues were recorded mainly in corporate tax revenues (Sk 24.6 billion, compared with the budgeted Sk 27.7 billion) and value-added tax revenues (Sk 55.3 billion, compared with Sk 56.5 billion). This was due partly to the poor economic situation of most entrepreneurial entities, and partly to the slack payment discipline. A significant role was played by the incorrectly estimated dynamics of growth in final consumption, in determining the expected volume of value-added tax revenue.

The import surcharge increased budget revenues by Sk 6.3 billion, but fell behind the budgeted amount by Sk 0.3 billion (it was reduced during the year and was in effect only until 1 October 1998). While revenues from excise duties were fulfilled to 100%; the best results were achieved in personal income tax revenues (they were exceeded by Sk 2.5 billion, especially in the case of employed persons).

The total volume of realised expenditure (excluding grants and transfers) reached Sk 185.2 billion, representing 100.2% of the budgeted figure.



With regard to the unfavourable situation in the area of budget revenues, which were not high enough to cover the expenditures, spending and the creation of revenues were co-ordinated over the entire course of the year, by way of regulation, but which only applied to just over 50% of the expenditures. These were social security benefits, liabilities of the State to health and social insurance institutions, and other items.

Relationship Between the NBS and the State Budget

In 1998, the relationship between the National Bank of Slovakia and the Ministry of Finance of the SR was regulated by a directive passed by the Board of the NBS on 20 March 1998. In accordance with the provisions of Act No. 375/1997 Z.z. of the National Council of the SR on the 1998 State Budget, the Board of the NBS approved zero interest for the balance of government assets and liabilities held at the NBS, for the whole of 1998.

During the year under review, the Central Bank made advances on profits to be transferred to the State budget in the amount of Sk 2.2 billion and paid Sk 66.5 million towards final settlement at the end of March 1999.

Development of State Financial Assets and Liabilities

State financial assets maintained in the form of deposits at the NBS amounted to Sk 2.4 billion at the end of 1998. Over the course of the year, a change was recorded in the area of assets, which fell by Sk 3.7 billion compared with the figure at beginning of January. The decline was due to the repayment of principal on SAL and G 24 loans in the total amount of Sk 3.7 billion. Minimal changes applied to money transfers resulting from Act No. 330/91 Zb. pertaining to land adjustments, out-of-court restitution and the property of the former Communist Party of Czechoslovakia.

State financial liabilities amounted to zero during the whole year.

State Funds

At the end of the year, the accounts of State funds resulted in a balance of Sk -20.5 billion (including loans); the position of State funds was that of a debtor during 1998. The volume of financial assets was significantly influenced by credit facilities granted to the State Road Fund by domestic and foreign banking institutions for the financing of motorway construction. Over the course of the year, the volume of credits granted to the State Road Fund increased by Sk 8.5 billion and reached Sk 22.3 billion. During the period under review, the State Fund for Market Regulation in Agriculture and the State Fund for the Support of Agriculture and Food Processing also reported credit balances. The largest balance (Sk 1.4 billion) was recorded on the account of the State Fund for the Liquidation of JEZ and Handling of Spent Nuclear Fuel (as at 31 December 1998), where the main source of income was a contribution amounting to 10% of the market price of electrical energy generated in nuclear power plants. Another fund where the balance ranged from Sk 0.7 billion to Sk 2.7 billion at the end of the individual months, was the State Fund for Housing Development. At the end of the year, the balance fell to a minimum of Sk 0.7 billion, of which Sk 0.6 billion was allocated to entities who drew the funds gradually from an account. There was a deterioration in the overall development of State funds, due to the aforementioned effect of the State Road Fund.

Internal Debt of the Government vis-a-vis the Banking Sector

At the end of 1998, the net internal debt of the public sector vis-a-vis the banking sector stood at Sk 77.9 billion, representing an increase of Sk 8.6 billion since the beginning of the year. After adding the foreign debt (Sk 60.7 billion) and the value of government bonds held by non-bank

entities (Sk 10.0 billion), the total volume of net debt in the public sector reached Sk 148.6 billion.

Over the course of 1998, the level of internal government debt was influenced by the following factors:

- March saw the introduction of the system of a single State account maintained by the NBS; the account comprised not only the revenue and expenditure accounts (including Treasury bills issued during the current year), but all accounts connected with the so-called credit operations of the State conducted in relation to debt servicing. Due to the new system, the level of internal debt fell over the course of the year by Sk 3.8 billion; the budget surplus accounted for almost one third of this amount;
- within the scope of the new system of maintaining the State account at the NBS, a loan received in 1991 was repaid to the National Bank of Slovakia in the amount of Sk 5.5 billion;
- the most significant influence on the reported level of the internal debt, particularly during the second half of the year, was exerted by budgetary performance. During the first quarter, the State budget produced a surplus, and ended the first half of the year with a deficit of Sk 3.9 billion, which gradually increased to almost Sk 9.0 billion during July. Another increase was recorded in November (Sk 12.9 billion), so the size of the deficit reached Sk 19.2 billion at the end of the financial year;
- issues of government bonds during the months of January to October (40 in total, of which no bids were accepted in 7 cases), earmarked for the repayment of principle on government bonds from the previous years; the repayment of a loan to the National Bank of Slovakia (in accordance with Act No. 375/1997 Z.z., Article 14); the conversion of Treasury bills issued in 1997; the financing of housing construction; and for the payment of compensation for the expropriation of land in connection with motorway construction (Act No. 375/1997 Z.z., Article 13). The volume of bids accepted totalled Sk 67 billion; on the

- other hand, however, internal and external debt was repaid by the Slovak Republic in the total amount of Sk 44.5 billion during the year.
- the level of internal debt was reduced in May and June by proceeds from the sale of Eurobonds on foreign financial markets, which were converted into crown equivalents. A part of the funds was earmarked for the financing of motorway construction via the State Road Fund; the funds were deposited in bank accounts, which caused a temporary fall in the level of internal debt during the given months and affected the level of the country's external debt.
 - over the course of the year, the ownership of government bonds by non-bank entities gained in influence (since the beginning of the 2nd half of the year, when the volume of such bonds ranged from Sk 7.0 billion to Sk 12.7 billion), which is excluded from the net position of the Slovak Government vis-a-vis the banking sector.
 - in the third quarter, problems arose in financing of the growing State budget deficit. Five months later in September, Treasury bills started to be used again; in the next month, they were issued almost exclusively for the portfolio of the NBS;
 - of other partial items that tend to reduce the overall position of the Government, deposits in the accounts of municipalities declined by Sk 1.6 billion compared with the beginning of the year, insurance funds fell almost to their initial level, and the deficit in the balance of State funds increased by Sk 1.6 billion compared with the figure recorded at the beginning of the year.

4. MONETARY POLICY AND MONETARY DEVELOPMENT

Monetary development in 1998 took place in an environment which saw the continuation of negative trends from the previous two years, namely the growing deficit in the current account

of the balance of payments, fiscal expansion, and the slowdown in the growth of real GDP. The development of inflation may be regarded as favourable: its year-on-year dynamics slowing due to stabilisation of the level of regulated prices, favourable development in food prices, and the growing imbalance of foreign trade, which offset the effect on price levels of growth in domestic demand.

The monetary policy of the NBS was affected by external factors such as foreign capital inflow in the form of government loans, crisis on financial markets, fear of currency devaluation among the population, increased fiscal deficit, and large debt service payments by the Government, which increased the volatility of interest rates. After a marked fall in the level of foreign exchange reserves, the Bank Board of the NBS decided to cancel the fixed exchange rate regime. The implementation of monetary policy and its orientation remained unchanged even after the adoption of the floating exchange rate system for the Slovak crown and partial modification of monetary instruments.

4.1. Monetary Development

The annual rate of price increase, expressed in terms of the consumer price index, reached 5.6% at the end of December and was within the interval set by the Monetary Programme of the NBS for 1998.

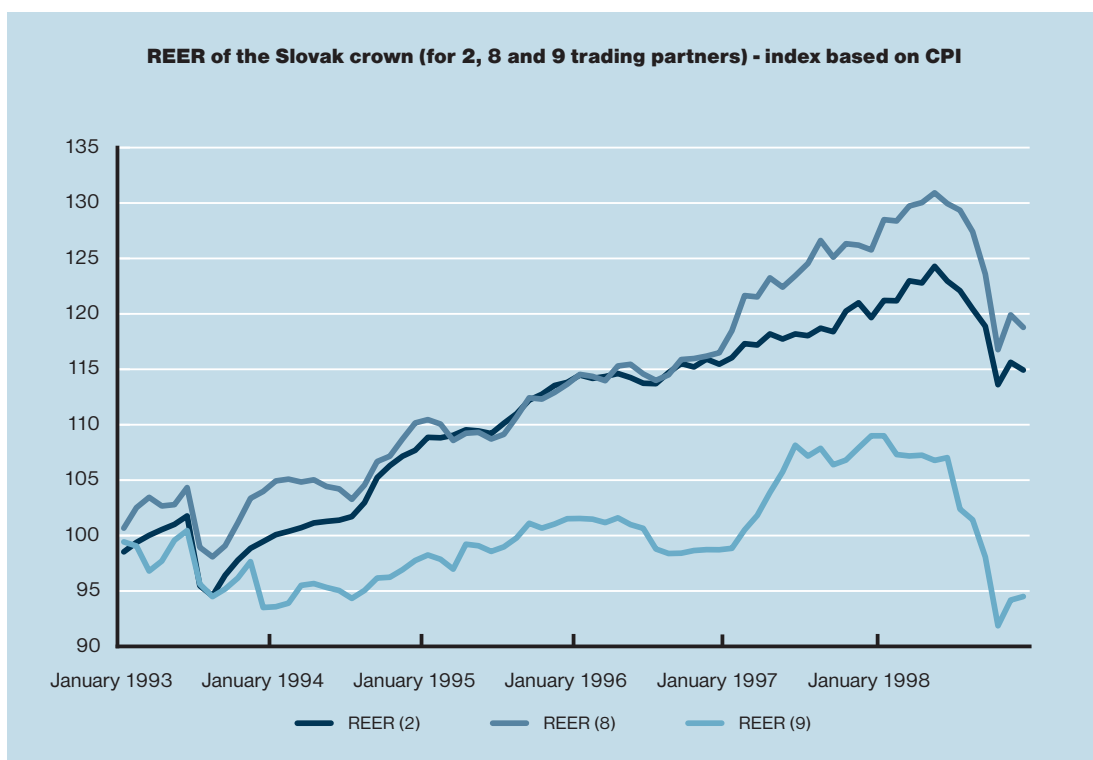
The exchange rate of the Slovak crown fluctuated over the course of the year. Up to the end of July, it had fluctuated within a relatively narrow interval in depreciation part of the fluctuation band, then negative tendencies started to appear in August. Due to the increasing external and internal macroeconomic imbalance, the credit rating assigned to the Slovak Republic by international rating agencies began to slip. The financial crisis in Russia, the consequences of which appeared in August,

caused a loss of trust among foreign investors in emerging markets and a subsequent decline in their involvement in the given regions. The massive outflow of capital led to a fall in share indices on local capital markets and in the exchange rates of national currencies.

During the run-up to parliamentary elections, the fear of currency devaluation increased among the population, leading to the conversion of crown assets into foreign currency assets, premature payments for future imports, postponement of collections for imports, the piling up of stocks, and increased purchases of long-term consumables. The heavy demand for foreign exchange led to a depreciation in the exchange rate of the Slovak crown, to the limit of the fluctuation band. The National Bank of Slovakia intervened in favour of the national currency and used US\$ 1 billion for this purpose during August and September. To maintain the convertibility of the Slovak crown, the Bank Board of the NBS decided to abandon, with effect from 1 October, the fluctuation band and the fixed exchange rate regime and to replace it by the system of floating exchange rate. During

the next few days, the exchange rate of the crown depreciated to the level of 17% compared with the former parity, then it changed and reached Sk 22.081/DM 1 at the end of the year, representing a year-on-year depreciation of 13.83%. The deutschmark, and, from 1 January 1999, the euro, had been chosen as a reference currency for monitoring and setting the exchange rates of the Slovak crown.

In an environment marked by fear of devaluation, accompanied by a decline in crown deposits and a fall in the level of official foreign exchange reserves, the Central Bank (NBS) had several alternatives. The system of fixed exchange rates could have been maintained, but only at the expense of a further, unpredictable (in terms of size as well as duration) fall in the level of NBS foreign exchange reserves, due to the need to refinance the banking sector and the Government. Refusal to supply refinancing to commercial banks would have led to severe liquidity problems in the sector and the suspension of government refinancing would have dangerously complicated the servicing of the national debt. The economic impact of such



a situation would have caused lasting damage to the Slovak economy, would have restricted the inflow of foreign exchange resources into the economy, and would have slowed the already insufficient inflow of foreign direct investment. For similar reasons, it was not possible to protect the stability of the exchange rate by raising the level of interest rates to such a high level as in May 1997. After a thorough analysis of all facts and the possible consequences of central bank measures, the Bank Board of the NBS decided to adopt the system of floating exchange rates. This decision led to a depreciation in the value of the currency, but to a smaller extent than would have been the case with the other alternatives. Subsequently, the decision enabled a moderate easing of monetary policy and a reduction in interest rates so that the banking sector was again willing and able to finance the growing financial needs of the State accompanied by a positive impact on the settlement of government liabilities.

Due to the slower rise in price levels compared with 1997 and the depreciation in the crown's nominal exchange rate, the real effective exchange rate of the Slovak crown weakened in relation to the currencies of the country's eight major trading partners by 7.0% in 1998, compared with the previous year. If the Czech Republic is included, the real effective exchange rate of the crown would depreciate by 14.5%. Despite this depreciation, which is expected to generate an increase in the competitiveness of domestic products on the world markets, the balance of foreign trade showed no improvement in 1998.

The share of the current account deficit in GDP reached 10.1% and was negatively affected by the fear of currency devaluation among the population during the 2nd half of 1998, the expansive development of the public sector, and by the increased competitiveness of Asian economies, resulting from the weakening of their domestic currencies. According to NBS estimates, the fiscal deficit reached 5.6% of GDP, consequently the pressure on interest

rates increased during the year and private investments continued to be crowded out by public ones.

Before July, interbank deposit rates had developed in harmony with the attempts of the NBS to lower their level, which was affected by the inflow of funds from government borrowings from abroad as well. In August, the level of interbank rates began to reflect an outflow of crown liquidity, caused by the fear of currency devaluation among domestic entities. The interest rates culminated in October, when the lack of resources caused by increased purchases in NBS foreign exchange fixing, led to the non-fulfilment of minimum reserve requirements and the average monthly interest rates on deposits fluctuated from 23.4% to 29.4%. The active refinancing policy, pursued by the Central Bank during the last quarter, had a favourable effect on the development of interest rates. In December, the level of average interest rates stabilised between 14.5% and 18.9%. The development of interbank deposit rates also affected the level of interest rates on customer deposits and loans granted to customers.

The development of monetary aggregates was consistent with the Monetary Programme of the NBS, which had to be modified after the adoption of a floating rate. Due to developments on the foreign exchange market, the trend in monetary aggregates changed at the end of September, causing a decline in net foreign assets. In absolute terms, the volume of net foreign assets fell year-on-year by Sk 29.1 billion (at fixed exchange rates), representing a decline of 41.7% in relative terms. The decline was due primarily to a fall in the level of NBS foreign exchange reserves, caused by purchases of foreign exchange by commercial banks via NBS foreign exchange fixing, for the coverage of clients payments.

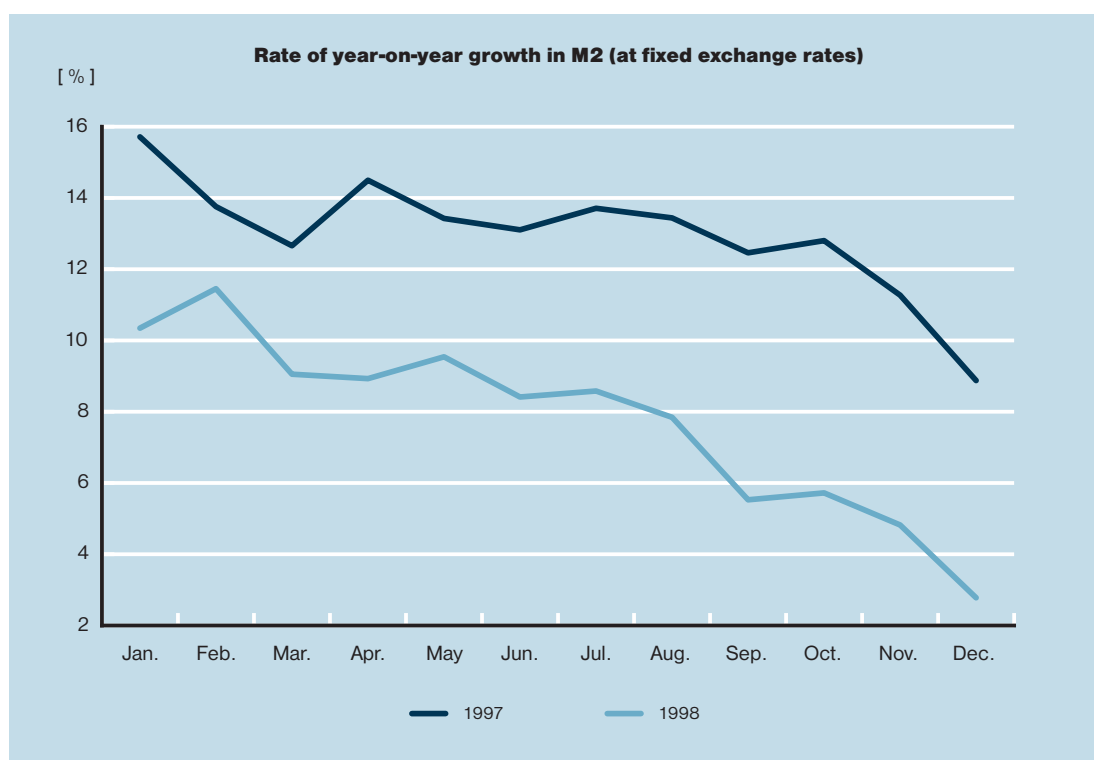
The money supply, expressed in terms of the M2 aggregate, reached Sk 466.1 billion (at fixed exchange rates) at 31 December 1998. Over the course of the year, the dynamics of growth in M2

slowed to 2.8%, from 8.9% in 1997. From the beginning of 1998, the money supply increased in absolute terms by Sk 12.6 billion, compared with Sk 37 billion in 1997. The slowdown in the dynamics of growth in M2 during the 4th quarter, was not a sign of monetary policy restriction, but a reaction of the public to the expected devaluation of the crown. The decline in net foreign assets was reflected in the development of the money supply, since part of the converted crown resources was used for early payments, particularly for imports from abroad. This led to a marked increase in the deficit of trade in October and caused a slowdown in the rate of year-on-year growth in the money supply.

The growth in M2 was due exclusively to domestic resources, net domestic assets, and the seasonal effects of other net items at the end of the year. In December, other net items fell month-on-month by Sk 14.9 billion, due primarily to the crediting of interest to deposits at the end of the year. Their contribution to the growth in the money supply was lower than a year earlier (when they fell in December by Sk 21.7 billion month-on-month), since the volume of interest

credited to deposits was affected by a marked month-on-month fall in crown deposits (Sk 20.1 billion) in September 1998. The smaller increase in M2 in December 1998 was connected with the realisation of budget expenditures during the last few days of the year, as a result of which the funds were actually booked on accounts at commercial banks only at the beginning of January 1999.

The rate of year-on-year increase in net domestic assets reached 10.9%, which was in line with the Monetary Programme of the NBS, as well as the rate of growth in bank lending to households and enterprises (5.5%). In absolute terms, the volume of loans to households and enterprises increased by Sk 20 billion, which was more than twice as large as the increase in 1997. Despite the higher absolute increase in net credit to the Government and the National Property Fund, the dynamics of this aggregate slowed year-on-year by 7.8 percentage points, to 34.7% in 1998. In comparison with the projected value of growth (25.7%), the higher rate of growth in net credit to the Government and the National Property Fund was caused



mainly by the amendment to the State Budget Act in November 1998, which increased the budget deficit for 1998 by Sk 11.2 billion.

4.2. Structure of the Money Supply

Over the course of 1998, the M2 money supply (at fixed exchange rates) increased by Sk 12.6 billion, to Sk 466.1 billion, due exclusively to growth in quasi-money (Sk 31.4 billion), while the M1 aggregate recorded a decline (Sk 18.8 billion). After a moderate increase in January and February, the dynamics of year-on-year growth in the money supply showed a tendency to slow during the following months. The slowdown in the rate of year-on-year growth in M2 continued during the second half of the year, reaching 2.8% at the end of December. This was due partly to the September development in the area of foreign exchange, and partly to a further fall in the volume of interest credited to accounts at the end of the year.

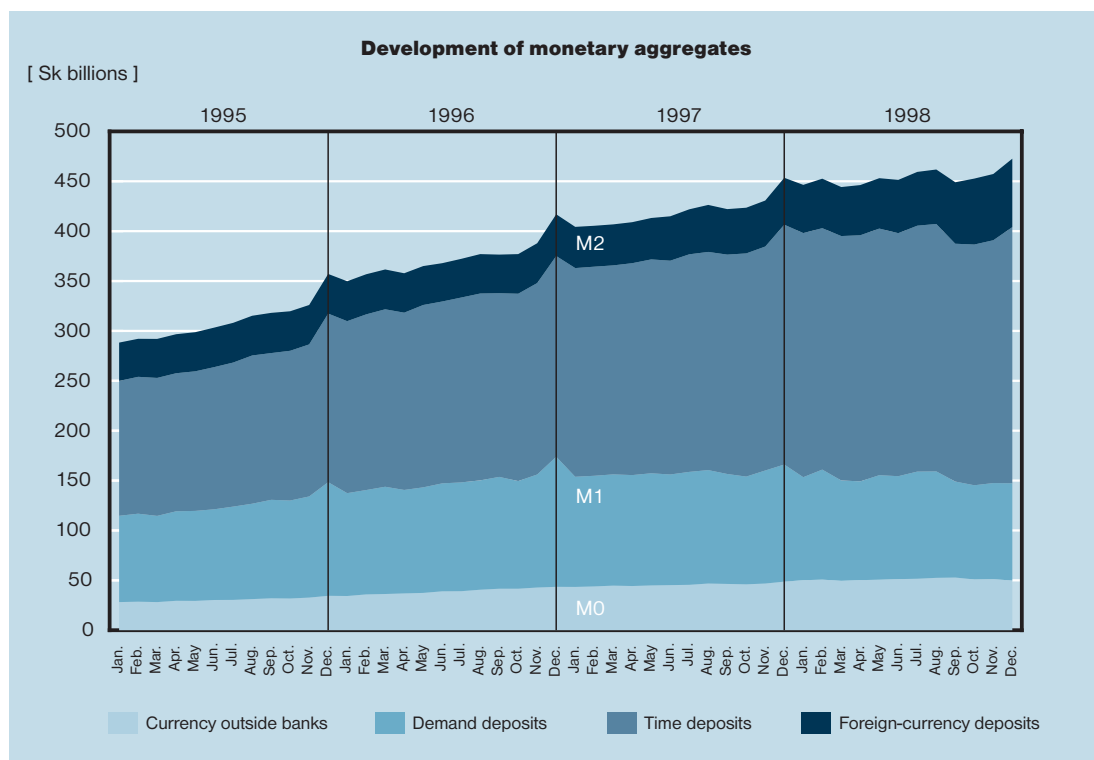
During the individual quarters, the development of the money supply was influenced by the terms of discharge of liabilities vis-a-vis the State budget, which caused a seasonal fall during the first quarter in particular. In comparison with previous years, the M2 aggregate showed an atypical fall during the third quarter, which was induced by fears of currency devaluation among domestic economic entities, leading to premature payments for imports, which reduced the volume of crown deposits. The December growth in crown deposits, caused by the crediting of interest to accounts, continued to show a tendency to slow during 1998, due to the continued increase in the share of short-term deposits, which earn interest on a continuous basis, in total deposits. The continuation of this trend was attributable to the relatively high level of interest rates on short-term deposits (mainly at 7-day to 6-month notice).

In 1998, the volume of currency in circulation outside the banking sector increased by Sk 1.1

billion. From the beginning of the year to the beginning of April, the issue of currency showed a tendency to decline, with a minimum volume recorded at the beginning of April. During the following six months, currency issue showed an upward trend which culminated in September, due to the conversion of Sk into foreign currency and increased payments in cash. In November, the volume of currency in circulation recorded a marked fall, to the level of May. The Christmas holidays caused a traditional seasonal increase in the volume of cash, with a maximum of Sk 64 billion.

Demand deposits declined by Sk 19.9 billion, due primarily to a fall in corporate deposits (Sk 14.5 billion). However, declines were also recorded in the demand deposits of households and insurance companies. This development was due partly to the aforementioned early payments for imports at the end of the 3rd quarter, the conversion of crown assets into foreign currency deposits, and the relatively high rate of interest on short-term time deposits. In 1998, the dynamics of growth in demand deposits continued to slow, to -17% on a year-on-year basis. In 1997, the rate of year-on-year decline reached -10%, while in 1996, demand deposits had increased by 14.5%.

Time deposits expanded over the course of 1998 by Sk 16.4 billion, due mostly to an increase in household deposits (Sk 28.7 billion). Deposits in the corporate and insurance sector fell by Sk 9.7 billion and Sk 2.6 billion respectively. During the period under review, time deposits followed a more or less upward trend, with the exception of February, June, and September. The September fall (Sk 9.6 billion), caused by developments in the foreign exchange area, was the sharpest and took place in all sectors. The rate of year-on-year growth in time deposits reached 6.8%. In comparison with the previous years, a relatively marked slowdown was recorded in the rate of their year-on-year growth, which reach 19.1% in 1996 and 19.5% in 1997.



With regard to the structure of time deposits by term, the increase in volume took place mostly in extra short-term deposits. In the case of household deposits, deposits at up to 1-month notice increased by Sk 25.9 billion and deposits at up to 3-month notice by Sk 16.3 billion; part of the increase took place in long-term home savings deposits, which grew by Sk 6.0 billion. The share of home savings deposits increase in total time deposits increase in the household sector continued to decrease in 1998. In 1996, the share stood at 39.0%, then it decreased to 22.5% in 1997 and to 20.9% in 1998. On the other hand, the most significant declines were recorded in short-term (Sk 9.3 billion) and medium-term (Sk 11.9 billion) savings deposits. In the corporate sector, the sharpest fall took place in time deposits at up to 1-month notice, which continued to dominate the market with a 65% share in corporate time deposits. The volumes of corporate deposits at up to 1 and 2-year notice also recorded a marked decline.

Slovak-crown deposits, as a component of the money supply, fell by Sk 3.5 billion (1.0%) during 1998 and reached, for the first time, a negative

rate of growth. In the previous two years (1996, 1997), the dynamics of year-on-year growth reached positive values (17.2% and 7.9% respectively). The fall was due primarily to a marked decline in corporate deposits (Sk 24.2 billion, i.e. 21.8%) and deposits held by insurance companies (Sk 3.5 billion, i.e. 19.7%), and was more severe than in 1997, when corporate deposits declined by Sk 6.6 billion (5.6%). This marked difference was due primarily to the situation in August and September, when the fear of devaluation among economic entities increased, causing a marked fall in crown deposits. At the same time, household deposits increased in volume by Sk 24.2 billion (10.6%), but their dynamics of year-on-year growth slowed, from 19.3% in 1996 to 17.7% in 1997.

In 1998, foreign-currency deposits recorded an extra high increase of Sk 15.0 billion, while corporate deposits grew by Sk 9.7 billion and household deposits by Sk 5.3 billion. While corporate deposits in foreign currency recorded positive month-on-month increases during the whole year, household deposits were more or

less stagnant during the first half of the year. Foreign-currency deposits recorded marked increases in both the corporate and the household sectors, due to increased fear of currency devaluation in September and at the beginning of October. After the fixed exchange rate regime of the Slovak crown had been cancelled, the growth in foreign-currency deposits came to a halt and turned into a slight decline.

4.3. Bank Lending

Bank lending in Slovak crown and foreign currency to the entrepreneurial sector, households, central and local authorities for extrabudgetary purposes, by commercial banks and the NBS, was uneven over the course of 1998. The increase in total credit ranged from Sk 0.5 billion to Sk 5.3 billion (April saw a fall of Sk 10.9 billion, caused by the transfer of liabilities from a branch of a foreign bank to its head office). The highest increases in bank loans were recorded in the 3rd quarter (an average of Sk 3.1 billion per month) and the lowest in the 2nd and 4th quarters (an average of Sk 1.5 billion per month). The month-on-month changes in crown loans ranged from Sk -1.0 billion to Sk 4.2 billion. During the year under review, bank lending increased by a total of Sk 12.7 billion, of which crown loans accounted for Sk 1.2 billion and foreign-currency loans Sk 11.5 billion. At the end of year, the total volume of bank loans reached Sk 398.4 billion, of which crown loans accounted for Sk 340.3 billion and loans in foreign currency Sk 58.1 billion.

A characteristic feature of bank lending was that, despite the slow growth in crown loans (0.4% since the beginning of the year), their volume increased in the household sector by Sk 6.1 billion, in the corporate sector (non-financial organisations) by Sk 2.3 billion, and in small businesses by Sk 2.3 billion. In the financial sector, the volume of crown loans recorded a

decline. Due to the lack of crown resources, the most solvent entrepreneurial entities borrowed funds from abroad at lower interest rates, but in much smaller amounts than in 1997. Bank lending in foreign currency increased in 1998 by 24.7%, mainly during the second half of the year. At the end of the year, however, foreign-currency loans accounted for only 14.5% of total credit.

The structure of loans by sector changed during the year as follows: loans in the public sector fell by 7.7 points (to 14.4%), while those in the private sector increased by 4.1 points (to 68.4%) and in the household sector by 1.8 points (to 7.8%), due to the continued, but slow process of privatisation.

During the period under review, the structure of loans by term saw a decrease in the share of medium-term loans in total credit (by 0.6 points, to 21.9%) and stagnation in the share of short-term loans (43.6%), while the share of long-term loans increased (by 0.6 points, to 34.5%).

A significant increase was recorded in the share of long-term loans in foreign currency, and a less significant increase in the share of short-term loans, while the proportion of medium-term loans to total credit in foreign currency recorded a decrease.

In March and April, the structure of loans by sector underwent major changes, due mainly to the aforementioned transfer of liabilities from a branch of a foreign bank to its head office, as a result of which the share of the financial sector decreased from 5.9% to 2.6%. In March, another structural change was recorded in loans allocated to the construction sector, the share of which dropped from 5.9% to 3.0%, while half of the crown loans (Sk 10 billion) was classified as 'other activities' (a change in methodology). The largest share (34.1%) of the total volume of crown loans was taken up by the manufacturing industry; of this, 12.9% in metallurgy and machine engineering and 22.1% in trade, sales, catering and hotel services (year-end figures).

Of the total volume of credit extended in 1998 (Sk 453.1 billion), bank loans to the entrepreneurial sector accounted for 95.6%. They were, however, mostly short-term loans with a maturity of up to 3 months. The household sector absorbed 2.97% of total credit.

Regarding the structure of loans by purpose, operating loans accounted for 51.9% and overdraft facilities 24.8%. Loans granted for development programmes represented only 4.0% of the total volume of credit extended during the given period, which was associated with their structure by term. Short-term loans with a maturity of up to 1 year accounted for 92.5% of the volume of new loans, while most large banks provided loans with a maturity of up to 3 months, which were later renewed for solvent clients over the course of the year. In terms of volume, a significant role was played by 1-day loans. Another significant item was represented by credits extended for the coverage of non-performing loans, which reduced the actual volume of credit available for the financing of specific development projects.

4.4. Interest Rate Development

The level of interest rates for customers was influenced by the economic environment, the budget deficit, the shortfall in the balance of payments, and the shortage of credit resources. Over the course of 1998, marked fluctuations were recorded in interest rates on the interbank money market, which subsequently affected the interest rates for customers as well. Apart from this, customer interest rates were affected by changes in the volume of new loans (from Sk 19.4 billion to Sk 59.5 billion per month), while the biggest changes were recorded in the volume of short-term loans with a maturity of up to 1 month and interest above 20%. The situation on the capital market did not allow bank lending to be replaced by other sources of finance.

In setting their interest rates, commercial banks took into account their economic situation, the quality of their loan portfolios, and other factors.

During the period under review, the development of interest rates on new loans was marked by a decline from January to July, followed by a steep rise to a level of 17 - 24% during the next three months, which turned into a fall again. In December, the level of interest rates reached 18.62%. This development was affected by changes in the level of liquidity in the banking sector and developments in the foreign exchange area, influenced by increased interest in foreign exchange resources on the part of entrepreneurial entities and households in September. Of crown deposits, marked fluctuations were recorded in interest rates on short-term deposits at up to 3-month notice, since commercial banks were reacting very sensitively to changes in their liquidity.

Compared with December 1997, the average interest rate on the total volume of loans remained virtually unchanged (it fell only by 0.05 points, to 16.17%), though it was affected by several factors such as the structure of loans by term, the structure of customers, and the structure of loans by purpose. The average lending rate for short-term loans rose by 1.17 points (to 21.08%); the rates for medium and long-term loans fell by 0.20 points (to 16.20%) and 1.54 points (to 10.36%) respectively, as these rates continued to be influenced by loans granted in the past at fixed and low interest rates.

Over the course of the year, commercial banks maintained the rates of interest they had announced, particularly on short-term loans, at roughly the same level. Compared with December 1997, the actual price of new loans fell by 2.30 points (to 18.62%), while the lowest level was recorded in July (14.17%). With regard to the dominance of short-term loans (annual average: 92.5%), the average interest rate on these loans (18.91%) affected the level of average interest rate on the total volume of new

loans. Interest rates on new short-term loans followed the variations in interest rates on the interbank money market. Compared with December 1997, lending rates for medium and long-term loans fell to 14.20% (by 2.10 points) and to 14.81% (by 0.59 points) respectively. With regard to the small volume of these loans, the average lending rate was to a large extent exposed to random structural changes, depending on the purpose of the given loans, with different interest rates.

Over the course of the year, the development of average interest rates on loans by purpose was characterised by marked fluctuations in lending rates for operating loans (from 11.09% to 23.79%); standard loans - debit balances on current accounts (from 16.01% to 32.03%); and for overdrafts (from 18.72% to 30.96%). Average interest rates on consumer loans granted to households fluctuated between 9.64% and 14.99%.

With regard to the rate of inflation, the level of real interest rates on new loans fluctuated during the year from 7.17% (in July) to 19.16% (in September). After taking the prices of industrial producers into account, the above rates ranged from 10.57% (in July) to 21.96% (in September), as a result of marked interest rate fluctuations and the falling rate of inflation.

The development of interest rates on crown deposits was affected by inflation only to a limited extent, it rather reflected a need for resources. In an effort to obtain such resources, commercial banks raised their interest rates, which led to a rise in the level of average interest rates in December 1998 (by 1.7 points), compared with December 1997. In the category of time deposits, marked increases were recorded in interest rates on 6-month deposits (+3.72 points; deposits grew by Sk+2.65 billion); 3-month deposits (+3.45 points; Sk +18.1 billion); and on 1-month deposits (+1.24 points; Sk+13.62 billion). Over the course of the year, the largest fluctuations were recorded in interest rates on 7-day, 3-month and 6-month deposits,

depending on the development of interbank deposit rates. The highest values were reached in September and October (17.5% and 22.0% respectively). At the close of the year, interest rates on 7-day, 1-month, and 3-month deposits stood at 17% to 18%. Since December 1997, the volume of total crown deposits (excluding the NBS) has fallen by Sk 7.34 billion.

The average interest rate on total deposits fluctuated around 10% (9.5% to 11.0%) and reached 10.39% at end-December, while interest rates on demand deposits were basically stable (3.6% to 4.2%). Interest rates on time deposits fluctuated from 12.2% to 14.0%, while marked variations were recorded in time deposits at 7-day to 3-month notice. Deposits at 7-day to 3-month notice attracted interest at an average rate of 11.9% to 21.9%, whereas other time deposits earned interest at 10% to 16%. Crown deposits at 1 to 5-year notice earned interest at a rate of 10.0% to 13.6%. The low rate of interest on deposits at over 5-year notice (4.0% to 4.5%) was attributable to home savings deposits, which accounted for 91.9% of the total volume of long-term crown deposits.

In 1998, real interest rates on one-year deposits remained at the level of 3.2% to 6.4%. The fall in the annual rate of inflation (from 6.4% in December 1997 to 5.6% in December 1998) and the increase in the average interest rate on one-year deposits (from 10.51% to 12.01%) led to a rise in the level of real interest rates (by 2.30 points).

4.5. Implementation of Monetary Policy

The basic goal of monetary policy pursued by the NBS in 1998 was to maintain the stability of the national currency, while reducing the interest rates on the interbank money market with a view to lowering the level of interest rates for primary customers and yields on government securities.

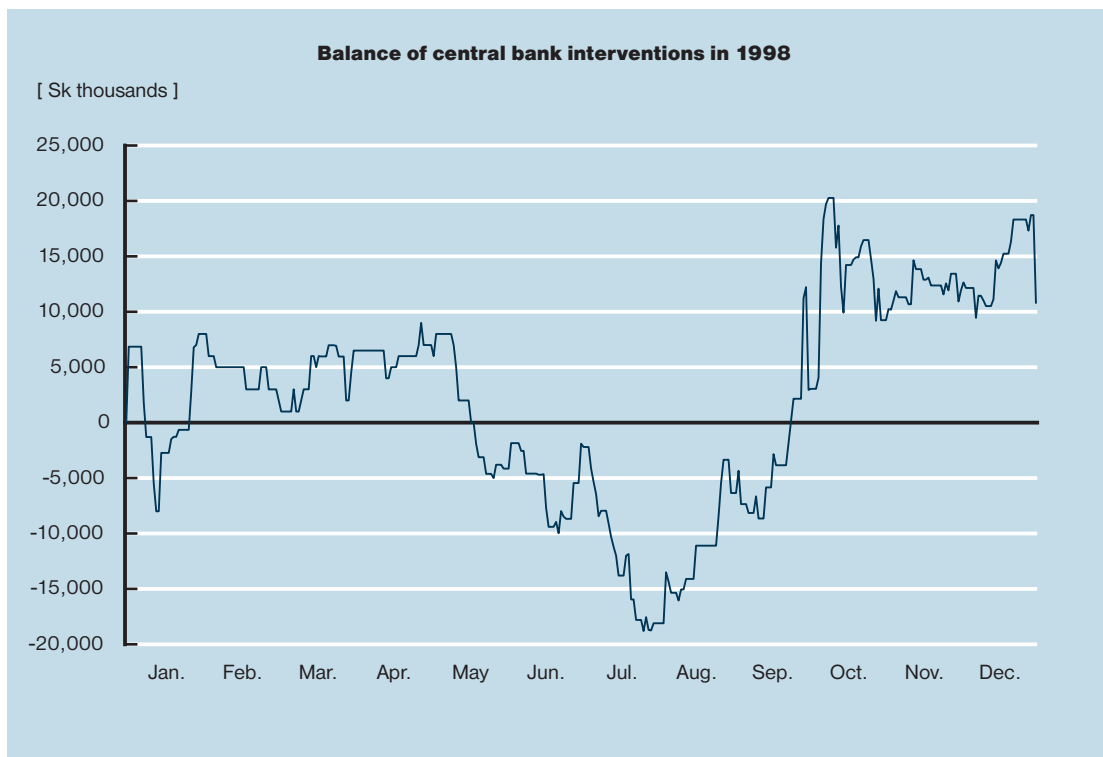
Over the course of the year, the conditions for the systematic lowering of interest rates were restricted, by several limiting factors such as the expansive economic performance of the public sector, the increased deficit in the balance of payments current account, and developments on the foreign exchange market. The situation during the first five months of the year allowed the National Bank of Slovakia to pursue a refinancing policy, as a result of which average interest rates showed a tendency to fall across the board, with the exception of April, when interest rates, especially on short-term deposits, increased somewhat in response to the announcement that Moody's had lowered the credit rating of the Slovak Republic.

During the period from June to August, interest rates continued to follow a downward trend. This time, however, the fall in interest levels was not a result of refinancing operations conducted by the NBS, which were suspended during that period, but was caused by an excess of liquidity in the banking sector, resulting from the conversion of foreign exchange assets derived from government borrowings from abroad, into crown

assets and their gradual release into the economy. Thus, the NBS shifted its attention from refinancing to sterilisation and started conducting REPO tenders in its own bills (NBS bills) for sterilisation purposes.

At the end of August, the fear of currency devaluation increased among domestic entrepreneurial entities and the population, due partly to the run-up to parliamentary elections and the ongoing financial crisis in Russia, which led to the conversion of crown assets into foreign-currency assets. The draining of crown liquidity through purchases of funds by commercial banks in NBS foreign exchange fixing and the necessity to issue government securities for financing the running budget deficit and the costs of debt servicing, called for the renewal of refinancing operations on the part of the NBS in September.

The National Bank of Slovakia decided to grant 1-day refinancing, with the aim of replenishing bank liquidity and restricting the rapid increase in interest levels (on the interbank market and at auctions in government securities), without



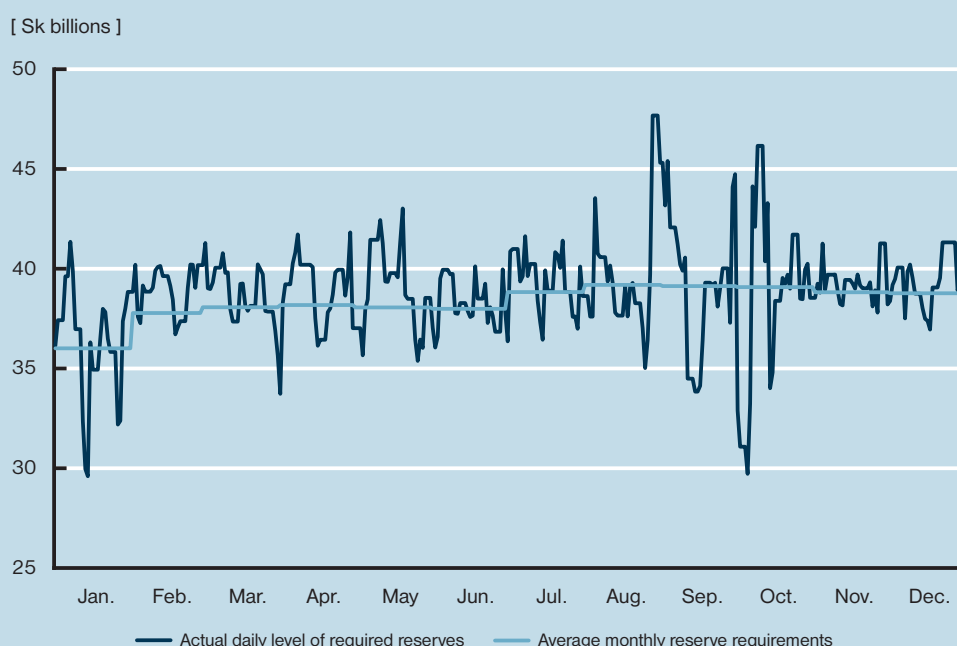
creating, on the other hand, an excess of long-term funds, which would have supported purchases in NBS foreign exchange fixing.

The outflow of central bank reserves through NBS foreign exchange fixing, which continued after the elections, caused the National Bank of Slovakia to abandon the fixed exchange rate regime and to adopt the system of floating rate. In September 1998, it was impossible to influence the development of exchange rates by placing restrictions on the refinancing of purchases made by commercial banks in NBS foreign exchange fixing, followed by a marked rise in interest-rate levels, because this period saw increased debt service payments (compared with May 1997) and fear of devaluation amongst the population, rather than from the short-term speculations of foreign investors. With effect from 1 October, foreign exchange fixing was cancelled and was replaced by central bank intervention in the foreign exchange market as an instrument of exchange rate policy.

In connection with the situation on the foreign exchange market and the performance of the State budget, the need for refinancing increased significantly during the last quarter of 1998. Despite a marked increase in the average daily involvement of the NBS in the banking sector, the sector failed to meet the reserve requirements set for the first period of October. During the remaining periods (until the end of the year), the fulfilment of reserve requirements was free of problems, due primarily to the large volume of refinancing on the part of the NBS.

In 1998, monetary policy continued to be implemented in the manner applied in 1997, i.e. in the form of quantitative management, aimed at regulating the level of excess reserves in the banking sector through the creation of minimum required reserves. In 1998, systemic conditions were not yet created for transition to qualitative management in the area of monetary policy, aimed at monitoring the levels of central bank rates and influencing economic processes and decisions or changes. The uncompleted process of restructuring in the banking sector, persistent problems with state-owned banks,

Fulfilment of reserve requirements in the banking sector in 1998



legislative conditions, under which the rights of creditors and the obligations of debtors are as yet inadequately defined and fixed, represent the key factors that hindered the modification of monetary policy control, with subsequent changes in its instruments. Under present conditions, the management of reserves in the banking sector requires a more direct and firm ability of the central bank to control the development of the economy. The aim of this policy in 1998 was to mitigate the impacts of macroeconomic imbalances - and in implementing the country's monetary policy on the money market, to eliminate the deficit in public finances, and in implementing monetary policy in the area of foreign exchange, to mitigate the imbalance of foreign trade, while supporting the NBS in meeting its monetary-policy objectives, i.e. to maintain the stability and convertibility of the national currency.

4.6. Instruments of Monetary Policy

1. Interest rate policy

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

2. Reserve requirements

- a) With effect from 1 August 1996, the ratio of primary deposits for the calculation of minimum required reserves was set at 9%, irrespective of the term of deposit, for all commercial banks, with the exception of home savings banks, which are required to maintain minimum reserves amounting to 3% of primary deposits. At the same time, required reserves attracted interest at the rate of 1.5%, up to the level of required reserves set for the period under review.

- b) With effect from 1 January 1997, the ratio for required reserves of the volume of non-fulfilled compulsory foreign exchange position for monetary purposes was set at 9%, and the ratio for required reserves of mortgage and municipal bond issues at 3%.

3. System of refinancing

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

- a) Redistribution loans:
 - Traditional - at a rate of 9.5%;
 - Soft loans - at a rate of 7.5%;
- b) Lombard loans - loans backed by the pledge of securities granted at Lombard rate;
- c) Bills-of-exchange deals - bills of exchange are discounted and rediscounted at the discount rate; this form of refinancing included bills discounted for export promotion and bills rediscounted for the support of agriculture. Discounting of bills for export promotion had been cancelled with effect from 17 November 1997. In 1998, the NBS rediscounted bills of exchange only for the support of agriculture;
- d) Open market operations.

4. Treasury bills

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

5. NBS bills

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

6. Exchange-rate and foreign-exchange policy

The currency basket until 30 September 1998

Absolute definition of the currency basket:
1 IDX = 0.012817 USD + 0.029663 DEM

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

a) With effect from 1 October 1998, the National Bank of Slovakia ceased to guarantee a fixed nominal exchange rate for the Slovak crown within a fluctuation band. From 1 October to 31 December 1998, the exchange rate of the Slovak crown (Sk) was set in relation to the German mark (DM). The exchange rate of the Sk depended upon the cross-currency rate of the D-mark and US dollar on the world markets, the supply of and demand for the Slovak crown on the foreign exchange market, and upon the policy and goals of the Central Bank. The National Bank of Slovakia attempted to correct the excessive volatility of the crown's exchange rate through direct interventions, i.e. the purchase or sale of foreign exchange on the foreign exchange market.

b) Evaluation of the currency basket of the Sk:
The turnover of foreign exchange operations under payment items specified in groups 1 to 6 in convertible currencies (excluding other convertible currencies, i.e. Czech crown and the Hungarian forint) reached Sk 737.1 billion in 1998. The average monthly turnover (Sk

61.4 billion) increased by 4.9% year-on-year. The balance of foreign exchange receipts and payments resulted in a deficit of Sk 20.7 billion. The currency structure of the turnover was dominated by DEM (47.0%) and US\$ (32.3%). The other European currencies, with a strong correlation to DEM, accounted for 19.0%. Together with DEM, these currencies represented 66.0% of the total volume. The percentage of non-continental currencies including GBP was 1.7%, and together with USD accounted for 34.0% of the total turnover. The turnover of foreign exchange receipts and payments, including other convertible currencies (mainly the Czech crown), reached Sk 825.9 billion in 1998. The balance of foreign exchange receipts and payments resulted in a deficit of Sk 59.4 billion. The large share of CZK in the achieved turnover (Sk 88.4 billion, i.e. 10.7%) and its inclusion in total turnover (converted according to the original currency basket of the CZK, i.e. 65% DEM and 35% USD) changed the structure of the total turnover only slightly to the detriment of DEM (65.9%) and in favour of USD (34.1%). With regard to the introduction of a new exchange rate regime, the above calculations are only of informative nature.

c) Nominal exchange rate of the Slovak crown:
The nominal exchange rate of the Slovak crown depreciated over the course of 1998 by 10.51%, to 12.81% below the level of central parity at 31 December 1998. While during the period of the fixed exchange rate regime, i.e. until 30 September 1998, the Slovak crown had depreciated by 3.65%, after the adoption of the system of floating rate, the rate of depreciation against central parity reached 9.16%. In relation to DEM, the Slovak crown depreciated by 6.35% during the period from 1 October to the end of 1998.

d) Real effective exchange rate of the crown:
The real effective exchange rate of the Slovak crown, calculated on the basis of the

consumer price index, compared with those of Slovakia's eight trading partners having a significant share in the country's foreign trade turnover (USA, Great Britain, Austria, France, Germany, Italy, the Netherlands, and Switzerland), depreciated by 7.0% over the course of 1998; or, when compared with the country's nine trading partners (including the Czech Republic), it depreciated by 14.5%.

e) Management of the foreign exchange positions of banks:

Until 30 September 1998, commercial banks had had free access to NBS foreign exchange fixing; they could adjust their foreign exchange positions by selling or purchasing foreign exchange via foreign exchange fixing. On the day of purchase, however, the ratio of foreign exchange assets to foreign exchange liabilities was not allowed to exceed 1.05. With effect from 1 October 1998, foreign exchange fixing was cancelled in connection with the cancellation of the fluctuation band, so banks could replenish their foreign exchange positions only on the foreign exchange market.

- The foreign exchange position of banks and branches of foreign banks for monetary purposes (FXPMP): The FXPMP ratio was calculated as the proportion of foreign exchange assets of non-residents to the sum of liabilities denominated in Slovak crowns of non-resident banks and foreign exchange liabilities, less capital in foreign currency. The value of this ratio was first set at 0.65, and banks were required to achieve it by 31 December 1996.

Calculation of the foreign exchange position (FXPMP):

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

FXAN - Foreign exchange assets of non-residents;

FXL - Foreign exchange liabilities in total;

LNSk - Liabilities of non-residents in Slovak crowns;

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

Obligatory values of the FXPMP ratio:

As of 31 December 1996 - min. 0.65;

As of 31 March 1997 - min. 0.70;

As of 30 June 1997 - min. 0.80;

Penalties for non-fulfilment of the obligatory FXPMP ratio:

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

Period of monitoring the FXPMP ratio:

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

4.7. Monetary Calendar

January

- The rating agency Moody's Investors Service announced its intention to lower the credit rating of Slovakia, due to the growing deficit in the public sector and the current account, which are financed in large part from foreign, especially short-term loans.

February

- The National Council of the Slovak Republic passed an amendment to the Banking Act;
- The National Council of the Slovak Republic passed an amendment to the Foreign Exchange Act. The amendment has liberalised the foreign exchange regime in accordance with the recommendations of OECD. It has cancelled the surrender requirement relating

to residents - legal entities, removed the limit on foreign exchange purchases in cash by residents, and allowed the placement of securities issued in OECD countries on the Slovak capital market.

March

- The rating agency Moody's Investors Service lowered the rating of Slovakia from Baa3 (investment grade) to Ba1 (speculative grade).

April

- The amendment to the Foreign Exchange Act became effective on 1 April 1998;
- The rating agency Standard & Poor's revised its long-term crown and foreign-currency liability ratings of Slovakia from a stable level to a negative one. At the same time, the agency confirmed the BBB- grade for government bonds issued in foreign currency and the A grade for bonds issued in local currency.
- The American analyst company Dun & Bradstreet Limited lowered the risk rating of Slovakia from DB4b to DB4d.

May

- Thompson Bank Watch, the financial branch of Thompson, lowered the credit rating of Slovakia from BB+ to BB;
- The Bank Board of the NBS decided to replace the deutschmark in the currency basket of the Slovak crown by the euro, with effect from 1 January 1999.

June

- The Japanese rating agency Japan Rating and Investment Information, Inc., formerly known as Japan Bond Research Institution, lowered the credit rating of Slovakia from BBB to BBB-.

July

- The sale of government bonds to private individuals came to an end; bonds were sold

in the amount of Sk 983.3 million, representing roughly 50% of the total issue.

August

- The financial crisis in Russia culminated in August. It was accompanied by problems in the repayment of foreign loans and by a rapid devaluation of the rubble. The crisis caused a loss of faith among financial investors, who started to withdraw from the emerging markets, which caused turbulence on the capital and foreign exchange markets of these countries.

September

- The rating agency Standard & Poor's lowered the long-term hard currency liability rating of the SR and the rating of securities issued without state guarantee from BB+ to BBB-; and the rating of securities issued in Slovak currency to BBB+, from AAA. Thus the rating of Slovakia moved from the investment band into the speculative band.
- The rating agency Fitch IBCA assigned a negative rating to Slovakia;
- The Bank Board of the NBS approved some changes in foreign exchange fixing, arising from the introduction of the single European currency. Since 1 January 1999, the exchange rates of the euro, the Hungarian forint, and the Polish zloty have been listed in the central bank's daily list of exchange rates, in addition to the rates of eleven EMU countries.

October

- On 1 October, the Board of the NBS cancelled the fluctuation band of the Slovak crown. At the same time, the Bank's Board cancelled the pegging of the Slovak crown to the currency basket, which consisted of DEM (60%) and USD (40%).

December

- The British rating agency Fitch IBCA, which was the last rating agency to keep the credit rating of Slovakia within the investment band, lowered the country's rating by one degree, to the speculative band. The long-term foreign-currency liability rating of Slovakia was lowered from BBB- to BB+. At the same time, the rating of the Slovak currency was reduced from A- to BBB+.
- On 31 December 1998, the NBS announced, for the first time, the official rate of conversion between the Slovak crown and the single European currency, the euro. At 4 January, the first working day of 1999, the rate of conversion was SKK 43.097 /EUR 1.

5. FINANCIAL MARKETS

5.1. Money Market

Primary Market for Treasury Bills

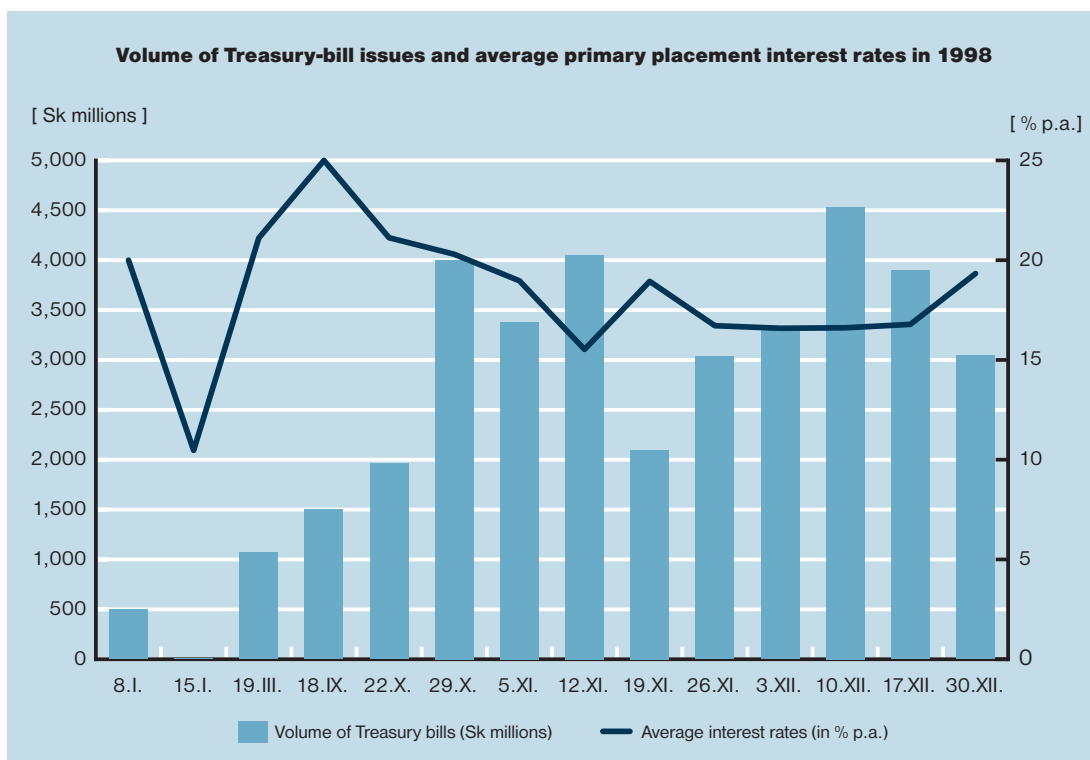
In 1998, the primary market for Treasury bills was characterised by a low level of issuing activity on the part of the Ministry of Finance. This was due mostly to the reduced requirements of the State budget for short-term resources. At the end of 1997, Treasury bills represented 41% of all government securities; at 31 December 1998, they accounted for only 18%.

Over the course of the year, the Ministry of Finance of the SR put Treasury bills up for auction in accordance with the schedule for the issue of government securities, which, in accordance with Ministry practice, was released quarterly in advance. Apart from this, the issuer decided to hold a Treasury-bill auction three times during the second half of the year. These decisions were motivated by the unfavourable performance of the State budget during the

given period and the high level of interest yields on the primary market for government bonds. The last auction of the year was held on 30 December 1998, in response to the amendment to the State Budget Act, which modified the size of the budget deficit for the year under review. In total, 26 auctions were held, but only 14 were successful. At these auctions, Treasury bills were placed on the short-term securities market in the total amount of Sk 36.41 billion, representing a decline of 59% compared with 1997. In terms of volume, the last quarter was the most significant, when 92% of the Treasury bills issued in 1998 was placed on the market. In November, Treasury bills started to be issued with maturity in 1999. The average amount per issue was Sk 2.6 billion, i.e. 11% more than in the previous comparable period.

A substantial year-on-year change was recorded in the structure of Treasury bills by maturity. While in 1997, Treasury bills were issued with a maturity of from 1 to 11 months; the period under review saw only issues with a maturity of maximum 3 months. This was due mainly to the high volume of government bonds maturing in 1999, mainly from March to October. To avoid the accumulation of due Treasury bills and government bonds, the issuer decided to finance the 1998 budget deficit from Treasury bills maturing during the first three months of 1999.

Investors in Treasury bills were partly direct participants, i.e. domestic commercial banks, insurance companies, and dealers in securities, and partly indirect participants, i.e. other domestic legal entities registered in the Companies Register and foreign investors. In primary purchase via auction, most Treasury bills were acquired by direct participants, i.e. 92% (the same share as in 1997). The share of indirect participants was 8%, representing a year-on-year increase of 3% in absolute terms. The increase was attributable primarily to the increased participation of foreign investors, especially at the end of the year, when Treasury bills were issued with longer maturities (maturing in 1999). In contrast with the previous period,



the NBS was not involved in the primary sale of Treasury bills by auction.

In primary sales, Treasury bills were sold at American-style auctions, with no volume announced in advance and no interest rate limit. The average interest rate at Treasury-bill auctions reached 18.27% p.a., which was 527 base points lower than in 1997. The fall was due mainly to a shift in issuing activities, from Treasury bills to government bonds. The average interest yields on individual issues ranged from 10.47% p.a. to 25.00% p.a. As the Ministry of Finance issued mostly bonds with a maturity of one year, the yields achieved had a significant effect on the level of interest rates demanded by investors at Treasury-bill auctions. The rise in the level of required interest rates was also influenced by developments on the market for interbank deposits. At the end of the year, the rates of interest demanded by investors at Treasury-bill auctions were negatively affected by changes in the taxation of government securities, which became effective on 1 January 1999.

With regard to the time gap between the development of budget revenues, expenditures,

and Treasury-bill auctions, the running budget deficit was financed during the period under review, especially during the 4th quarter, from so-called technical issues made with a maturity of from 1 to 7 days, for the portfolio of the NBS. Compared with 1997, when technical issues were floated almost continuously, the volume of Treasury bills issued in this way, recorded a fall of 65%. The interest rate for these issues was set at 12% p.a. in accordance with the provisions of Act No. 375/1998 Z.z. on the 1998 State budget.

Secondary Market

The conduct of monetary policy, based on the system of fixed exchange rates and quantitative control of crown liquidity, left the basic conditions of the money market unchanged for 1998. In operative management, predominantly REPO operations were conducted in the form of auctions (REPO tenders) oriented exclusively towards regulating the level of liquidity in the sector.

Direct sale from the portfolio of the NBS and the non-auction form of REPO tenders were conducted only as a supplement to tenders, without any marked effect on the development of the money market. In the system of liquidity management by the central bank, there was a strong element of uncertainty about the conduct of tenders, accompanied by marked fluctuations in short-term interest rates and frequent inadequacies on the deposit market in the form of a lack of bids for individual tradable items of standardised lengths. Interest rates remained basically unregulated and the NBS, despite verbal statements about the possibility of their reduction, did not intervene directly in the setting of prices for crown resources. With regard to the preference given to the maintenance of the fixed exchange rate regime, the efforts to lower the level of interest rates were effective only in the run-up to the next fluctuation in rates on the foreign exchange market. In spite of this, interest rates fell in the long run on deposits of all maturities, from roughly 28% to below the level of 18%, while 1-month rates fell below 12% at the end of June.

Room for the gradual lowering of interest rates was created during the first quarter, through the inflow of excess liquidity into the banking sector, which led to over-fulfilment of reserve requirements, above the level of 103%, several times. Although extension of the maturity of refinancing REPO tenders to 14 days was a positive development in February, the rates could not be maintained below the level of 20% in the long run. In this respect, a negative influence was exerted by the lowering of Slovakia's credit rating by Moody's agency in March and by Standard and Poor's in April. The lowering of the rates during this period was negatively affected by the acceptance of higher and higher rates at primary sale on the part of the Ministry of Finance. The increasing rates and the subsequent rise in the level of the deposit market confirmed the existence of a link with the foreign exchange market, where the exchange rate of the Slovak crown strengthened for a short time, as a result of increased interest in the Slovak

currency on the part of non-residents wishing to take part in government bond auctions. The refinancing of the national debt had a vital effect on the level of interbank deposit rates in May, when the Ministry of Finance could reject funds offered at high rates at local auctions, due to an expected inflow of resources into the State budget from the issue and sale of eurobonds. The resulting surplus of resources exerted downward pressure on the level of rates at further government bond auctions, but mainly on the level of rates on the money market.

The NBS dealt with the surplus of liquidity and the subsequent depreciation in the currency by conducting REPO operations for sterilisation purposes. The total balance of intervention in the crown market shifted to the position of sterilisation, where it remained until September. Sterilisation activity culminated at Sk 18.8 billion at the end of June. Further reduction in the rates was, despite the continued surplus of liquidity, countered by the intention of the NBS to keep the rates within the fluctuation band, which made it necessary to drain free crown resources, and to prevent them from being used for the closing of open foreign exchange positions, and/or for the purchase of foreign exchange. Hence, sterilisation represented a permanent search for compromise between the effort to maintain the favourable development of crown deposit rates and the maintenance of the crown's exchange rate, which was under pressure exerted by the reduction in interest-rate differentials between crown and foreign currency deposit rates. In June, the said pressure was multiplied by the consequences of the financial crisis in Russia. During the ensuing period, the NBS continued to drain liquidity by extending the maturity of REPO tenders to 14 days, and by issuing Central Bank bills (NBS bills) with a maturity of three months, in August. This instrument was last applied in 1996. Despite these efforts, the 1-month rate approached the 13% limit already in June and the average rate for 1-month deposits fell below 12% at the end of July. Further fall was halted by the NBS using sterilisation measures in the form of setting the daily intervention targets in

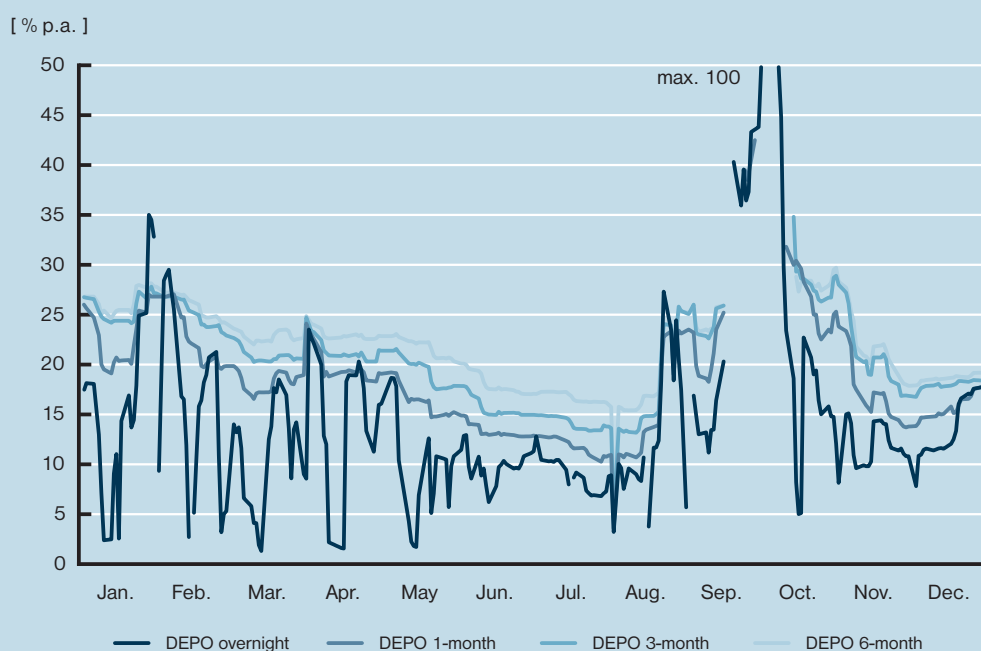
combination with tenders with different dates of maturity. This procedure, which may be characterised as a qualitative shift in the conduct of monetary policy, contributed to the draining of liquidity and disturbed the continuity of the fall in interest levels. The discontinued fall and subsequent rise in the rates was due partly to persistent fears of the consequences of the Russian crisis. The increased activity on the foreign exchange market, reflected in the rising level of demand for funds at NBS fixing, raised the IDX index above 1.05% and simultaneously reduced the surplus of crown liquidity in the banking sector. From August, the balance of sterilisation activities conducted by the NBS showed a tendency to fall and caused, due to foreign exchange purchases, a temporary shortage of liquidity.

The period from the beginning of September, which witnessed the run-up to parliamentary elections, was marked by the effort of the NBS to resist the speculative purchases of foreign exchange and the consequent depreciation in the value of the Slovak currency. The continued demand for foreign exchange raised the market

values of IDX above the level of 1.065% and reduced the surplus of liquidity to such an extent that the total balance of intervention returned to refinancing position. Banks tried to handle the tense situation on the market by cancelling the generally binding obligation to publicly list their rates and by cancelling the maximum span between purchasing and selling prices. The subsequent rise in the level of rates above 40% with a 10% span was a natural consequence of a marked shortage of liquidity in the banking sector and the interbank market was limited to trades with a maturity of one day. The introduction of the system of floating exchange rates and the subsequent statements about preference for the domestic crown market, created conditions for the stabilisation of the money market during October.

As a result of the persistent short crown position in the banking sector caused by increased purchases of foreign exchange, the entire last quarter of 1998 was dependent on central bank resources. During the first ten days of October, the NBS supplied liquidity in a total amount of more than Sk 20 billion through short-

Development of interbank offered rates (BRIBOR) in 1998



-term tenders with a maturity of up to 7 days. The first signs of stabilisation appeared as early as October 13, when BRIBOR rates were again listed for all maturities with reduced spans. Parallel with the prolongation of refinancing tenders and the application of government bonds and NBS bills in the form of acceptable and refundable securities, the stabilisation of the market caused a fall in interest rates, which returned into the band of 15% to 20% at the end of November. As government bonds could not be used for refinancing purposes during the stock exchange holidays, interest rates showed a slight increase at the shorter end of the yield curve towards the end of the year.

In conclusion, it is possible to state that the year 1998 brought no significant changes for the money market. The implementation of monetary policy, as well as the money market, were subordinated to the maintenance of the fixed exchange rate regime. A positive factor was the attempt to stabilise deposit rates through the prolongation of refinancing tenders and, in the case of sterilisation, through the setting of daily limits. A positive role was played by the market makers - the reference banks, which managed to find a solution - especially in complicated situations - enabling to preserve the basic structure of the money market.

5.2. Capital Market

Primary Market

In 1998, auctions in government bonds were held at weekly intervals in accordance with the issuing schedule. Of the total number of auctions (44), thirty-three were successful; government bonds were put up for auction in the amount of Sk 66,987 million, representing an increase of 140% compared with the figure for 1997. Of these issues, 27 bonds (in the amount of Sk 51,627 million) had a maturity of one year. In the

remaining 6 issues, bonds were floated in the amount of Sk 15,360 million with a maturity of two years. The increase in the volume of government bonds was justified by the need to cover the 1997 budget deficit, the need to finance the debt service, and the growth in government spending on infrastructure. This affected the development of interest rates on the primary market for government bonds, where the rates fluctuated around 22% at the beginning of the year and closed the year at the level of 29%. At the end of May, the financial market showed some signs of stabilisation, due to an issue of government bonds on the international market. This development was reflected in a fall of 10% (to 17-18%) in the level of interest rates on the primary market. In September, the policy pursued by the Ministry of Finance was influenced by the outflow of crown resources via foreign exchange fixing and the subsequent shortage of crown liquidity in the banking sector. Apart from issues sold by auction, the Ministry of Finance launched the 1st issue of government bonds (in paper form with a maturity of one year) on the capital market. The sale of these securities lasted for two months. The amount of issue was limited to Sk 2 billion, the rate of issue was set at 100% of the nominal value, and the total issue was divided into the following nominal values: Sk 1,000; Sk 5,000; Sk 20,000; Sk 50,000; and Sk 100,000. The highest demand was recorded in the case of bonds with a nominal value of Sk 5,000 and Sk 20,000. By the end of sale (20 July), bonds had been sold in the total nominal value of Sk 1,009 million. Over the course of the year, government bonds were issued in the total nominal value of Sk 67,996 million.

Publicly Negotiable Non-Government Bonds

The total amount of publicly negotiable non-government bonds issued in 1998 reached Sk 2,154 million, representing a fall of 70.4% (Sk 7,284 million) compared with the same period in 1997. The fall in the amount of bonds was due mainly to a rise in interest levels and the resulting decline in demand on the part of investors, who

gave preference to shorter-term investments offering much higher yields.

Secondary Market

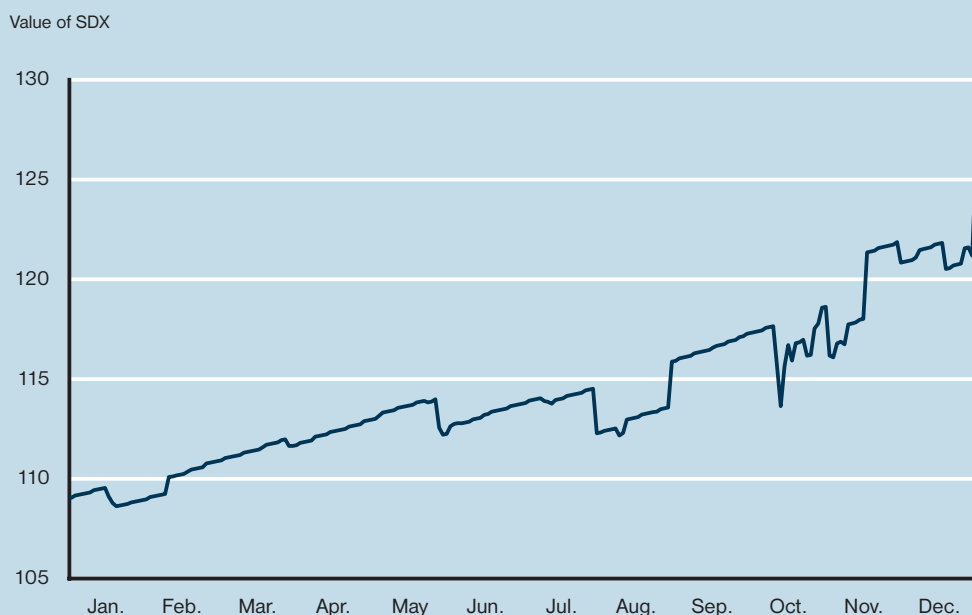
The total volume of transactions reached, in 243 trading days, Sk 299.1 billion, representing a more than 80% increase in comparison with the previous year. Of the total volume of trading (Sk 299.1 billion), price-setting anonymous contracts accounted for Sk 22.6 billion (7.6%) and direct transactions for Sk 276.5 billion (92.4%). In comparison with the previous year, the percentage of anonymous contracts increased somewhat, due mainly to trading in government bonds. In terms of yields, only government bonds were able to compete with other products on the money market. As a result of the strong demand for government bonds, Slovak companies had little opportunity to obtain funds for their activities. This is documented by the fact that, during the whole year, the Stock Exchange accepted - apart from the

mentioned issues of government bonds - four new issues of municipal bonds, two bank and four corporate bonds for trading. The lowering of Slovakia's credit rating by leading agencies such as Moody's Investors Service (March 1998) and Standard & Poor's (September 1998) worsened the country's prospects for obtaining favourable loans for the support of the private sector.

Bonds

In 1998, the balance of trading on the Bratislava Stock Exchange (BCPB) was again improved, to a considerable extent, by trading in bonds. The sum of all trades reached Sk 261.8 billion, of which anonymous contracts accounted for Sk 20.7 billion, representing an increase of 475% compared with the 1997 figure. During the year as a whole, anonymous contracts were dominated by government bonds, even though the largest financial volume was traded in listed ČSOB 1999 bonds (Sk 3.1 billion). On the BCPB floor, the largest volumes (worth more than Sk 1 billion) were traded in government bonds of Issue No. 65 (Sk 2.8 billion); Issue No.

Development of the Slovak Bond Index (SDX) in 1998



38 (Sk 2.8 billion); Issue No. 57 (Sk 1.3 billion); and Issue No. 51 (Sk 1.2 billion). Direct transactions were dominated by government bonds of Issue No. 17 (Sk 25.7 billion); Issue No. 16 (Sk 16.8 billion); and Issue No. 38 (Sk 13.9 billion).

SDX Index

The component of the Slovak Bond Index (SDX) for bank and corporate bonds recorded a year-on-year increase of 17.4%, to 127.33% of the nominal value of its portfolio. On the last trading day, the average yield to maturity stood at 15.24%. The component for government bonds closed the year 1998 at 127.24% of the nominal value, while the average yield to maturity reached 18.14% and the annual increase 17%. The said increase was due to growth in demand for bonds and increased trading.

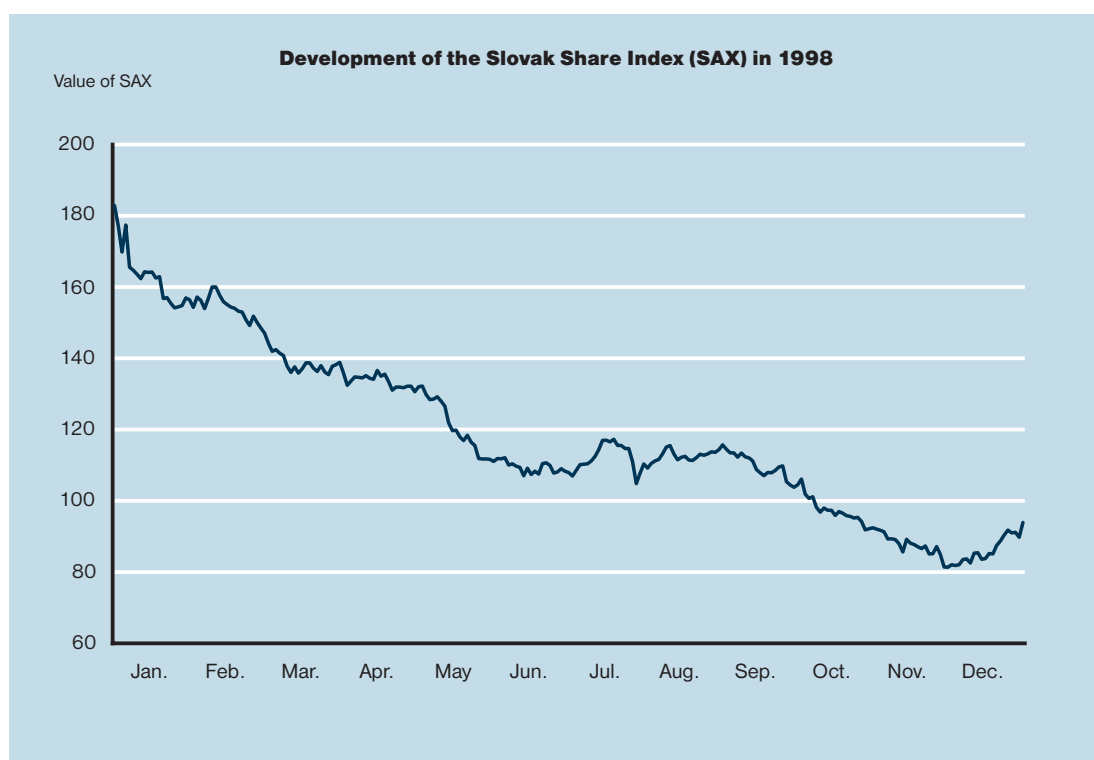
Shares

During the course of the year, the share market recorded a decline, not only in terms of prices, but in terms of liquidity as well. The total volume

of trading in shares amounted to Sk 37.3 billion (-54.9% compared with 1997), of which price-setting transactions accounted for Sk 2.0 billion. In terms of the number of trading days, the best performers were listed issues: Slovakofarma shares (162 days; volume of trading: Sk 17.4 million); VSŽ shares (141 days, Sk 51.5 million); VÚB shares (138 days, Sk 14.5 million), and Slovnaft shares (132 days, Sk 62.5 million). On the anonymous market, however, shares were traded only in minimum volumes.

SAX Index

In 1998, the Slovak Share Index (SAX) fell below its initial level (100 points) as at 14 September 1993. The index has followed a negative trend, virtually from the beginning of the year. After temporary stabilisation during the period from June to August, the course of SAX definitely confirmed the downward trend. The run-up to parliamentary elections and the decision of the NBS to cancel the fluctuation band of the SKK in September, brought about a marked fall in the value of SAX. A 'black day' in the history of trading on the BCPB floor was



2 October, when the value of SAX fell to 98.22 points. For the rest of the year, the level remained below 100 points.

Structure of Share and Bondholders

By 31 December 1998, the structure of government bonds held by domestic investors had changed somewhat in comparison with 1997. While the share of commercial banks decreased by 12.27% (to 81.23%), that of domestic legal entities increased by 3.67% (to 9.27%). The share of foreign investors was 1.17%, i.e. 0.28% more than at the end of 1997. The number of bonds held by non-residents reached higher values as well, which, however, gradually fell towards the end of the year, due to lower interest on the part of foreign investors in government bonds before the parliamentary elections, despite the attractive interest rates. Foreign investors held 9.58% of all securities, which was almost 1% more than in 1997.

5.3. Foreign Exchange Market

Foreign Exchange Fixing

During 1998, foreign exchange fixing (FXF) followed the trend from the past two years, when transactions conducted in NBS foreign exchange fixing were constantly on the decline. Whereas in 1996, the NBS purchased foreign exchange in FXF in the amount of US\$ 358.9 million and sold only US\$ 164.8 million in 1997, the volume of sales reached US\$ 992.1 million (US\$ 465.2 million and DM 912.2 million) in 1998. The sales took place predominantly in August and September (US\$ 944.5 million).

The first sign of instability of the Slovak crown's exchange rate was seen as early as January, when commercial banks purchased US\$ 98.2 million through foreign exchange fixing. In the following months, the situation calmed down and

remained unchanged till the beginning of August, when fear of devaluation intensified among entrepreneurial entities and the population, which led to systematic purchases of foreign exchange. The exchange rate was relatively stable during the entire first half of the year. This was due mainly to the fact that the most important participants in the market, domestic and foreign commercial banks, as well as domestic business entities and the population, were aware that a change in the exchange rate regime during the run-up to parliamentary elections was highly unlikely. Then, as the election day approached, the situation began to change. The population and the banking sector accepted the view that the exchange rate system had to be changed irrespective of the final result of the parliamentary elections.

The interbank foreign exchange market was negatively affected by the financial crisis in Russia, which significantly modified the attitude of foreign banks towards their partners operating in Slovakia. Foreign banks began to close their open crown positions, while the crown liabilities of Slovak banks vis-a-vis non-residents decreased by Sk 4 billion (approx. US\$ 110-120 million) from the end of July to the beginning of October. In view of a marked fall in foreign exchange reserves and the persistent fears of currency devaluation, the NBS decided to replace the fixed exchange rate regime by the system of floating rates. At the same time, the conditions for trading in foreign exchange fixing and the pegging of the Slovak crown to a currency basket were cancelled. Since 2 October 1998, the value of the Slovak crown has been set according to the supply of and demand for Sk on the interbank foreign exchange market. The reference currency, under basis of which the exchange rate of the Slovak crown is monitored, became the German mark (DM).

In 1998, the volume of transactions conducted in foreign exchange fixing totalled US\$ 1.2 billion, of which 48.6% was in US\$ (US\$ 0.6 billion) and 51.4% in DM (DM 1.1 billion). The number of contracts reached 242, with an

average amount of US\$ 5.0 million per contract. In comparison with 1997, when the total volume of trading amounted to US\$ 2.5 billion, representing an average amount of US\$ 6.5 million per contract, the total volume of transactions fell by 51.3%. Foreign exchange fixing transactions were conducted in US\$ and DM, with a moderate dominance of DM (51.4%), whereas 1997 saw the opposite.

Transactions Between Banks (Except for the NBS)

After a problematic period of marked fluctuations, trading between Slovak commercial banks on the foreign exchange market recorded a decline during the months of May and June 1997 to February 1998. During the following months, trading showed a moderately upward

Basic characteristics of the Slovak foreign exchange market in 1998

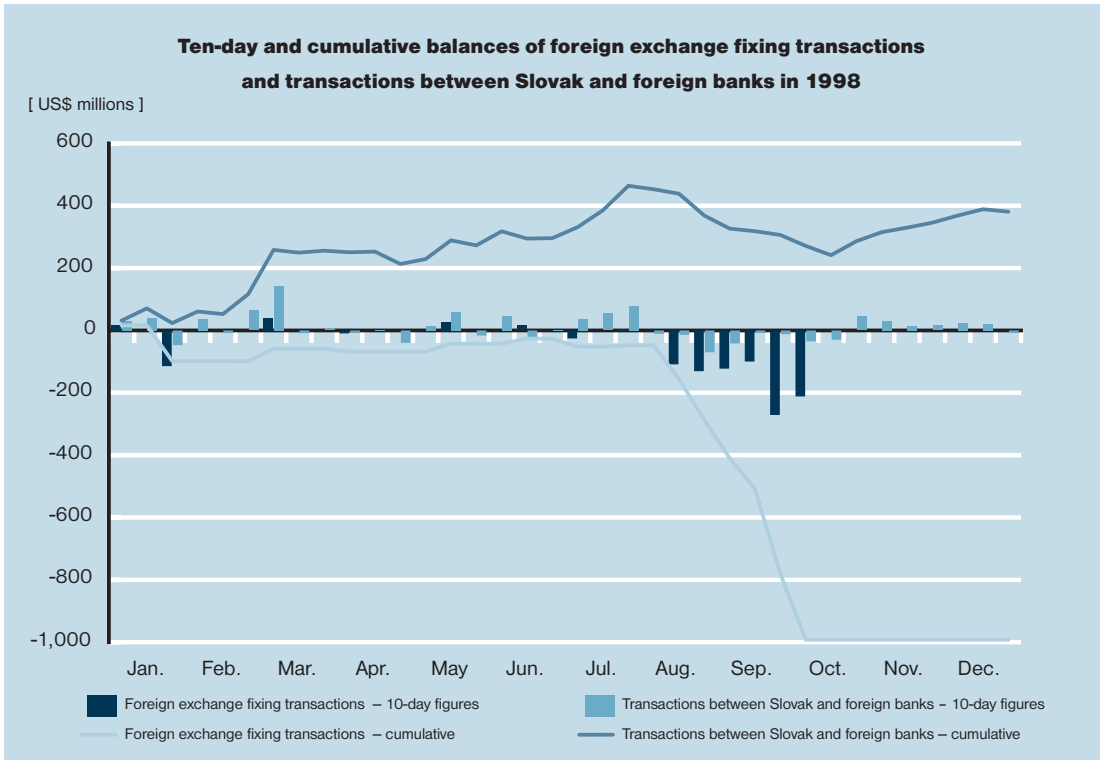
	USD		DEM		Other currencies		Total				
	Volume	Number	Volume	Number	Volume	Number	Volume	Number			
	(US\$ mn)	(%)	of trans.	(US\$ mn)	(%)	of trans.	(US\$ mn)	of trans.			
Foreign exchange fixing	590.2	48.6	133	623.1	51.4	109	-	-	-	1,213.3	242
Transactions between											
Slovak banks	20,994.5	70.6	8,451	7,625.0	25.7	4,494	1,105.5	3.7	1,563	29,724.9	14,508
Interbank foreign exchange											
market: fixing + transactions	21,584.7	69.8	8,584	8,248.1	26.7	4,603	1,105.5	3.6	1,563	30,938.2	14,750
between Slovak banks											
Transactions between Slovak											
and foreign banks	30,055.2	86.2	8,287	4,504.0	12.9	3,289	304.7	0.9	437	34,863.8	12,013
Foreign exchange market											
in the SR - total	51,639.8	78.5	16,871	12,752.0	19.4	7,892	1,410.1	2.1	2,000	65,802.0	26,763

Since the beginning of the year, the value of the currency basket coefficient (IDX) increased from 1.0190 (2 January 1998) to 1.0595 (1 October 1998), which represented a depreciation of 4.05% in the exchange rate of the Slovak crown from the beginning of the year to the cancellation of the fluctuation band. The value of IDX reached its maximum (1.0595) between 25 September and 1 October 1998, and minimum (1.0080) on 18 May 1998. Immediately after the cancellation of the fluctuation band, the exchange rate of the SKK against DEM (DEM/SKK) weakened from 20.833 to 23.093 in three days. Later the rate of the crown stabilised and gradually strengthened, and closed the year at the level of DEM/SKK 22.081. Over the course of the year, SKK weakened against DEM from DEM/SKK 19.398 (31 December 1997) to 22.081 (31 December 1998), i.e. by 13.83%. During the same period, the exchange rate of SKK against USD (USD/SKK) weakened from 34.782 to 36.913, i.e. by 6.12%.

trend with a marked increase in the last two months of the year. In spite of this, the total volume of transactions fell by 27.6% (US\$ 29.7 billion) and the number of contracts decreased by 28.1% (14,508), while the average volume per transaction remained unchanged (US\$ 2 million).

The structure of trades by currency remained virtually unchanged. Most trading was concluded in USD (70.6%, compared with 70.3% in 1997), followed by DEM (25.7%, compared with 23.7% in 1997), and other currencies (3.7%, compared with 6.0% in 1997). The most significant change in the currency structure of transactions (in favour of DEM) was recorded after the cancellation of the currency basket.

Trading between Slovak and foreign banks appears to have assumed a leading position on Slovakia's interbank foreign exchange market,



with a share of 53% (48.4% in 1997). With regard to trading between foreign banks, the dominance of USD was even more pronounced. However, the last quarter of the year saw an increase in the share of DEM as well. The balance of trading with foreign banks generated a surplus of US\$ 0.4 billion.

C. BANKING SUPERVISION IN 1998



1. DEVELOPMENT OF THE BANKING SECTOR

At the end of 1998, Slovakia's banking sector comprised twenty-seven bank entities (twenty-five banks and two branch offices of foreign banks) and nine representative offices of foreign banks. Compared with 1997, the number of branch offices decreased by two owing to the sale of the Nitra branch of Banka Haná, a.s. Brno, and the Žilina branch of Moravia Bank, a.s. Frýdek Místek, to AG Banka, a.s. Banská Bystrica. The number of banks licensed by the NBS to conduct mortgage transactions was increased from three to four. ISTROBANKA, a.s. was added to the list of already licensed Všeobecná úverová banka, a.s., Slovenská sporiteľňa, a.s., and HypoVereinsbank Slovakia, a.s. At the end of the first half of 1998, the NBS approved the merger of two banks: Bank Austria (SR), a.s. Bratislava, and Creditanstalt, a.s. Bratislava, which took effect on 1 January 1999.

The total subscribed capital in the Slovak banking sector, including funds permanently

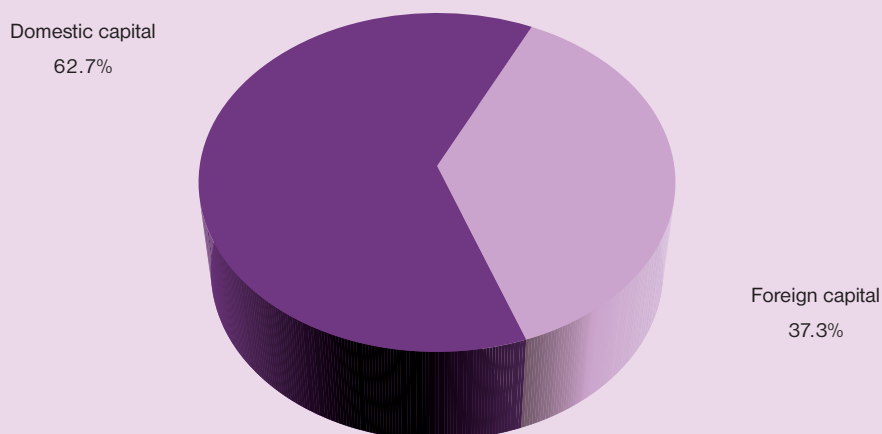
provided to branch offices of foreign banks (excluding the NBS), grew from 31 December 1997 to 31 December 1998, with approval of the NBS in the course of 1997 and 1998, and by changes in volume of permanently provided funds, by Sk 2.6 billion, i.e. from Sk 32.0 billion to Sk 34.6 billion. Five banks increased their registered capital in 1998.

The share of foreign capital in the total subscribed capital of banks and funds permanently provided to branches of foreign banks ranged between 35.5 and 39.2% during the year.

2. CHARACTERISTICS OF THE BANKING SECTOR

The banking sector as a whole developed at a slower rate than in previous years. The annual growth rate of total assets, primary and secondary resources, and loans fell by over half. The complicated development of the banking sector was reflected in its results. In the course

**Structure of capital and permanently provided funds
of banks and branches of foreign banks in the Slovak Republic as at 31 December 1998**



of the year, banks focused mainly on transactions on the interbank market and trading in government securities, as a response to the general state of the economy, decelerated economic growth, and increased budget deficit.

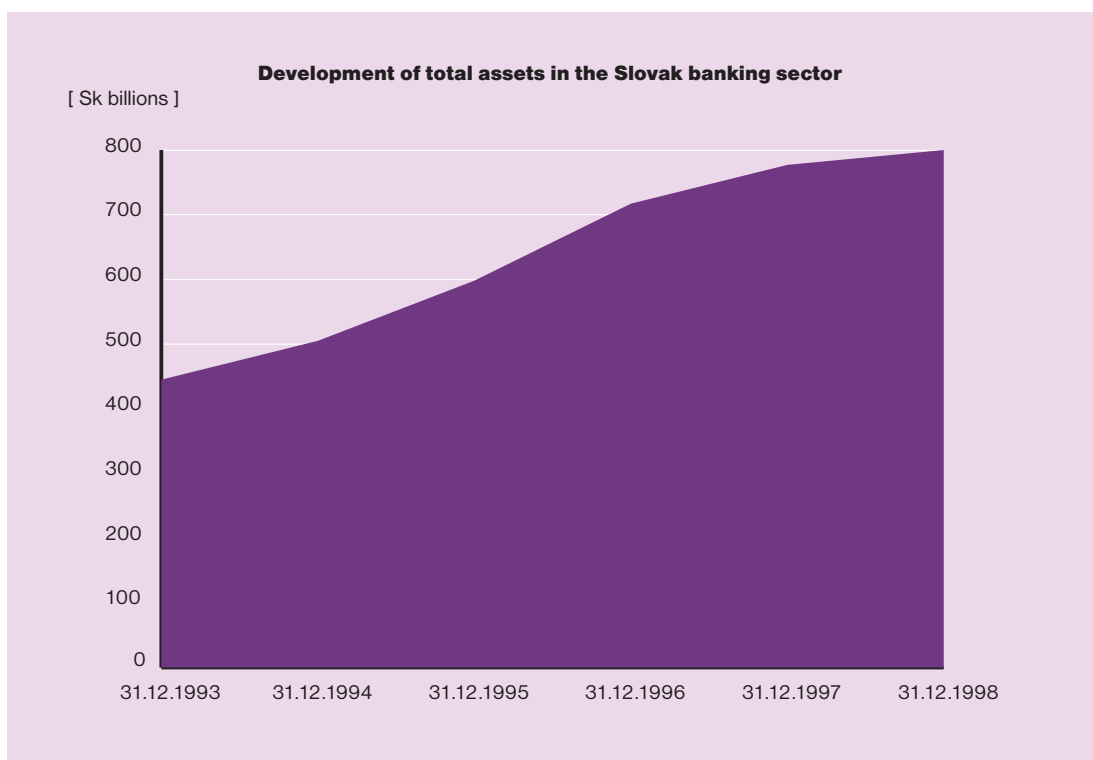
The total assets of banks operating in the Slovak money market amounted to Sk 799.9 billion, representing a year-on-year growth of 2.9%, and the share of total assets of banks undergoing transformation in the cumulative volume of total assets had fallen by the end of 1998 to 45.8%, representing a year-on-year decrease by 6.9%. The volume of primary resources in the banking sector increased by Sk 14.5 billion (3.3%) to Sk 462.3 billion. The volume of secondary resources increased by Sk 8.8 billion (4.2%) to Sk 221.6 billion.

Total receivables from loans to customers amounted to Sk 585.1 billion, representing an increase by Sk 16.7 billion (2.9%). Of this total, classified claims accounted for Sk 145.1 billion, up Sk 25.0 billion year-on-year (20.8%) and special mentioned loans fell by Sk 7.1 billion (9.8%) to Sk 65.6 billion.

In 1998, the banking sector reported a profit of Sk 0.4 billion, which may be considered a positive development when compared with the aggregate loss of the previous year.

3. EVALUATION OF PRUDENTIAL BANKING BEHAVIOR

In 1998, as in previous years, the prudential conduct of banks was governed by the five decrees of the National Bank of Slovakia, based on international standards and recommendations of the Basle Committee on Banking Supervision. In evaluating compliance with the prudential regulations, the Banking Supervision Division of the NBS relied on analysis of accounting data and information provided in the regular reports of banks on capital adequacy, credit exposure, liquidity, regulation of foreign exchange positions, and on rules for evaluation of claims and off-balance sheet liabilities of banks according to the risks involved, and for the creation of provisions to cover such risks



(classification of claims and off-balance sheet liabilities). The Banking Supervision Division utilises a banking information system based on early-warning financial ratios in evaluating developments and trends in individual banks, groups of banks, and the entire banking sector. With regard to the compliance with prudential standards in the banking sector as a whole improvement was recorded in 1998, first and foremost in the ratios of credit exposure and open foreign exchange position. Assessment of prudential behavior in the banking sector is conducted systematically also via on site inspections carried out by the Banking Supervision Division.

3.1. Capital Adequacy

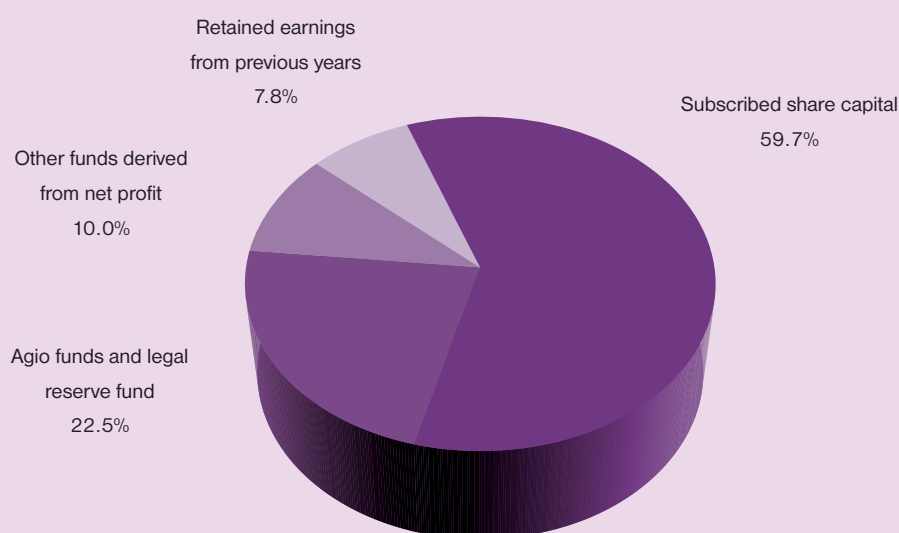
NBS Decree No. 5/1997 on capital adequacy requires banks to maintain a minimum level of capital adequacy of 8%. As at 31 December 1998 deductible items exceeded capital in one commercial bank and one state financial institution, whilst five banks were found not to

have complied with the obligatory capital adequacy limits.

Capital adequacy of evaluated banks operating in the banking sector of the Slovak Republic, decreased by 1.3 points over the year, to reach 8.7%. This negative trend results from a decline in capital applied to the calculation of capital adequacy, in contrast to the dynamic growth in volume of risk weighted assets.

The total capital applied in the calculation of capital adequacy to 31 December 1998, decreased year-on-year by about Sk 3 billion (8.6%) to Sk 32.4 billion. Risk-weighted assets of banks in the banking sector of the Slovak Republic increased by Sk 19.4 billion (5.5%) to Sk 372.1 billion. The decline in capital applied in the calculation of capital adequacy in the banking sector as a whole, was due primarily to growth in deductible items, particularly uncovered estimated loss, while the increase in general reserves set aside to cover losses resulting from banking activities including subordinated debts, was insufficient to eliminate the effect of growth in deductible items.

Structure of capital applied for the calculation of capital adequacy (at 31 December 1998)



3.2. Credit Exposure

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

During 1998, eighteen banks were found to have overstepped the net credit exposure limit applied to non-bank borrowers, while sixteen had broken the limit for lending to other banks. The limit on the aggregated amount of reported loans was exceeded by nine banks. Failure to meet this limit was due mainly to insufficient capital strength, inherited high loan exposure from the past, higher level of lending activity of some banks, and the change in methodology contained in the amendment to the decree on capital adequacy. However, development was on the whole positive, and the number of banks exceeding the limit was less than in the previous year.

3.3. Liquidity

Apart from the monetary instruments applied by the National Bank of Slovakia, liquidity was influenced by the actual situation and market developments, characterised by a continuing shortage of mainly long-term, and to a lesser extent, medium-term funds, chronic problems of the capital market, insufficient number of powerful investors, tax legislation, etc.

The combination of these factors was reflected in the shortage of liquid funds and the subsequent failure of certain banks to comply with the minimum reserve requirement, in mis-

match in maturities of resources and their use, resulting in a significant increase in interest rates on the interbank money market. The most serious problems with liquidity and, subsequently, with meeting minimum reserve requirements, occurred in banks undergoing transformation. By December 1998, however, all banks had met the prescribed minimum reserve requirement.

The NBS Decree No. 7/1997 tightening the rules of liquidity management, required banks and branch offices of foreign banks to maintain a 70% ratio of assets to liabilities due within one month (by September 1997), and to increase the coverage to 85% (by February 1998), and to 100% (since March 1998). Eighteen banks failed to meet these requirements in 1998.

3.4. Foreign Exchange Positions

The NBS Decree No. 11/1997, pertaining to the regulation of open foreign exchange positions of banks, sets out the rules for prudent banking operations in foreign currencies. For the difference between assets and liabilities in individual currencies calculated in Slovak crowns, the Decree sets a limit of 10% in relation to the bank's capital, and for the aggregate open foreign exchange position, a limit of 25%. Following the adoption of banking supervision measures against banks failing to meet the required limits, except for banks undergoing transformation, risks taken in open positions in the course of the year were mostly short-term in nature, and the number of banks failing to meet this requirement showed marked a decrease.

3.5. Classification of Claims

Decree No. 3/1995 sets out uniform requirements for reporting and evaluating the claims and off-balance sheet liabilities of banks and branches of foreign banks, with respect to

the risks involved and the need to set aside funds to cover those risks.

The development of classified assets showed a marked deterioration in 1998, but banks failed to create sufficient amounts of provisions. The volume of uncovered estimated losses of bank claims and off balance sheet liabilities increased year-on-year by approximately Sk 11,1 billion (91,9%) to Sk 23.3 billion. The volume of cumulative uncovered estimated losses in the Slovak banking sector laid primarily in banks undergoing transformation (Sk 19.8 billion, i.e. 85.1%) and one state financial institution (Sk 3.5 billion, i.e. 14.9%).

D. ISSUING ACTIVITY OF THE NBS AND CURRENCY IN CIRCULATION



1. ISSUES OF SLOVAK BANKNOTES AND COINS

With respect to currency circulation needs in the course of 1998, the National Bank of Slovakia provided for additional minting of coins at nominal values of 10 halier, 20 halier, and 50 halier. In addition to coins for currency circulation, the NBS issued six commemorative coins, including one gold and five silver. All the

As of 31 December 1998 the volume of currency in circulation was Sk 58.4 billion. A total of 103.1 million banknotes was in circulation; 704.8 million standard coins and 547.4 thousand commemorative coins.

In comparison with 1997 the total value of currency in circulation decreased by Sk 140.0 million (by 0.24%). This decrease was influenced by a higher rate of savings especially in foreign currencies, and a lower volume of

Commemorative coins issued by the NBS in 1998

Nominal value	Event commemorated	Number of coins issued		NBS Announcement
		total	thereof PROOF	
200 Sk	150th anniversary of the arrival of the first steam train in Slovakia	15,800	1,800	94/1998 Z.z.
200 Sk	150th anniversary of the establishment of the Slovak National Council and outbreak of the Slovak Uprising of 1848/1849	14,900	1,500	185/1998 Z.z.
200 Sk	UNESCO World Heritage – the Spiš Castle and the cultural monuments in its surroundings	15,000	1,500	219/1998 Z.z.
200 Sk	Centenary of the birth of Ján Smrek	13,400	1,500	299/1998 Z.z.
5,000 Sk	UNESCO World Heritage – the Spiš Castle and the cultural monuments in its surroundings	6,000	6,000	300/1998 Z.z.
500 Sk	Protection of nature and the landscape – Tatras National Park	13,400	1,400	338/1998 Z.z.

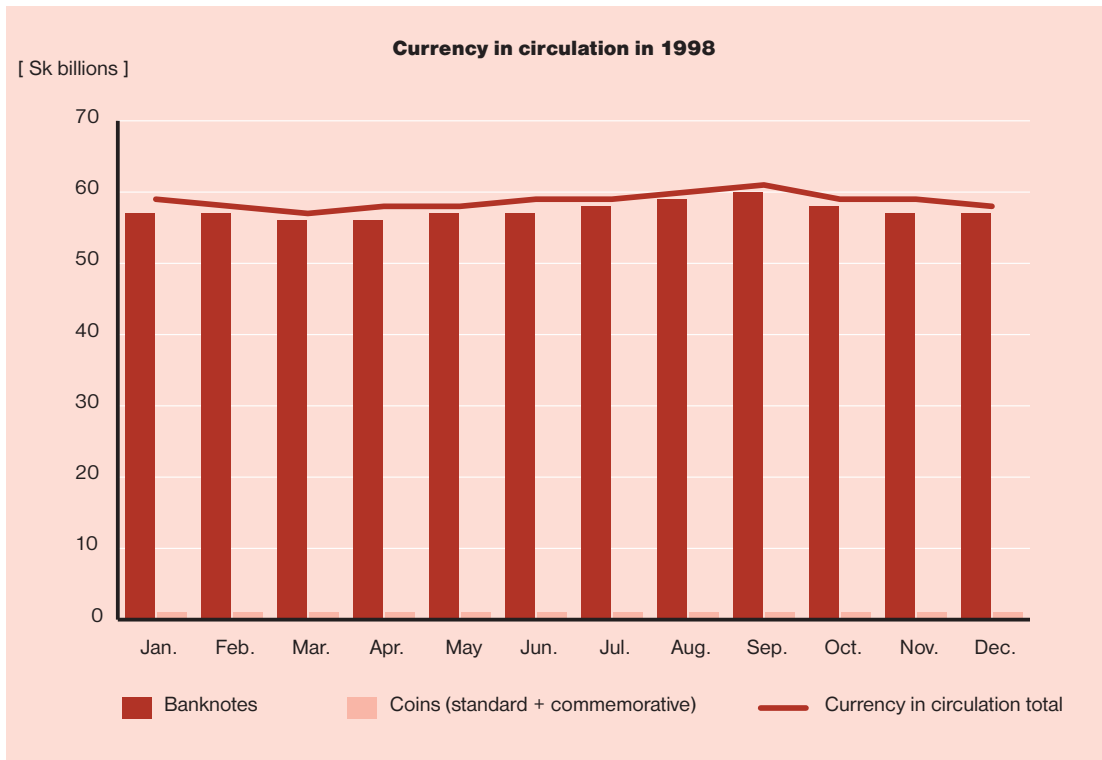
coins for circulation and the commemorative coins were struck at the mint in Kremnica.

1.1. Currency in Circulation

There were no substantial disruptions in money circulation in 1998, and for the first time in the history of the Slovak currency the total value of currency in circulation decreased year-on-year. There were no noteworthy changes in the composition of currency in circulation as to individual nominal values of banknotes and coins, in comparison with the previous year.

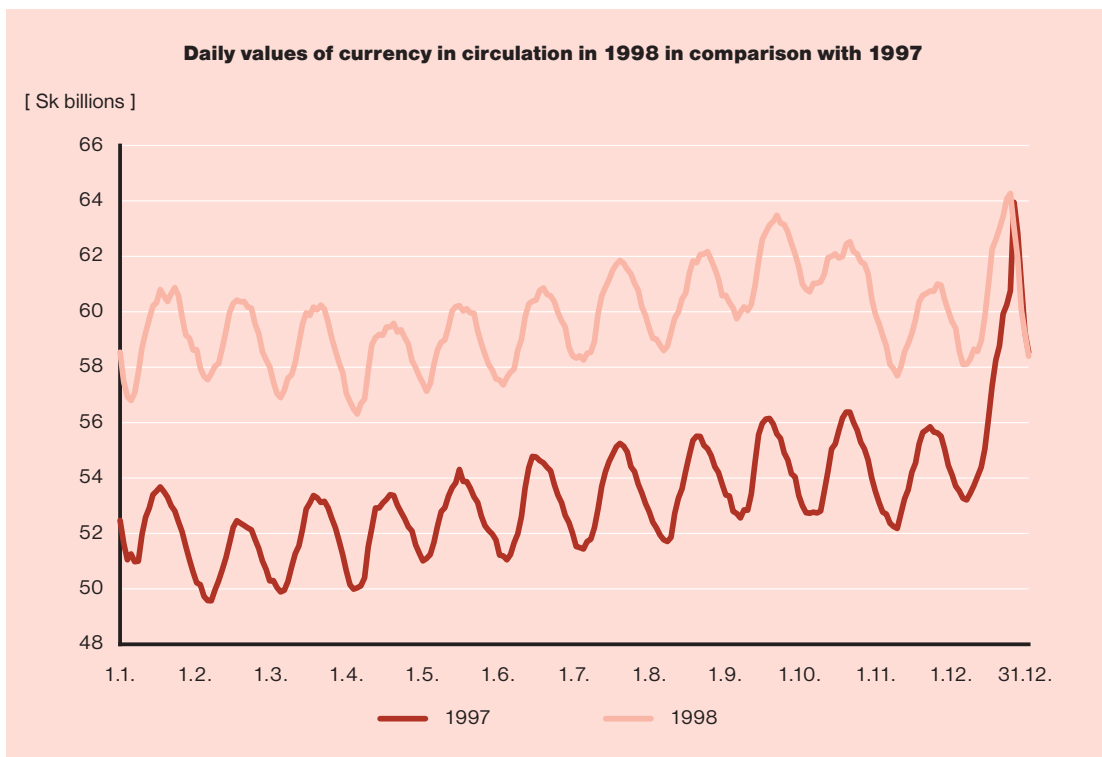
cash-in-hand in commercial banks (down from Sk 9.8 billion in 1997 to Sk 8.6 billion at the end of 1998), which was presumably a consequence of minimising the amount of cash in banks. The number of banknotes and coins in circulation increased by 81.1 million items (by 11.15%).

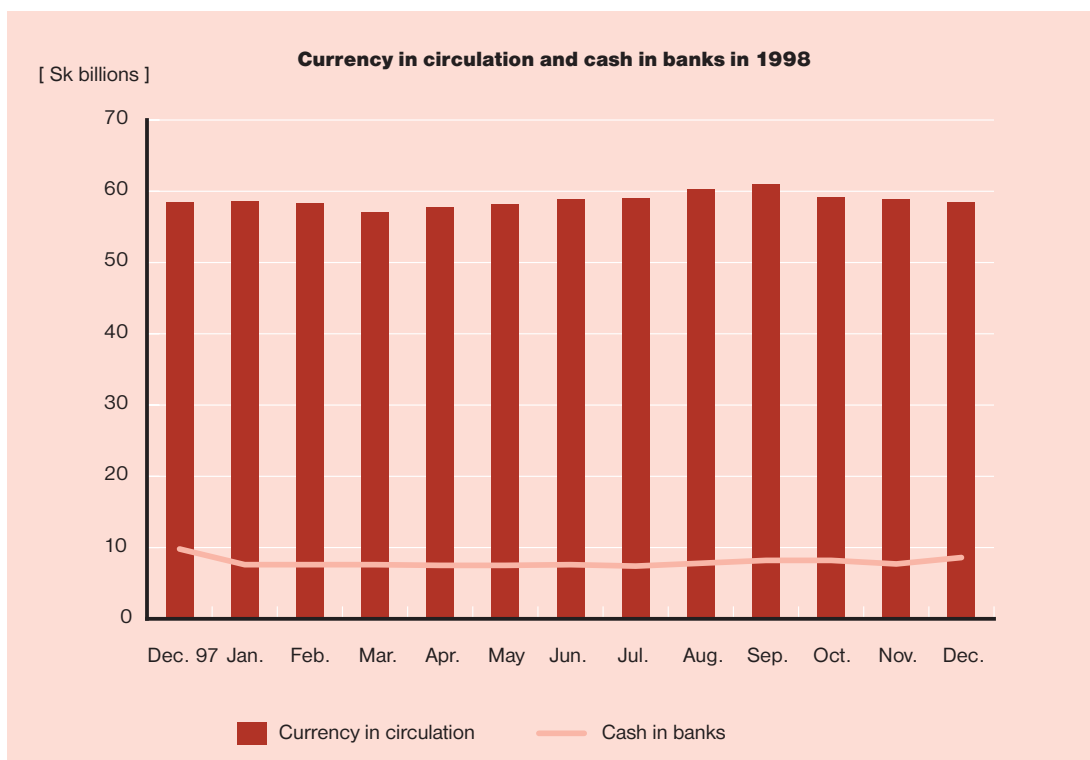
The development of currency in circulation throughout the year was without marked fluctuations. The maximum value of money in circulation at the end of a month was recorded for the first time in September 1998 at Sk 61.0 billion. The achieved volume was due to the time which elapses between cash withdrawals from commercial banks and the purchase of foreign



currency, in the light of pre-devaluation expectations. The development of notes and coins in circulation in 1998 is shown in the following diagram.

Daily development of the total value of currency in circulation in 1998 was similar to the development in 1997 (with a year-on-year increase of about Sk 6 billion) except for the





fourth quarter. The total value of currency in circulation fell in the fourth quarter due to cancellation of the fixed exchange rate regime and the growth of time deposits in foreign currencies and in Sk. A comparison of the daily value of currency in circulation in 1998 with that in 1997 is given in the diagram below.

Of the total volume of currency in circulation, cash in banks accounted for 13.6% on average in 1998. The development of currency in circulation with regard to structure is given in the above diagram.

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

The number of banknotes and coins in circulation in 1998 increased by 81.1 million items. This increase was mainly due to the number of standard coins which increased by almost 79 million, so that the number of halier coins has almost doubled in comparison with other coins. The share of standard coins in the total number of banknotes and coins increased

slightly and reached 87.18%. The number of banknotes in circulation increased by a mere 2.08% and the decrease in the total value of currency in circulation was accompanied by a growth in the number of banknotes of lower nominal values. The share of banknotes in the total number of banknotes and coins fell slightly to 12.75%.

A comparison of the structure of currency in circulation by individual nominal values with regard to the number of items in 1997 and 1998, is given in the table on page 92.

The cumulative decrease in the total value of money in circulation of Sk 140 million was caused by a decrease in the value of banknotes in circulation of Sk 256.4 million and an increase in the total value of standard coins of Sk 69.3 million. The decline in the value of banknotes is to a large extent due to a decrease in the number of banknotes with a nominal value of 5,000 Sk, which was reflected in a slight reduction in the proportion of banknotes to the total value of the currency in circulation, which fell to 97.5%. The growth in the total value of

Currency in circulation in millions of items

Nominal value	Volume at 31.12.1997	Volume at 31.12.1998	Share in % at 31.12.1997	Share in % at 31.12.1998
Banknotes	101.00	103.10	13.89	12.75
5,000 Sk	3.74	3.63	0.51	0.45
1,000 Sk	29.69	30.44	4.08	3.76
500 Sk	8.86	8.13	1.22	1.01
200 Sk	6.38	4.71	0.88	0.58
100 Sk	21.42	24.02	2.95	2.97
50 Sk	10.62	10.84	1.46	1.34
20 Sk	20.29	21.33	2.79	2.64
Coins	625.89	704.83	86.05	87.18
10 Sk	53.56	56.80	7.36	7.03
5 Sk	35.76	37.45	4.92	4.63
2 Sk	57.94	62.34	7.97	7.71
1 Sk	82.07	88.54	11.28	10.95
0.50 Sk	51.82	51.47	7.13	6.37
0.50 II Sk	22.80	34.66	3.13	4.29
0.20 Sk	150.43	173.78	20.68	21.49
0.10 Sk	171.51	199.79	23.58	24.71
Commemorative coins	0.47	0.55	0.06	0.07
Total	727.36	808.48	100.00	100.00

Currency in circulation in Sk millions

Nominal value	Value at 31.12.1997	Value at 31.12.1998	Share in % at 31.12.1997	Share in % at 31.12.1998
Banknotes	57,201.09	56,944.64	97.71	97.50
5,000 Sk	18,728.37	18,131.54	31.99	31.05
1,000 Sk	29,689.77	30,435.86	50.71	52.11
500 Sk	4,427.76	4,063.71	7.56	6.96
200 Sk	1,276.39	941.79	2.18	1.61
100 Sk	2,142.12	2,403.16	3.66	4.11
50 Sk	530.88	541.95	0.91	0.93
20 Sk	405.81	426.63	0.69	0.73
Coins	996.93	1,066.22	1.70	1.83
10 Sk	535.63	567.96	0.91	0.97
5 Sk	178.80	187.24	0.31	0.32
2 Sk	115.88	124.67	0.20	0.21
1 Sk	82.07	88.54	0.14	0.15
0.50 Sk	25.91	25.74	0.04	0.04
0.50 II Sk	11.40	17.33	0.02	0.03
0.20 Sk	30.09	34.76	0.05	0.06
0.10 Sk	17.15	19.98	0.03	0.03
Commemorative coins	344.40	391.57	0.59	0.67
Total	58,542.42	58,402.43	100.00	100.00

coins in circulation was the result of an increase in the number of coins of all nominal values.

A comparison of the structure of currency in circulation by individual nominal values with regard to total value in 1997 and 1998, is given in the table on page 92.

The total value of currency in circulation per capita including commemorative coins amounted to Sk 10,829.30, whereof banknotes

represented Sk 10,559, standard coins Sk 197.70, and commemorative coins Sk 72.60, per capita. The total value of currency in circulation per capita fell by Sk 38.05 in comparison with 1997. The number of banknotes was 19 and the number of standard coins 131, per capita.

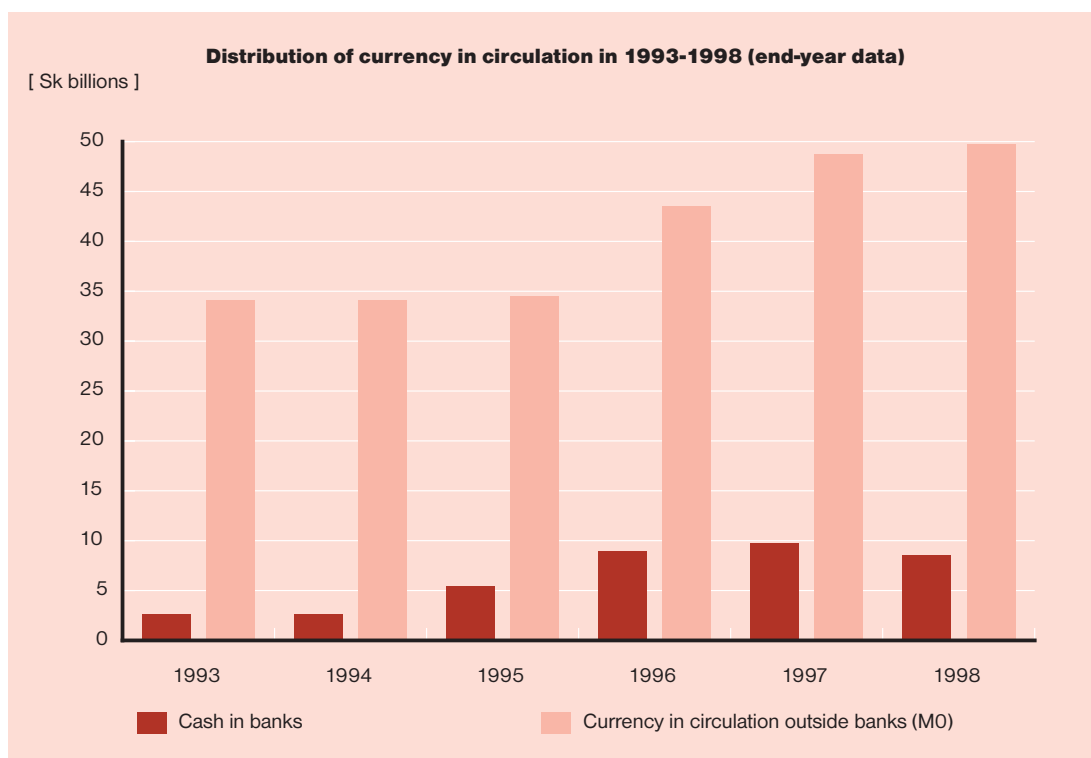
Average value of currency in circulation decreased slightly due to the increased share of smaller nominal value banknotes and coins. A comparison with 1997 is given in the following table.

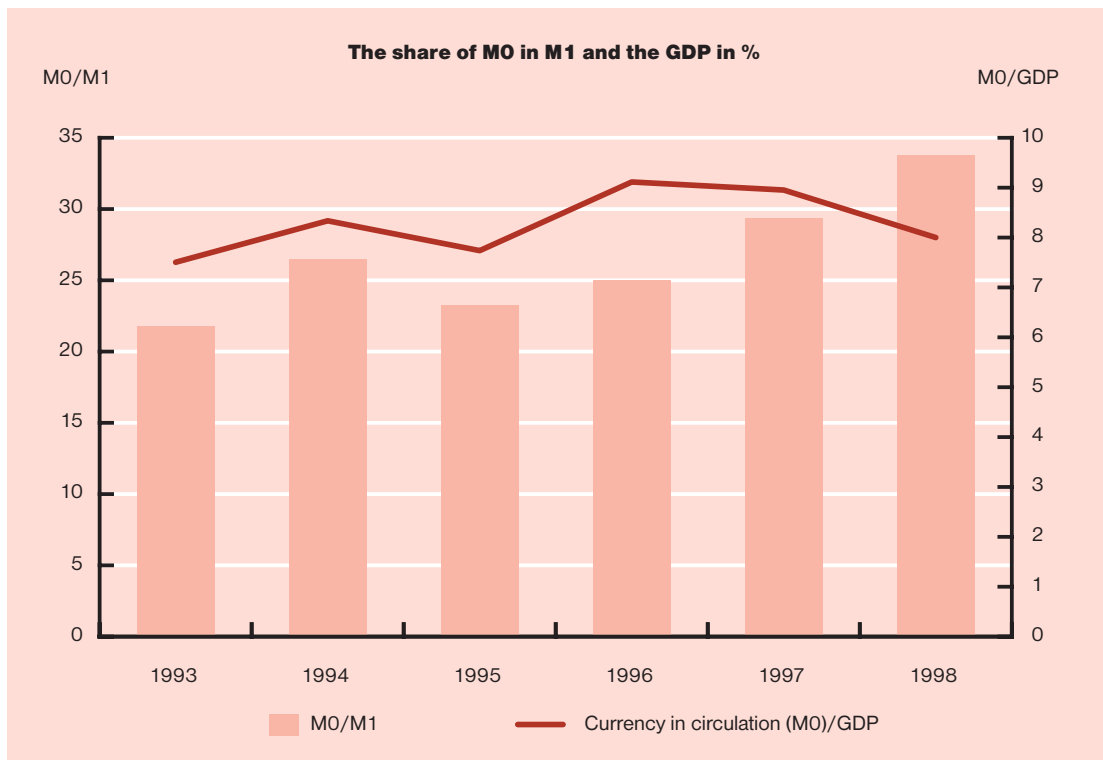
Average value of currency in circulation (Sk)

	1997	1998	Change
Currency in circulation including commemorative coins	80.5	72.2	-8.3
Banknotes	566.3	552.3	-14.0
Coins	1.6	1.5	-0.1

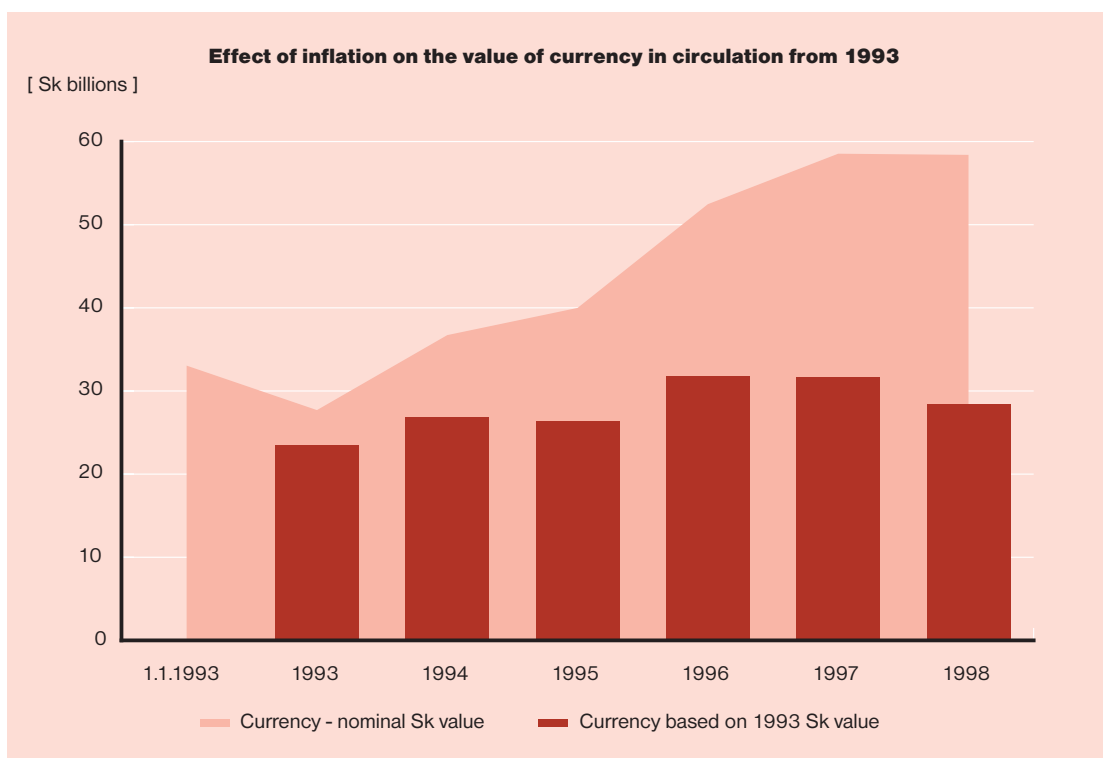
1.3. Relationship between Currency in Circulation and Selected Macroeconomic Indicators

The distribution of currency in circulation amongst commercial banks and the public since the establishment of the Slovak currency is shown in the following diagram.





Since initial growth in 1996, the amount of currency in circulation outside banks continues to grow. Currency-in-circulation in banks has decreased or remained steady, due to minimising the volume of cash kept in banks. The volume of



From the macroeconomic point of view, the share of M0 (cash outside banks) in the M1 monetary aggregate is unusual, as is also the proportion of M0 to the Gross Domestic Product (GDP).

The relatively high share of M0 in the M1 aggregate at 20-35% in the period from 1993 to 1998, indicates a lower proportion of non-cash transactions in Slovakia compared with countries of the European Union.

The proportion of currency in circulation to the GDP in the period from 1993 to 1998 remained almost unchanged at 7 to 9%, which is typical for countries of the European Union.

The effect of inflation on the value of currency in circulation since the establishment of the Slovak currency until 1998, is shown in the following diagram.

Currency in circulation in nominal Sk has increased steadily since 1993, while the value of currency in circulation based on 1993 value (with adjustment for inflation from 1993) is changing only slightly.

2. COUNTERFEIT MONEY SEIZED IN THE SLOVAK REPUBLIC

2.1. Slovak Currency Counterfeits

In 1998, 556 items of counterfeit Slovak currency were seized in Slovakia. The highest number was recorded in Bratislava, where in 56 separate instances, 160 counterfeit items were seized.

The number of seized counterfeit Slovak currency banknotes and coins compared with 1997, increased more than threefold, including a significant, quadruple increase in the number of 1,000 Sk banknotes seized.

In most cases, the counterfeit notes were made by ink-jet printing. In one instance police seized 102 counterfeit notes produced by computer and a colour ink-jet printer, and none of the notes had any simulated protective features. Since June 1998, another type of counterfeit notes made by ink-jet printer has appeared in circulation, which features silver

Number of Sk counterfeits seized in 1994 - 1998 (in pcs)

Nominal value	5,000	1,000	500	200	100	50	20	10	5	Total	Value (Sk)
1994	-	3	5	-	1	2	-	60	-	71	6,300
1995	-	18	3	-	3	3	-	-	-	27	19,950
1996	4	98	40	1	26	3	-	-	1	173	140,955
1997	5	108	39	-	19	-	2	5	-	178	154,490
1998	26	439	20	16	32	13	10	-	-	556	586,250
Total	35	666	107	17	81	21	12	65	1	1,005	907,945

Structure of seized Sk counterfeits according to degree of danger

Danger degree	1		2		3		4		5		N ^{1/}		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	0	0	0	0	0	0	66	93.0	5	7.0	0	0	71	100
1995	0	0	0	0	3	11.1	3	11.1	21	77.8	0	0	27	100
1996	0	0	0	0	1	0.4	161	62.4	11	4.3	85	32.9	258	100
1997	0	0	0	0	2	0.6	162	46.7	14	4.0	169	48.7	347	100
1998	0	0	0	0	0	0	477	85.8	79	14.2	0	0	556	100

^{1/} Not included in danger degree categories are imitations of standard Slovak coins with parameters similar to genuine coins that were used in gambling machines.

Number of US counterfeits seized in 1994 - 1998 (in pcs)

Nominal value	1	5	10	20	50	100	Altered	Total	Value in Sk
1994	2	1	1	118	73	1,499	15	1,709	4,899,918.20
1995	2	1	3	146	69	1,768	9	1,998	5,434,989.20
1996	0	0	5	24	73	719	58	879	2,518,748.10
1997	0	0	1	20	30	346	34	431	1,283,908.50
1998	2	0	0	14	10	318	20	364	1,199,401.00
Total	6	2	10	322	255	4,650	136	5,381	15,336,965.00

Structure of seized US counterfeits according to degree of danger

Danger	1		2		3		4		5		N ^{1/}		Total	
degree	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	116	6.8	49	2.9	1,424	83.3	100	5.8	5	0.3	15	0.9	1,709	100
1995	95	4.7	25	1.2	1,857	93.1	10	0.5	2	0.1	9	0.4	1,998	100
1996	91	10.4	8	0.9	704	80.1	17	1.9	1	0.1	58	6.6	879	100
1997	73	17.0	5	1.2	301	69.8	17	3.9	1	0.2	34	7.9	431	100
1998	39	10.7	3	0.8	281	77.2	18	5.0	3	0.8	20	5.5	364	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.

paint imitation of security band windows on the face of the note. The quality of the seized notes was poor, and no attempt to imitate safety features had been made, but the colours matched the colours of genuine banknotes quite well.

2.2. Foreign Currency Counterfeits

In 1998, a total of 364 counterfeit US notes were seized in Slovakia and 6,790 counterfeit banknotes in other foreign currencies.

Number of seized counterfeit notes of other currencies from 1994 to 1998 (in pcs)

Currency	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other	Total	Value in Sk
1994	463	110	48	6	12	0	1,074	25	1,738	2,020,377.60
1995	311	60	32	18	1	447	73	1	943	1,648,431.40
1996	237	66	22	8	1	9	0	1	344	914,937.60
1997	543	99	101	16	7,731	22	5,211	8	13,731	26,608,951.70
1998	70	460	226	16	5	9	5,991	13	6,790	6,300,277.00
Total	1,624	795	429	64	7,750	487	12,349	48	23,546	37,492,975.30

Structure of seized counterfeits of other currencies by danger degree

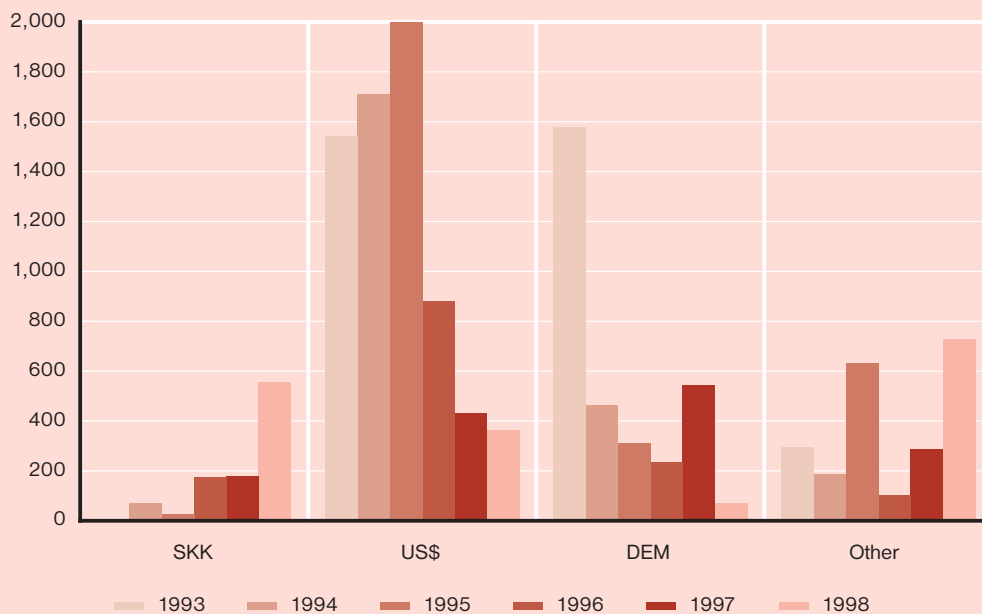
Danger	1		2		3		4		5		N ^{1/}		Total	
degree	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
1994	0	0	9	0.5	1,711	98.4	1	0.1	0	0	17	1.0	1,738	100
1995	0	0	14	1.5	921	97.7	1	0.1	2	0.2	5	0.5	943	100
1996	3	0.9	13	3.8	321	93.3	3	0.9	0	0	4	1.1	344	100
1997	6	0.1	502	3.6	13,199	96.1	11	0.1	12	0.1	1	0	13,731	100
1998	0	0	450	6.6	6,319	93.1	16	0.2	4	0.1	1	0	6,790	100

^{1/} Not included in danger level categories are simple imitations, altered banknotes, and test printouts.

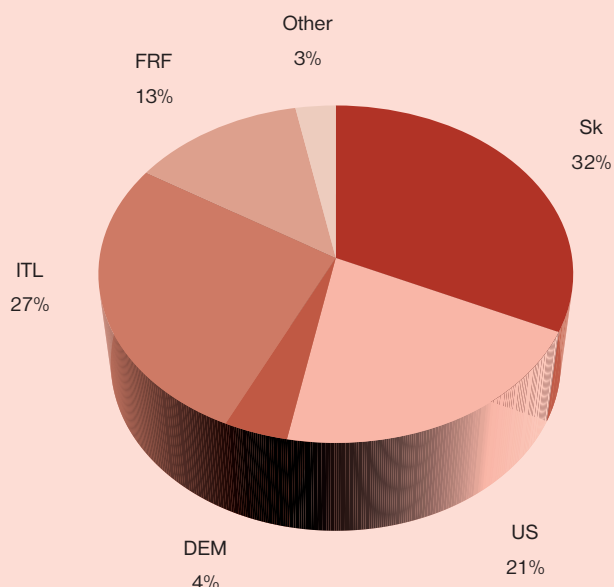
The structure of counterfeit banknotes of currencies included in the exchange rate list of the NBS changed in comparison with 1997. The

number of counterfeit US notes remained at the level of 1997, the number of counterfeit DEM notes fell (8 times), but the number of counterfeit

Development of the number of seized counterfeits since 1993



Structure of counterfeits seized in 1998



ITL notes increased (5 times) and FRF notes (2 times).

The new series of US banknotes at nominal values of 100, 50, and 20 dollars reflects the effort of the United States to protect its currency against forgery methods which use modern copying equipment. Despite this fact, counterfeit US 100 notes of the new issue seized in the Slovak Republic were in the danger degree 2 category, i.e. dangerous, and had on the face side a quite good imitation of the optical variable device inside the lower right value numeral 100.

The overall trend in the number of seized counterfeit banknotes in circulation since 1993 is given in the diagram on page 97.

Unlike in previous years when US or DEM notes accounted for the majority of seized counterfeit banknotes in circulation in Slovakia (1994-1996) and (1993 and 1997), respectively, in 1998 Sk notes accounted for the largest share of seized counterfeit notes (32 percent).

For every seized and registered counterfeit note in 1998, an expert evaluation was made for the law enforcement authorities. Elaborate analyses were performed, mainly the analyses of banknotes suspected from being covered with security were carried out in co-operation with the Forensic Institute of the Police Corps.

2.3. Expert Analysis of Damaged Slovak Currency

In 1998, the NBS received from 95 applicants damaged banknotes and coins with a request to conduct an expert assessment and provide a replacement. These were applications where damage was the result of natural causes or other unforeseeable circumstances, and where no other financial institution could have provided a replacement. The nominal value of submitted damaged banknotes and coins was Sk 10,037,088.80 and the National Bank of Slovakia paid in compensation Sk 9,970,079.30 for them, equivalent to 99.33% of the nominal value.

E. INTERNATIONAL ACTIVITIES



1. NBS CO-OPERATION WITH THE EUROPEAN UNION

The National Bank of Slovakia is the coordinator of banking sector relations with the European Union (EU), whereby in fulfilling the main goals of the European Association Agreement, it actively facilitates the process of harmonisation of the Slovak legislation on banking and finance with the legal framework valid in the EU, and collaborates in the deployment of technical assistance for support of the development of banking in Slovakia.

The European Commission has prepared the „Accession Partnership“, in which it sets out priority areas for each candidate country in terms of its ability to meet the Copenhagen criteria approved by the European Council in 1993. Each country was asked to prepare a National Programme for the adoption of Acquis Communautaire (NPPA).

In the first quarter of 1998, the NBS participated in the formulation of the NPPA, which examined the degree of progress in adapting legislation in the Slovak Republic to the *acquis communautaire* and defined a commitment to adopt the *acquis* in terms of short and medium-term priorities. The NPPA has two parts – implementing pre-entry strategy in the Slovak Republic and the formulation of the priorities divided into 29 sectors. The NBS participates in four working groups: sector 3 – free movement of services, sector 4 – free movement of capital, sector 11 – economic and monetary union and sector 12 – statistics. The NPPA was updated for the first time in June 1998 and the NBS took part in preparing the revised version.

In May 1998, NBS representatives took part in multilateral screening of the *acquis* (analytical testing of the *acquis communautaire*) during which candidate countries were informed about the contents of the *acquis* for individual working groups. The multilateral screening of the *acquis* was the basis for bilateral screening of the *acquis* in 29 sectors of the NPPA in 1999.

In accordance with Article 108 of the European Association Agreement, an Association Committee has been formed from representatives of the Council of the European Community and members of the Commission of the European Community on the one hand and representatives of the Government of the Slovak Republic and other institutions on the other - mainly at the level of senior government officials. A regular meeting of the EU/Slovakia Association Council was held in Luxembourg on 26 - 27 April 1998, as part of continued mutual dialogue. Delegates at the meeting discussed matters pertaining to the macroeconomic development of the Slovak Republic, monetary policy and monetary strategy of the NBS, the balance of payments and individual steps connected with liberalisation of the capital account of the balance of payments.

In working towards meeting the goals of the European Association Agreement the NBS took part in meetings of two subcommittees: the Subcommittee for Financial Services and Institutionalisation on 21 January 1998; and the Subcommittee for Economic and Monetary Matters on 16 June 1998. Discussion at the meetings outlined the current development of the banking sector in the Slovak Republic in association with the process of transformation of certain commercial banks in Slovakia.

The TAIEX Office which organises seminars and workshops in relevant topics, plays an important role in the implementation of the *acquis communautaire* into national legislation. The NBS co-operates directly with this institution through the Institute for the Approximation of Legislation at the Office of the Government of the Slovak Republic.

Foreign Technical Assistance PHARE Programme

The programme of technical assistance of the European Union to the banking sector in

Slovakia is directed by the PHARE Project Management Unit (PMU), which was set up in the Foreign Relations Department of the NBS at the beginning of 1993. The aim of EU technical assistance through the PHARE programme at that time was the support of the newly established central bank and the development of commercial banking in the new economic environment.

Since 1996, the PHARE programme has focused increasingly on activities supporting the realisation of the declared policy of the Slovak Republic – integration into the EU. In this period, projects have been prepared aimed at creating an environment suited to the conditions for Slovakia's accession into the EU.

Technical assistance from the PHARE Fund provided in the form of grants has been drawn since the beginning of the programme through five memoranda – GTAF, FM 93, FM 94, COP 95, and SR 9705. As of 31 December 1998 the programs GTAF, FM 93 and FM 94 have been completed and paid in full. Financing of completed projects is in the final phase, in the case of COP 95. Preparations, as well as performance, of approved projects is now underway within the SR 9705 programme. Concluding contracts and financing of projects has, since the beginning of the PHARE programme SR 9705, been centralised at the Office of the Government of the Slovak Republic, at the Finance and Contract Unit. The original PMU has now been renamed PIU (Project Implementation Unit).

In 1998, the following aid was provided to the NBS through the PHARE programme: technical assistance by bank supervision experts from the Banque de France; provision of a permanent advisor for the implementation of the PHARE programme in the banking sector; the financing of special seminars on mortgage banking and EU law; technical assistance to introduce distance-learning of economic and banking subjects; procurement of specialist books; organisation of an international conference on

monetary policy in transforming countries at the Finex 1998 exhibition; technical assistance associated with the introduction of the euro; and application of monetary development forecasts in co-operation with the National Bank of Belgium.

With regard to projects for commercial banks, PHARE financed a long-term comprehensive restructuring project for Všeobecná úverová banka, a.s., in the form of „twinning“ with the Bank of Ireland IS, professional advisors for the Bank Association; and financed three special seminars for the Bank Card Association. At the end of 1998, another long-term restructuring project was created for Slovenská sporiteľňa, a.s., also using the form of „twinning“ with Lloyds Bank Plc.

Since the beginning of the PHARE programme until 31 December 1998, the funds spent on programmes in the banking sector of the Slovak Republic have amounted to EUR 5.441 million.

2. CO-OPERATION OF THE NBS WITH INTERNATIONAL INSTITUTIONS

International Monetary Fund

Co-operation of the Slovak Republic with the International Monetary Fund continued on a regular basis. As part of monitoring the development in the Slovak Republic and with the approval of the government of the Slovak Republic, the IMF mission visited Slovakia from 23 March to 6 April 1998. The mission focused on evaluating current results and further development of the fiscal and budgetary policy; the monetary policy and the balance of payments; the banking sector; foreign debt, as well as the methodology of statistical reporting.

During the spring meeting of the committees of the IMF and the World Bank in Washington in

mid-April, and the annual meeting of governors of the IMF and the World Bank member countries in Washington in October, the senior representatives of the NBS took part in discussions about overcoming the consequences of the financial crises in South-East Asia and Russia; about improving the structure of the international monetary system; supervision and liberalisation of capital movements; quota revisions of IMF member countries, and other topical matters. During these meetings, bilateral talks with representatives of the IMF and the World Bank also took place, as well as talks with representatives of other international financial institutions.

Consultations with the Slovak Republic, which are conducted according to Article IV with each member country once a year, pertaining to the most important aspects of development of economic policy, were held during the IMF mission from 11 to 24 November 1998. During the talks with the NBS the members of the mission were informed about monetary development in 1998, and the reasons for the switch to a floating exchange rate of the Slovak currency; the macroeconomic framework for the implementation of monetary policy in 1999; development of the banking sector, together with other current aspects of economic development in the Slovak Republic.

In meeting the commitments of the Slovak Republic towards the IMF, the NBS paid principals of IMF loans in accordance with the schedule of repayments, as well as quarterly interest payments on outstanding loans. In 1998, repayments of principal amounted to US\$ 64.38 million and US\$ 9.63 million in interest was paid.

World Bank

In April and September 1998, representatives of the NBS took part in talks with a World Bank mission in connection with preparations for a project to improve the administration of social welfare allowances; social assistance and employment in the Slovak Republic, and in connection with a World Bank loan for the project to be used by the Ministry of Labour, Social and Family Affairs and the Social Insurance Company.

In accordance with government resolution No. 288, dated 15 January 1998, the NBS paid the second part of Slovakia's contribution to the 11th replenishment of resources for the International Development Association (IDA), amounting to US\$ 1.33 million.

As part of Slovakia's commitment to the World Bank, the NBS paid interest of US\$ 11.79 million on received loans and principal of the Structural Adjustment Loan amounting to US\$ 13.86 million, in accordance with the schedule of repayments.

Export-Import Bank of Japan

In February 1998, the third Two-Step Loan from the Export-Import Bank of Japan amounting to JPY 20 billion was drawn in its entirety. Of this amount, the NBS had released by the end of year Sk 5.43 billion for 328 special projects.

Repaid funds from previously provided loans (Two-Step Loan I - III) gradually accumulate in intermediary banks as repaid principal. These funds are revolved to provide new loans. By 31 December 1998, the intermediary banks had used Sk 1.49 billion to finance 176 more projects within revolving credit lines TSL I - III.

European Investment Bank

In 1998, drawing opportunities were increased for intermediary banks taking part in the APEX Global Loan II scheme based on a contract concluded between the European Investment Bank and the NBS in 1995, to include Slovak crowns in addition to convertible currencies. Through the NBS, the European Investment Bank financed ten projects by over Sk 740 million in 1998.

During 1998, in association with financed projects, instalments were paid in accordance with payment calendars for the AGL I and AGL II loan schemes.

Bank for International Settlements

The NBS actively pursues its duties as a shareholder in the BIS. The most important relationships of the NBS are, in the long term, implemented at the highest level through the participation of the governor of the NBS at regular monthly meetings of governors of member central banks and central banks from many other countries of the world. Apart from achieving a high degree of mutual understanding and co-ordination of monetary policy on the international level, the purpose of these meetings is gradually becoming support for the formulation of additional recommendations to create sustainable preconditions for monetary and financial stability.

Based on a decision of the 68th General Meeting, the Bank for International Settlements paid dividends to the NBS on its share holdings in the fiscal year 1997/98 ended 31 March 1998, of CHF 300 per share. The total amount of dividends paid to the NBS on 1 July 1998, amounted to CHF 801,000.

The BIS maintains a database of the technical assistance and educational programmes

received by central banks of countries of Central and Eastern Europe and the Baltic countries. An annual international meeting of national coordinators of technical assistance and donors is organised in Basle, at which assistance is discussed and ideas for further development are addressed.

The NBS submits to the BIS quarterly data about the bilateral technical assistance it receives, for example from the British Know-How Fund, the Japanese JICA, American USAID, as well as assistance from the international organisations (PHARE, IMF, WB, EBRD, OECD). Data about assistance that the NBS receives from central banks of G-10 countries and Austria are sent direct to BIS by its providers.

International Investment Bank International Bank for Economic Co-operation

NBS representatives attended the spring meeting of bank boards of the IIB and the IBEC in Moscow. On 20 - 22 October 1998 the NBS organised the 91st meeting of the IBEC Bank Board and the 68th meeting of the IIB Bank Board in Bratislava.

After renewing its lending activity, the IIB in 1998 provided the first loan for a Slovak business entity of DEM 12.1 million.

Organisation for Economic Co-operation and Development

In 1998, the NBS participated regularly in meetings of committees of advisory bodies of the OECD, at which the Slovak Republic has observer status. NBS representatives attended meetings with the Secretary General of the OECD, Mr. Donald Johnston, and his deputy Mr.

Kumiharu Shigehara. Concrete steps of the new government were discussed in association with stabilisation of the economy and further liberalisation plans. The results of the talks provide a stimulus to the process of accession of Slovakia to the OECD.

NBS representatives participated in drawing up the basic document for the OECD, i.e. "Draft Response of Slovak Authorities to the Conclusions of the Chairman of the Joint Session of the CIME/CMIT committees and the Slovak Republic". In the second half of 1998, the NBS co-operated in the presentation of documentation for an OECD mission on the prepared study Economic Survey of the Slovak Republic. At the debate on this survey on 17 December 1998 at a meeting of the OECD Economic Development and Review Committee (EDCR), appreciation was expressed of the presentation of the Slovak delegation.

With regard to the timetable for the accession of Slovakia to the OECD, after consultations with the OECD, the NBS together with the Finance Ministry of the Slovak Republic formulated a new timetable of liberalisation steps for the area of capital movements.

Comments of the OECD on the exchange rate arrangements and amendments to individual banking laws are reflected in draft amendments to these laws. To accelerate the accession process, the Objections of the Slovak Republic to individual liberalisation codes of capital movements were revised. In this matter the NBS co-operated with the Finance Ministry of the Slovak Republic.

World Trade Organisation

Liberalisation of trade in financial services should contribute to increased competition, effectiveness and quality of these services, as well as better allocation of resources. On the other hand, it places greater emphasis on the need to create financial stability and a suitable regulatory framework and supervision of this area. In connection with talks on liberalising financial services, the Fifth Protocol to GATS was adopted and the NBS took part in the process. The Protocol was ratified by Resolution No. 925 of the Slovak Republic government, dated 23 December 1998.

F. AUDITORS REPORT



INDEPENDENT AUDITOR'S REPORT

To the Bank Board of the National Bank of Slovakia

We have audited the accompanying balance sheet of the National Bank of Slovakia (the "Bank") as of 31 December 1998 and the related profit and loss account for the year then ended. These financial statements, set out on pages 2 to 13, are the responsibility of the Bank's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 1998 and the results of its operations for the year then ended in accordance with Act 563 / 1991 on Accounting, as amended, and with relevant laws and regulations of the Slovak Republic.

11 March 1999



ERNST & YOUNG AUDIT, s.r.o.

NATIONAL BANK OF SLOVAKIA
BALANCE SHEETS
AS OF 31 DECEMBER 1998 AND 1997
in millions of Slovak crowns

ASSETS	Note	1998	1997
Gold	3	1 401.2	1 543.9
Deposits with the International Monetary Fund	4	21 433.4	23 096.5
Deposits with foreign banks and international institutions	5	19 057.9	9 630.1
Receivables from domestic banks	6	36 441.1	41 588.4
Securities	7	117 975.5	109 069.7
Investments and participations	8	1 666.0	1 381.4
Other assets	9	7 828.0	5 781.0
Total assets		<u>205 803.1</u>	<u>192 091.0</u>
LIABILITIES			
Currency in circulation	10	58 151.3	58 303.1
Liabilities to the International Monetary Fund	11	28 420.1	31 763.3
Liabilities to foreign banks and international institutions	12	28 729.3	9 895.3
Securities issued	13	11 207.7	13 424.0
Due to domestic banks	14	35 774.3	40 779.5
Liabilities to the State budget	15	5 439.4	4 215.2
Other liabilities	16	27 884.3	24 597.4
Total liabilities		195 606.4	182 977.8
EQUITY			
Share capital	17	466.7	466.7
Statutory reserve fund	17	9 655.0	8 573.1
Capital fund	17	75.0	73.4
Total equity		10 196.7	9 113.2
Total liabilities and equity		<u>205 803.1</u>	<u>192 091.0</u>

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

**NATIONAL BANK OF SLOVAKIA
PROFIT AND LOSS ACCOUNTS
FOR THE YEARS ENDED
31 DECEMBER 1998 AND 1997
in millions of Slovak crowns**

	Note	1998	1997
Interest income		14 105.3	13 134.9
Interest expense		(5 731.9)	(6 252.0)
Net interest margin	18	8 373.4	6 882.9
Investment income	8	23.1	17.3
Fee and commission income		38.0	27.8
Fee and commission expense		(37.4)	(24.4)
Net fee and commission income		0.6	3.4
Gains (losses) arising from dealing in foreign currencies	19	5 448.8	(167.8)
Excess income from banking operations		13 845.9	6 735.8
Banknote and mintage expenses		(56.4)	(115.3)
Provisions	20	(9 092.8)	(4 335.7)
Administrative expenses	21	(559.4)	(508.0)
Depreciation		(210.4)	(235.5)
Other operating expenses		(540.1)	(436.0)
Total operating expenses		(1 309.9)	(1 179.5)
Extraordinary income		17.8	21.7
Extraordinary expense		(14.1)	(27.0)
PROFIT FOR THE PERIOD		3 390.5	1 100.0
Income transferred to the State budget	22	2 266.5	1 100.0

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

NATIONAL BANK OF SLOVAKIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 1998

1. General

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

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

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

2. Accounting policies

In the 1998 accounting period the Bank applied to the accompanying financial statements in conformity with generally accepted accounting standards the following accounting policies:

2.1. Basic principles

The Bank keeps its accounts in accordance with Act No. 563/1991 Coll. on Accounting, as amended ("Act on Accounting"). The accompanying financial statements have been presented to be comparable in appearance to financial statements issued for international purposes. Certain amounts in the 1997 financial statements have been reclassified to be comparable with classifications used in 1998.

This reclassification was performed due to Act No. 375/1997 Coll. on State budget for year 1998.

2.2. Valuation of individual assets and liabilities

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

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

The following mandatory valuation methods were applied:

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

**NATIONAL BANK OF SLOVAKIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 1998**

2.3. Valuation in foreign currency

The Bank converted assets and liabilities denominated in foreign currency to Slovak crowns using the exchange rate as in the Bank's exchange rate chart for accounting purposes on the date of the transaction and in the financial statements using the exchange rate as of 31 December 1998.

Exchange rates for principal foreign currencies used by the Bank for valuation of assets and liabilities as of 31 December 1998 are as follows:

Currency	Unit	Foreign currency Mid-rate
USD	1	36.913
DEM	1	22.081
JPY	100	32.022
SDR	1	51.888

2.4. Tangible and intangible fixed assets

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

The estimated useful lives of fixed assets are as follows:

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

2.5. Income tax

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

2.6. Profit allocation

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

**NATIONAL BANK OF SLOVAKIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 1998**

NOTES TO FINANCIAL STATEMENTS

3. Gold

The value of gold reserves administered by the Bank is Sk 1,401.2 million. The Bank administers in total 22.4 million grams of fine gold, valued at a historical cost of Sk 62.54451 per gram.

This item does not include 17.7 million grams of gold used in foreign currency swap operations. (see Note 19 "Gain (loss) from foreign exchange dealings" and Note 24 "Off-balance sheet items").

To secure golden swaps the Bank purchased sell options (see Note 24 "Off-balance sheet items").

4. Deposits with the International Monetary Fund (IMF)

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

	1998	1997
Reserve position in IMF and special drawing rights	12,332.9	11,874.6
Guarantee deposits on IMF loans	9,100.5	11,221.9
Total	21,433.4	23,096.5

Receivables from the IMF resulted from the membership of the Slovak Republic in the International Monetary Fund. Special drawing rights ("SDR's") within the reserve tranche are equal to the Slovak Republic's membership quota paid to the International Monetary Fund in SDR's and Slovak crowns. Based on the IMF rules and regulations, "Guarantee deposits on IMF loans" are the deposits in Slovak crowns and represent the counterpart of loans which were granted to the Slovak Republic (see Note 11, "Liabilities to the IMF").

5. Deposits with foreign banks and international institutions

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

	1998	1997
Current accounts	580.5	1,466.1
Term deposits with banks	3,837.7	8,164.0
Receivables from repo operations	14,639.7	-
Total	19,057.9	9,630.1

Deposits with foreign banks are denominated mainly in German marks and US dollars. The Bank had in its evidence receivables from repo operations which are guaranteed via the state treasury bills and state bonds issued in USD.

NATIONAL BANK OF SLOVAKIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 1998

6. Receivables from domestic banks

The structure of receivables from domestic banks is as follows (in millions of Sk):

	1998	1997
Refinancing loans	14,955.5	11,593.3
Loans to support the development of small and medium size businesses	10,760.9	8,828.2
Classified redistribution loans	28,967.4	30,273.2
Provisions for classified redistribution loans	(18,801.4)	(9,750.4)
Other receivables	558,7	644.1
Total	36,441.1	41,588.4

Refinancing loans of Sk 14,955.5 million comprise; short-term loans to ensure liquidity of Sk 13,500.0 million and rediscounted bills of exchange in support of agriculture in amount of Sk 1,455.5 million.

As at 31 December 1998 the Bank created provisions for classified loans (see Note 20. "Provisions and reserves").

7. Securities

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

	1998	1997
Money market	53,003.7	46,247.2
Including: Treasury bills	33,691.2	12,522.7
Government treasury notes	19,455.1	33,796.4
Provisions	(142.6)	(71.9)
Capital market	64,971.8	62,822.5
Including: Short-term bonds	5,788.1	104.2
Medium-term bonds	38,431.9	54,930.2
Long-term bonds	20,972.0	8,035.3
Provisions	(220.2)	(247.2)
Total	117,975.5	109,069.7

The money market portfolio consists of securities issued by the Bank for International Settlements, U.S. government treasury bills, Japanese government treasury bills and treasury bills issued by the agencies sponsored by U.S. government.

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

During the year 1998 the Bank created provisions for securities in the amount of Sk 362.8 million and used provisions for securities in the amount of Sk 322.9 million (see Note 20. "Provisions and reserves").

**NATIONAL BANK OF SLOVAKIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 1998**

8. Investments and participations

As at 31 December 1998 the Bank holds participations in the following companies and institutions (in millions of Sk):

	Share in capital	1998	1997
Československá obchodná banka, a.s., Praha (Czechoslovak Commercial Bank)	24.13%	1,521.1	1,236.6
Bankové zúčtovacie centrum Slovenska, a.s., Bratislava (Slovak National Clearing Centre)	39.48%	120.0	120.0
Other investments with less than 1% interest		24.9	24.8
Total		1,666.0	1,381.4

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

Dividend income from investments and participations amounted to Sk 18.5 million.

9. Other assets

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

	1998	1997
Accruals and prepayments	3,451.1	2,246.9
Tangible and intangible fixed assets	3,773.8	3,087.6
Other	603.4	446.6
Provisions on other assets	(0.3)	(0.1)
Total	7,828.0	5,781.0

10. Currency in circulation

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

NATIONAL BANK OF SLOVAKIA
NOTES TO THE FINANCIAL STATEMENTS
AS OF 31 DECEMBER 1998

11. Liabilities to the IMF

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

	1998	1997
Deposits of the International Monetary Fund	18,308.4	20,266.1
Loans from the International Monetary Fund	10,111.7	11,497.2
Total	28,420.1	31,763.3

The item "Deposits of the International Monetary Fund" includes deposits of the International Monetary Fund in Slovak crowns held by the Bank.

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

12. Liabilities to foreign banks and international institutions

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

	1998	1997
Deposits	1,794.4	1,438.8
including: Accounts of the World Bank	935.7	846.7
Deposits of foreign banks	845.6	569.1
PHARE fund	13.1	23.0
Loans	26,934.9	8,456.5
including: Liabilities from repo operation	14,639.7	-
EXIM Bank of Japan	10,860.9	7,863.8
European Investment Bank of Luxembourg	1,434.3	592.7
Total	28,729.3	9,895.3

These loans are long-term and are designed to provide financing of selected domestic banks to support small and medium businesses and certain sectors of the Slovak economy. The Bank has in its evidence liabilities from repo operations secured by state bonds in USD.

13. Securities issued

This item includes per 31 December 1998 medium and long term bonds, denominated in Japanese yen (JPY), with maturity period of 5 and 7 years. These bonds are traded on Japanese capital markets. In 1993 the Bank issued bonds in the total amount of JPY 10,000 million, maturing in the year 2000. These bonds carry fixed interest rates of 8.0%. In 1994 the Bank issued bonds in the amount of JPY 25,000 million with a fixed interest rate 6.3%, maturing in 1999.

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

14. Due to domestic banks

As of 31 December 1998 this item represents primarily the minimum reserve requirements deposited at the Bank by domestic banks, in the total amount of Sk 32,405.7 million. The remaining balance represents other deposits from domestic banks.

15. Liabilities to the State budget

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

	1998	1997
State financial assets	3,023.3	682.1
State funds	2,416.1	3,533.1
Total	5,439.4	4,215.2

16. Other liabilities

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

	1998	1997
Accruals and prepayments	2,204.8	1,714.1
Adjusting accounts of forward transactions	598.0	2,536.3
Reserves	12,241.1	8,258.4
Other	12,840.4	12,088.6
Total	27,884.3	24,597.4

The item "Reserves" as of 31 December 1998 includes reserves for foreign exchange dealings in the total amount of Sk 12,224.8 million. This amount includes reserves for gold swaps in the amount of Sk 4,651.5 million to provide for the difference between the market value of gold used for swaps and its historical cost, reserves for foreign currency swaps in the amount of Sk 522.0 million and reserves for opened FX positions in the amount of Sk 7,051.3 million. Other reserves are in the amount of Sk 16.3 million.

17. Equity

As of 31 December 1998 these items represent the paid-up capital taken over from the separation of assets and liabilities of the former "SBČS" (Czechoslovak State Bank) in the amount of Sk 466.7 million, the legal reserve fund in the amount of Sk 9,655.0 million and the capital fund in the amount of Sk 75.0 million.

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18. Interest income

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

	1998	1997
Interest income	14,105.3	13,134.9
including: Interest received from State treasury	0	549.8
Interest received from domestic banks	5,267.0	4,907.7
Interest received from foreign banks and international institutions	2,982.0	2,606.2
Interest income from securities dealings	4,740.2	3,979.9
Interest income from foreign exchange dealings	992.8	985.9
Other interest income	123.3	105.4
Interest expense	(5,731.9)	(6,252.0)
Including: Interest paid to State treasury	(5.3)	(541.4)
Interest paid to foreign banks and international institutions	(1,104.8)	(876.2)
Interest expense on securities dealings	(1,334.1)	(2,360.0)
Interest expense on foreign exchange dealings	(1,979.7)	(1,645.1)
Other interest expense	(1,308.0)	(829.3)
Net interest margin	8,373.4	6,882.9

19. Gains (losses) from foreign exchange dealings

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

	1998	1997
Foreign exchange gains from realized foreign exchange dealings	24,546.5	20,507.8
Foreign exchange losses from realized foreign exchange dealings	(15,116.7)	(15,755.5)
Use of reserves for foreign exchange dealings	5,425.9	3,630.1
Creation of reserves for foreign exchange dealings	(9,406.9)	(8,550.2)
Total	5,448.8	(167.8)

The Bank's net foreign exchange gain on realized foreign exchange dealings amounted to Sk 9,429.8 million. In 1998 the Bank created additional reserves for open FX position in the amount of Sk 3,000.8 million and additional reserves for the difference between the market value of gold used for swaps and its historical cost in the amount of Sk 6,406.1 million. The Bank used existing reserves in the amount of Sk 4,470.5 million for gold swaps and Sk 955.4 million for foreign currency swaps.

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20. Provisions and other reserves

The effect of created and used reserves and provisions on the Bank's result in 1998 is as follows (in millions of Sk):

	1998	1997
Provisions	(9,091.1)	(9,728.5)
including: Additions to provisions	(9,414.0)	(10,069.6)
Release of provisions	322.9	341.1
Reserves	(1.7)	5,392.8
Including : Additions to reserves	(16.3)	(14.6)
Release of reserves	14.6	5,407.4
Net provision for the year	(9,092.8)	(4,335.7)

The Bank created during the year 1998 provisions for classified redistribution loans in the amount of Sk 9,051.0 million. (See Note 6, "Receivables from domestic banks").

21. Administrative expenses

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

As of 31 December 1998 the Bank had 1,296 employees, including 6 members of the Bank Board.

22. Profit allocation

The activities of the Bank during the year 1998 resulted into a profit of Sk 3,390.5 million. The amount of Sk 2,266.5 million represents remittance from the profit to the State budget. This amount includes Sk 2,200 million transferred to the State budget as of 31 December 1998. To the reserves fund was allocated amount of Sk 1,081.9 million, the social fund was created in the amount of Sk 40 million and to the pension fund was allocated amount of Sk 2.1 million.

23. Currency positions of assets and liabilities

(in millions of Sk)

	Line	Slovak crowns	Foreign currencies translated to Sk	Total
ASSETS:				
1998	1	53,926.2	151,876.9	205,803.1
1997	2	65,123.0	126,968.0	192,091.0
Difference	3 = 1 - 2	(11,196.8)	+24,908.9	+13,712.1
LIABILITIES:				
1998	4	139,805.2	65,997.9	205,803.1
1997	5	156,144.9	35,946.1	192,091.0
Difference	6 = 4 - 5	(16,339.7)	+30,051.8	+13,712.1
Change 1998 - 1997	7 = 3 - 6	5,142.9	(5,142.9)	0

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24. Off-balance sheet items

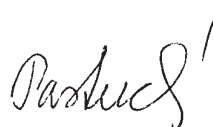
As of 31 December 1998 the Bank had off-balance sheet irrevocable receivables in the amount of Sk 18,719.6 million and off-balance irrevocable liabilities in the amount of Sk 24,480.6 million from forward foreign exchange transactions. These amounts consist of the following items:

- ✧ deferred receivables in the amount of Sk 11,207.7 million and deferred liabilities in the amount of Sk 12,282.8 million from long-term foreign currency swaps realised to convert the risk of foreign exchange rate changes from JPY to DEM in respect of Bank bonds issued in 1993 and 1994 (see Note 13, "Securities issued"), and deferred receivables in amount of Sk 6,404.4 millions and deferred liabilities in the amount of Sk 5,990.4 millions from long-term swaps of loans received.
- ✧ deferred receivables in the amount of Sk 1,107.5 million and deffered liabilities in the amount of Sk 6,207.4 million from gold swap operations.

As of 31 december 1998 the Bank had in it's evidence receivables from gold options operations in the amount of Sk 5,449.7 million and liabilities from gold options operations in the amount of Sk 972.6 million.



Vladimír Masár
Governor



Anna Pastuchová
Executive Director of
Information Systems Division

G. APPENDICES



Selected Indicators of Monetary and Economic Development in the SR

	Unit	Note	1993	1994	1995	1996	1997				1998			
							Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP at constant prices	Sk billions						136.0	147.3	152.4	151.1	144.4	156.3	160.1	151.9
Cumulative figure (since beginning of year)	Sk billions		460.8	483.4	516.8	550.8	136.0	283.3	435.7	586.8	144.4	300.7	460.8	612.7
Increase over previous quarter	%						-3.7	8.3	3.5	-0.9	-4.4	8.2	2.4	-5.1
Quarterly increase	%	1/					6.4	6.2	6.6	6.9	6.2	6.1	5.1	0.5
Cumulative increase	%	1/	-3.7	4.9	6.9	6.6	6.4	6.3	6.4	6.5	6.2	6.1	5.8	4.4
GDP at current prices	Sk billions						148.7	162.6	170.2	172.4	166.2	181.6	187.6	182.0
Cumulative figure (since beginning of year)	Sk billions		369.1	440.5	516.8	575.7	148.7	311.3	481.5	653.9	166.2	347.8	535.4	717.4
Increase over previous quarter	%						-1.1	9.3	4.7	1.3	-3.6	9.3	3.3	-3.0
Quarterly increase	%	1/					13.9	12.7	13.1	14.6	11.8	11.7	10.2	5.6
Cumulative increase	%	1/	11.1	19.3	17.3	11.4	13.9	13.3	13.2	13.6	11.8	11.7	10.2	9.7
Retail sales at current prices	Sk billions						74.4	78.7	84.2	91.5	85.7	94.3	96.8	102.6
Cumulative figure (since beg. of year) at c. p.	Sk billions		202.1	233.8	262.1	294.6	74.4	153.1	237.3	328.8	85.7	180.0	276.8	379.4
Increase in retail sales at c. p.	%	1/					13.2	8.5	11.4	10.8	15.2	19.7	15.0	12.1
Cumulative increase at c. p.	%	1/	34.7	15.7	12.1	13.1	13.2	10.7	10.9	10.9	15.2	17.6	16.6	15.4
Increase in volume at const. prices	%	1/					6.8	2.1	5.1	4.5	7.3	11.6	8.3	5.9
Cumulative increase in vol. at const. p.	%	1/	9.8	1.7	2.0	7.0	6.8	4.5	4.8	4.6	7.3	9.6	9.1	8.2
Current income of households ^{9/}														
Cumulative figure (since beg. of year)	Sk billions		269.3	319.9	417.8	474.4	118.2	248.0	375.3	528.3	130.8	272.1	409.4	569.2
Cumulative increase	%	1/	25.7	18.8	30.6	13.5	.	.	.	11.4	10.7	9.7	9.1	7.7
Savings rate of households	%	2/	8.4	9.8	10.2	8.6	3.8	4.1	4.2	8.0	2.9	4.5	3.5	6.3
Consumer prices	%	3/					2.1	3.0	4.3	6.4	2.8	4.0	3.8	5.6
Cumulative figure (since beg. of year) - average	%	1/	25.1	11.7	7.2	5.4	6.3	6.2	5.7	6.4	7.2	7.4	5.9	5.6
	%		23.2	13.4	9.9	5.8	6.0	6.1	6.1	6.1	7.3	7.3	7.0	6.7
Unemployment														
Number of unemployed	thous.	4/	368.1	371.5	333.3	329.7	349.7	319.9	336.9	347.8	370.9	374.7	385.8	428.2
Increase	thous.	1/	107.8	3.4	-38.2	-3.6	7.0	8.7	23.0	18.1	21.2	54.8	48.9	80.4
Unemployment rate	%		14.4	14.8	13.1	12.8	13.4	12.3	13.0	12.5	13.4	13.5	13.8	15.6
Change	%	1/	4.0	0.4	-1.7	-0.3	0.1	0.2	0.8	-0.3	0.0	1.2	0.8	3.1
Exchange rate (midpoint)	SKK/USD		4/33.202	31.277	29.569	31.895	33.085	33.380	33.789	34.782	35.056	35.306	34.701	36.913
	SKK/DEM		4/19.233	20.060	20.646	20.514	19.568	19.333	19.214	19.398	19.137	19.468	20.724	22.081
Real effective exchange rate		8/												
- based on CPI	a)		104.0	110.2	113.7	116.5	121.5	123.4	125.1	125.8	129.7	129.9	123.6	118.8
	b)		93.5	97.8	101.5	98.7	101.8	108.1	106.4	109.0	107.2	107.0	98.1	94.5
- based on PPI	a)		107.0	109.4	114.2	119.1	123.5	124.5	127.3	127.2	129.7	130.2	128.8	120.1
	b)		88.1	91.9	96.2	96.1	97.9	103.9	105.5	107.0	104.4	104.2	99.5	93.1
Foreign exchange reserves														
Total	US\$ millions		1,402.3	3,092.9	5,036.7	5,682.5	5,900.4	6,128.0	6,776.6	6,488.4	6,981.6	7,526.9	6,615.9	6,055.0
- of which: NBS reserves	US\$ millions		449.6	1,745.0	3,418.4	3,473.3	3,453.1	3,018.7	3,150.9	3,284.8	3,142.7	3,789.9	3,110.2	2,923.2
State budget														
Revenue	Sk billions	5/	150.3	139.1	163.1	166.3	39.9	78.5	125.2	180.8	43.9	86.3	131.2	177.8
- Fulfilment of the annual budget	%		95.1	103.3	111.4	100.5	23.3	45.9	73.1	105.7	24.4	48.0	72.9	105.5
Expenditure	Sk billions	5/	173.3	162.0	171.4	191.9	43.4	91.7	153.1	217.8	42.8	90.2	139.6	197.0
- Fulfilment of the annual budget	%		109.6	108.5	102.4	99.7	20.9	44.1	73.6	104.7	23.2	48.8	75.5	106.6
Balance	Sk billions		-23.0	-22.9	-8.3	-25.6	-3.5	-13.2	-28.0	-37.0	1.1	-3.9	-8.4	-19.2
MONETARY AGGREGATES														
Net domestic assets	%	6/	19.8	-1.1	5.1	20.0	15.1	13.9	11.6	8.8	8.7	7.0	12.4	11.9
Money supply [M2]	%	6/	19.1	19.1	21.2	16.6	12.5	12.8	12.1	8.8	9.2	8.8	6.4	4.2
Loans to households and enterprises	%	6/	10.8	1.9	14.7	18.2	12.1	7.9	4.7	2.2	3.0	3.7	5.3	6.7
- of which: in foreign currency	%	6/	118.9	77.8	57.6	35.7	2.3	-8.0	-14.3	14.9	12.7	14.3	21.2	25.4
Total deposits	%	6/7/	17.9	18.8	25.0	17.2	13.1	12.5	10.9	7.4	7.4	7.5	3.8	3.3
- in Slovak crowns	%		10.8	16.6	28.3	18.9	14.4	12.0	10.0	6.6	5.9	5.9	-0.4	-2.0
- in foreign currency	%		115.2	34.6	5.0	4.5	3.8	16.7	18.8	13.8	19.2	19.9	35.0	46.2
Average interest rates														
- on loans	%		14.00	14.51	13.34	11.89	11.48	12.26	13.05	13.33	14.18	13.60	13.53	12.62
- on deposits	%		8.61	9.29	8.29	6.70	7.20	7.72	8.27	8.76	10.06	10.10	9.77	10.71
- interest rate margin	%		5.39	5.22	5.05	5.19	4.28	4.54	4.78	4.57	4.12	3.50	3.76	1.91

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

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

3/ Compared with the figure for the previous December

4/ On the last day of the period under consideration

5/ Cumulative figure since the beginning of the year

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

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

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

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

a) USA, Great Britain, Austria, France, Germany, Italy, the Netherlands, Switzerland

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

Ratios of Selected Economic Indicators to GDP

	1993	1994	1995	1996	1997	1998
Real GDP / capita (Sk)	86,542.0	90,399.0	96,351.0	102,497.0	109,006.0	113,660.0
Nominal GDP / capita (Sk)	69,320.0	82,376.0	96,351.0	107,131.0	121,470.0	133,082.0
Nominal GDP / capita (US\$)	2,251.0	2,571.0	3,240.0	3,496.0	3,613.0	3,776.0
GDP created (% , 1995 constant prices)	-	-	100.0	100.0	100.0	100.0
Agriculture, forestry, fishing	-	-	5.6	5.2	4.9	4.7
Industrial production	-	-	32.2	30.3	29.1	28.2
Building and construction	-	-	-	4.6	4.3	4.7 4.1
Market services	-	-	38.4	41.9	43.0	44.8
Non-market services	-	-	12.3	12.0	12.7	12.9
Other	-	-	7.0	6.3	5.6	5.3
GDP utilised (% , 1995 constant prices)	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand	104.9	94.4	98.2	110.1	107.6	107.2
Net exports	-4.9	5.6	1.8	-10.1	-7.6	-7.2
Exports	60.0	65.4	63.0	59.0	63.2	67.1
Imports	65.0	59.7	61.2	69.1	70.8	74.3
Average annual exchange rate Sk/US\$	30.790	32.039	29.735	30.647	33.616	35.242

Balance of Payments Ratios (%)

	1993	1994	1995	1996	1997	1998
Exports of goods / GDP	45.4	48.7	49.4	47.0	49.6	52.4
Exports of goods and services / GDP	61.7	65.1	63.0	58.0	60.7	63.7
Imports of goods / GDP	53.2	48.2	50.7	59.2	60.2	63.7
Imports of goods and services / GDP	67.2	59.9	61.2	70.0	71.0	74.8
Current account / GDP	-5.0	4.8	2.3	-11.2	-10.0	-10.1
Capital and financial account / GDP	4.6	1.3	6.0	11.6	9.0	8.9
Direct investment in the SR / GDP	1.4	1.8	1.2	1.8	0.8	1.9
Other long-term capital / GDP	3.4	3.6	2.3	5.1	6.2	8.1
Short-term capital / GDP	5.8	-3.7	2.4	4.9	2.5	-0.8

Ratios of the M2 Money Supply and its Components to GDP (at current prices)

	1993	1994	1995	1996	1997	1998
Money supply [M2]	0.68	0.68	0.69	0.72	0.69	0.65
Money [M1]	0.32	0.29	0.29	0.30	0.25	0.21
Currency outside banks [MO]	0.07	0.08	0.07	0.08	0.07	0.07
Demand deposits	0.25	0.22	0.22	0.23	0.18	0.14
- Households	0.08	0.07	0.07	0.08	0.07	0.06
- Enterprises	0.16	0.14	0.15	0.14	0.11	0.08
- Insurance companies	0.00	0.00	0.00	0.00	0.00	0.00
Quasi-money [QM]	0.36	0.39	0.40	0.42	0.44	0.44
Time deposits	0.29	0.30	0.33	0.35	0.37	0.36
- Households	0.22	0.22	0.24	0.26	0.28	0.29
- Enterprises	0.03	0.05	0.05	0.06	0.06	0.04
- Insurance companies	0.04	0.03	0.03	0.03	0.02	0.02
Foreign-currency deposits	0.07	0.09	0.08	0.07	0.07	0.09
- Households	0.06	0.07	0.07	0.06	0.06	0.06
- Enterprises	0.01	0.01	0.01	0.01	0.01	0.02

Composition of GDP by Component (%)

(at constant 1995 prices)	1993	1994	1995	1996	1997	1998
GDP created						
Year-on-year growth in GDP	-3.4	4.9	6.9	6.6	6.5	4.4
of which:						
Agriculture	.	.	.	0.0	0.0	0.0
Industry	.	.	.	0.1	0.7	0.3
of which: industrial production	.	.	.	-0.3	0.9	1.2
Building and construction	0.0	0.7 -0.3
Market services	.	.	.	6.2	4.0	3.8
of which: trade	.	.	.	5.4	1.1	1.1
transport	.	.	.	0.3	0.0	0.5
Non-market services	.	.	.	0.5	1.5	0.8
Other sectors	.	.	.	-0.3	-0.3	0.0
GDP used						
Year-on-year growth in GDP	-3.4	4.9	6.9	6.6	6.5	4.4
of which:						
Domestic demand	-3.6	-6.0	10.6	19.2	4.5	4.4
Final consumption in total	-1.3	-2.8	2.4	7.6	3.1	2.5
of which: household consumption	-0.8	0.0	1.7	3.3	3.1	2.4
Gross capital formation	-2.2	-3.1	8.3	11.6	1.4	1.9
of which: fixed investment	-1.7	-1.4	1.5	10.9	5.2	4.2
Net exports	0.2	10.8	-3.7	-12.5	2.0	0.0
Exports of goods and services	-0.3	8.5	2.0	-0.2	8.3	6.8
Imports of goods and services	-0.5	2.3	5.7	12.4	6.3	6.8

Development of GDP by Sector

		1995	1996	1997	1998	Indices ^{1/}		
						1996/1995	1997/1996	1998/1997
Gross Domestic Product (at cons. 1995 prices) a		516.8	550.8	586.8	612.7	106.6	106.5	104.4
Agriculture	a	28.8	28.6	28.8	28.5	99.3	100.7	99.0
	b	5.6	5.2	4.9	4.7	-	-	-
Industry in total	a	166.4	167.1	171.0	172.5	100.4	102.3	100.9
	b	32.2	30.3	29.1	28.2	-	-	-
Raw materials extraction	a	5.1	6.1	6.1	6.4	119.6	100.0	104.9
	b	1.0	1.1	1.0	1.0	-	-	-
Industrial production	a	139.5	138.1	143.1	149.9	99.0	103.6	104.8
	b	27.0	25.1	24.4	24.5	-	-	-
Electricity generation and transmission, gas and water supply	a	21.8	22.9	21.8	16.3	105.0	95.2	74.8
	b	4.2	4.2	3.7	2.7	-	-	-
Building and construction	a	23.7	23.7	27.3	25.3	100.0	115.2	92.7
	b	4.6	4.3	4.7	4.1	-	-	-
Market services	a	198.5	230.6	252.4	274.7	116.2	109.5	108.8
	b	38.4	41.9	43.0	44.8	-	-	-
Trade	a	92.9	120.9	126.7	133.0	130.1	104.8	105.0
	b	18.0	21.9	21.6	21.7	-	-	-
Transport	a	32.1	33.6	33.8	36.6	104.7	100.6	108.3
	b	6.2	6.1	5.8	6.0	-	-	-
Postal and telecommunications	a	10.9	14.4	16.2	18.0	132.1	112.5	111.1
	b	2.1	2.6	2.8	2.9	-	-	-
Other services	a	62.6	61.7	75.7	87.1	98.6	122.7	115.1
	b	12.1	11.2	12.9	14.2	-	-	-
Non-market services	a	63.4	66.2	74.6	79.3	104.4	112.7	106.3
	b	12.3	12.0	12.7	12.9	-	-	-
Other sectors	a	36.0	34.6	32.7	32.4	96.1	94.5	99.1
	b	7.0	6.3	5.6	5.3	-	-	-

a/ Absolute figure, in Sk billions

b/ Share of GDP in %

1/ Calculated by NBS from data rounded to Sk billions

Based on data from the Statistical Office of the SR

Development of Consumer Prices (%)

		1998												
		1	2	3	4	5	6	7	8	9	10	11	12	1 - 12
Consumer price indices of goods and services	a	101.9	100.7	100.2	100.4	100.6	100.1	99.6	99.8	100.4	101.1	100.4	100.2	100.5
	b	108.4	109.1	109.4	109.8	110.5	110.6	110.2	110.0	110.4	111.7	112.1	112.4	110.4
	c	101.9	102.6	102.8	103.2	103.8	104.0	103.6	103.4	103.8	105.0	105.4	105.6	103.8
	d	107.2	107.5	107.2	107.0	107.6	107.4	107.0	105.7	105.9	106.2	105.9	105.6	106.7
Foodstuffs	a	101.9	101.2	99.8	100.6	101.4	100.0	98.5	99.1	100.6	100.9	100.5	100.1	100.4
	b	106.6	107.8	107.6	108.3	109.8	109.7	108.1	107.1	107.7	108.6	109.1	109.2	108.3
	c	101.9	103.0	102.9	103.5	104.9	104.9	103.3	102.4	103.0	103.8	104.3	104.4	103.5
	d	104.9	105.7	104.8	105.2	107.5	106.9	106.0	105.2	105.7	105.6	105.3	104.4	105.6
Non-food products	a	101.5	100.6	100.4	100.3	100.4	100.1	100.1	100.0	100.3	101.1	100.6	100.2	100.5
	b	108.0	108.7	109.1	109.4	109.8	110.0	110.1	110.1	110.4	111.7	112.3	112.6	110.2
	c	101.5	102.1	102.5	102.8	103.2	103.3	103.4	103.5	103.8	104.9	105.5	105.8	103.5
	d	107.0	107.2	107.2	107.2	106.9	106.8	106.6	106.0	105.9	106.1	106.0	105.8	106.6
Public catering	a	100.4	101.2	100.7	100.2	100.4	100.9	100.2	100.3	100.6	101.0	100.4	100.3	100.6
	b	103.0	104.3	105.0	105.2	105.7	106.6	106.8	107.2	107.8	108.9	109.3	109.6	106.6
	c	100.4	101.7	102.4	102.6	103.0	103.9	104.1	104.5	105.1	106.2	106.6	106.9	103.9
	d	103.6	104.8	105.0	105.2	105.2	106.0	105.8	106.1	106.5	107.1	106.8	106.9	105.7
Services paid by households	a	102.4	100.3	100.4	100.3	100.1	100.1	100.3	100.0	100.4	101.4	100.2	100.3	100.5
	b	111.3	111.6	112.1	112.4	112.5	112.7	113.0	113.1	113.5	115.2	115.4	115.8	113.2
	c	102.4	102.7	103.2	103.5	103.6	103.7	104.0	104.1	104.5	106.0	106.3	106.6	104.2
	d	110.3	110.2	110.1	109.1	108.9	108.8	108.5	105.7	105.9	106.8	106.4	106.6	108.1

Legend:

a - Index (previous month = 100)
b - Index (December 1996 = 100)
c - Index (December 1997 = 100)
d - Index (same period of previous year = 100)

Based on data from the Statistical Office of the SR

Producer Prices of Selected Products and Materials (%)

		1998												
		1	2	3	4	5	6	7	8	9	10	11	12	1 - 12
Producer price indices of industrial products	a	100.8	100.0	100.1	100.1	100.1	99.9	100.1	99.8	100.6	100.6	99.9	99.5	100.1
	b	100.8	100.8	100.9	101.0	101.1	101.0	101.1	100.9	101.6	102.2	102.1	101.6	101.3
	c	111.9	111.9	112.0	112.1	112.2	112.1	112.2	112.0	112.7	113.5	113.4	112.7	112.4
	d	104.1	103.5	104.2	103.7	104.4	104.1	103.6	102.8	103.1	102.1	102.2	101.6	103.3
	e	109.8	109.8	109.9	110.0	110.1	110.0	110.1	109.9	110.6	111.3	111.2	110.6	110.3
Producer price indices of building materials and products	a	101.6	101.5	100.6	100.8	100.4	100.2	98.9	100.0	100.4	100.2	100.0	100.0	100.4
	b	101.6	103.1	103.7	104.5	105.0	105.1	104.0	104.0	104.4	104.6	104.6	104.6	104.1
	c	116.5	118.3	119.0	119.9	120.4	120.6	119.3	119.3	119.8	120.0	120.0	120.0	119.4
	d	108.7	109.3	110.6	109.7	108.2	108.1	106.5	105.6	105.6	105.4	104.9	104.6	107.3
	e	-	-	-	-	-	-	-	-	-	-	-	-	-
Producer price indices of agricultural products	a	-	-	-	-	-	-	-	-	-	-	-	-	-
	b	-	-	-	-	-	-	-	-	-	-	-	-	-
	c	-	-	-	-	-	-	-	-	-	-	-	-	-
	d	102.9	102.3	100.5	102.3	103.6	104.4	101.2	100.3	98.1	97.6	95.3	95.5	99.7
	e	106.6	109.5	111.5	113.4	113.5	115.6	116.8	119.0	111.0	105.1	102.0	103.1	111.0
of which:	a	-	-	-	-	-	-	-	-	-	-	-	-	
Plant products (including fruit and vegetables)	b	-	-	-	-	-	-	-	-	-	-	-	-	
	c	-	-	-	-	-	-	-	-	-	-	-	-	
	d	94.5	93.0	89.0	90.6	91.6	93.0	97.3	96.7	92.8	93.6	91.9	90.7	93.8
	e	110.7	111.1	107.7	109.2	110.3	115.1	116.5	119.2	109.3	101.3	99.3	99.2	109.6
	Animal products	a	-	-	-	-	-	-	-	-	-	-	-	-
b		-	-	-	-	-	-	-	-	-	-	-	-	
c		-	-	-	-	-	-	-	-	-	-	-	-	
d		104.8	104.9	103.1	104.0	105.1	105.9	105.7	105.4	103.9	101.8	99.0	98.6	103.3
e		105.8	109.2	112.3	113.9	113.8	115.6	117.0	118.7	112.6	109.1	104.8	105.6	111.7

Legend:

a - Index (previous month = 100)
b - Index (December 1997 = 100)
c - Index, average for 1995 = 100

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

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

Based on data from the Statistical Office of the SR

Structure of Gross Domestic Product by Use

		1993	1994	1995	1996	1997	1998	Indices				
								1994/1993	1995/1994	1996/1995	1997/1996	1998/1997
GDP (at constant 1995 prices)	a	460.8	483.4	516.8	550.8	586.8	612.7	104.9	106.9	106.6	106.5	104.4
Domestic demand	a	483.6	456.1	507.4	606.6	631.2	656.9	94.3	111.2	119.6	104.1	104.1
	b	104.9	94.4	98.2	110.1	107.6	107.2	x	x	x	x	x
Final consumption in total	a	362.6	349.4	360.8	400.2	417.2	431.8	96.4	103.3	110.9	104.2	103.5
	b	78.7	72.3	69.8	72.7	71.1	70.5	x	x	x	x	x
Households	a	244.4	244.4	252.7	270.2	287.1	301.3	100.0	103.4	106.9	106.3	104.9
	b	53.0	50.6	48.9	49.1	48.9	49.2	x	x	x	x	x
Non-profit institutions serving households	a	.	.	.	2.3	2.4	2.6	.	.	.	104.3	108.3
	b	.	.	.	0.4	0.4	0.4	.	.	.	x	x
State administration ^{1/}	a	118.2	105.0	108.1	127.7	127.7	127.9	88.8	103.0	118.1	100.0	100.2
	b	25.7	21.7	20.9	23.2	21.8	20.9	x	x	x	x	x
Gross capital formation	a	121.0	106.7	146.6	206.4	214.0	225.1	88.2	137.4	140.8	103.7	105.2
	b	26.3	22.1	28.4	37.5	36.5	36.7	x	x	x	x	x
Gross fixed capital formation	a	140.9	134.4	141.5	197.8	226.4	251.2	95.4	105.3	139.8	114.5	111.0
	b	30.6	27.8	27.4	35.9	38.6	41.0	x	x	x	x	x
Change in stocks	a	-19.9	-27.7	5.1	8.6	-12.4	-26.1	x	x	x	x	x
	b	-4.3	-5.7	1.0	1.6	-2.1	-4.3	x	x	x	x	x
Net exports	a	-22.8	27.3	9.4	-55.8	-44.4	-44.2	x	x	x	x	x
	b	-4.9	5.6	1.8	-10.1	-7.6	-7.2	x	x	x	x	x
Exports of goods and services	a	276.7	316.0	325.8	324.9	371.0	410.9	114.2	103.1	99.7	114.2	110.8
	b	60.0	65.4	63.0	59.0	63.2	67.1	x	x	x	x	x
Imports of goods and services	a	299.5	288.7	316.4	380.7	415.4	455.1	96.4	109.6	120.3	109.1	109.6
	b	65.0	59.7	61.2	69.1	70.8	74.3	x	x	x	x	x
GDP at current prices	a	369.1	440.5	516.8	575.7	653.9	717.4	119.3	117.3	111.4	113.6	109.7
GDP deflator	c	80.1	91.1	100.0	104.5	111.4	117.1	113.8	109.7	104.5	106.6	105.1

^{1/} The figures for 1993 - 1995 include non-profit institutions serving households

a/ Absolute figures, in Sk billions

b/ Share of GDP v %

c/ Index

Based on data from the Statistical Office of the SR

Unemployment

		1998											
		1	2	3	4	5	6	7	8	9	10	11	12
Number of vacancies	a	18,299	19,254	19,261	19,914	20,299	19,723	18,396	16,786	14,117	12,385	11,667	11,106
	b	-1,019	955	7	653	385	-576	-1,327	-1,610	-2,669	-1,732	-718	-561
Disposable number of registered unemployed	a	350,255	353,607	349,024	343,182	336,403	352,271	367,558	358,590	358,767	362,272	377,968	407,084
	b	25,541	3,352	-4,583	-5,842	-6,779	15,868	15,287	-8,968	177	3,505	15,696	29,116
Number of unemployed per vacancy	a	20	19	19	18	18	19	21	23	27	31	35	38
Unemployment rate (in %) based on the disposable number of unemployed	a	13.4	13.6	13.4	13.2	12.9	13.5	14.1	13.8	13.8	13.9	14.5	15.6

Legend:

a - In terms of the specified unit

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

Based on data from the Statistical Office of the SR

Consolidated Balance of Payments for 1998

Exchange rates applied	1st quarter		1st - 2nd quarters		1st - 3rd quarters		1st - 4th quarters	
	35.163 Sk/USD		34.926 Sk/USD		34.956 Sk/USD		35.242 Sk/USD	
	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions
Trade balance	-17,544.0	-498.9	-37,874.0	-1,084.4	-55,040.0	-1,574.6	-80,793.0	-2,292.5
Exports (f.o.b.)	86,461.0	2,458.9	179,935.0	5,151.9	274,498.0	7,852.7	375,920.0	10,666.8
Imports (f.o.b.)	104,005.0	2,957.8	217,809.0	6,236.3	329,538.0	9,427.2	456,713.0	12,959.3
Services balance	-2,077.0	-59.1	-3,922.0	-112.3	-2,717.0	-77.7	691.0	19.6
Receipts	16,639.0	473.2	35,201.0	1,007.9	56,486.0	1,615.9	80,866.0	2,294.6
Transportation	6,404.0	182.1	12,853.0	368.0	19,506.0	558.0	27,022.0	766.8
Travel	2,880.0	81.9	6,230.0	178.4	11,946.0	341.7	17,231.0	488.9
Other services	7,355.0	209.2	16,118.0	461.5	25,034.0	716.2	36,613.0	1,038.9
Expenditures	18,716.0	532.3	39,123.0	1,120.2	59,203.0	1,693.6	80,175.0	2,275.0
Transportation	3,384.0	96.2	7,678.0	219.8	11,700.0	334.7	15,624.0	443.3
Travel	3,155.0	89.7	7,229.0	207.0	12,670.0	362.5	16,727.0	474.6
Other services	12,177.0	346.3	24,216.0	693.4	34,833.0	996.5	47,824.0	1,357.0
Income balance	-663.0	-18.9	-2,256.0	-64.6	-3,764.0	-107.7	-5,549.0	-157.5
Interest	-506.0	-14.4	-1,476.0	-42.3	-2,869.0	-82.1	-4,661.0	-132.3
Receipts	3,587.0	102.0	7,258.0	207.8	10,877.0	311.2	14,055.0	398.8
Payments	4,093.0	116.4	8,734.0	250.1	13,746.0	393.2	18,716.0	531.1
Investment	-252.0	-7.2	-1,030.0	-29.5	-1,330.0	-38.0	-1,430.0	-40.6
Receipts	124.0	3.5	346.0	9.9	467.0	13.4	532.0	15.1
Payments	376.0	10.7	1,376.0	39.4	1,797.0	51.4	1,962.0	55.7
Employee compensation	95.0	2.7	250.0	7.2	435.0	12.4	542.0	15.4
Receipts	161.0	4.6	366.0	10.5	603.0	17.3	817.0	23.2
Payments	66.0	1.9	116.0	3.3	168.0	4.8	275.0	7.8
Current transfers	3,192.0	90.8	6,360.0	182.1	7,612.0	217.8	12,943.0	367.3
Official	-10.0	-0.3	-16.0	-0.5	-20.0	-0.6	-19.0	-0.5
Private	3,202.0	91.1	6,376.0	182.6	7,632.0	218.6	12,962.0	367.8
Current account	-17,092.0	-486.1	-37,692.0	-1,079.2	-53,909.0	-1,542.2	-72,708.0	-2,063.1
Capital transfers	164.0	4.7	1,066.0	30.5	1,650.0	47.2	2,483.0	70.5
Net medium and long-term financial account	12,518.7	351.7	46,147.6	1,330.2	54,113.4	1,564.6	60,756.5	1,745.9
Direct investment	2,843.8	80.9	5,475.6	156.8	7,389.0	211.4	9,154.0	259.7
Portfolio investment	-1,184.3	-33.7	-1,760.5	-50.4	-7,718.9	-220.8	-6,264.4	-177.8
Borrowing from abroad	10,100.2	282.9	41,661.6	1,199.6	52,801.2	1,527.4	55,736.5	1,603.1
Lending abroad	759.0	21.6	770.9	24.2	1,642.1	46.7	2,130.4	60.8
Net short-term financial account	-1,587.7	-51.2	1,144.3	38.3	-6,553.7	-175.2	555.8	27.2
Capital and financial account	11,095.0	305.2	48,357.9	1,399.0	49,209.7	1,436.5	63,795.3	1,843.6
Errors and omissions	1,739.2	59.2	6,055.3	168.4	-6,320.0	-201.9	-10,630.5	-330.3
Total balance	-4,257.8	-121.7	16,721.2	488.2	-11,019.3	-307.6	-19,543.2	-549.8
Change in reserves								
(-, increase)	4,257.8	121.7	-16,721.2	-488.2	11,019.3	307.6	19,543.2	549.8
Gold holdings	0.0		-2,108.0	-60.1	-4,573.7	-129.2	44.2	1.2
Holdings of SDRs	912.0	26.0	239.6	7.1	877.5	25.3	862.1	24.8
Foreign exchange assets	3,345.8	95.7	-14,852.8	-435.2	14,715.5	411.5	18,636.9	523.8

Note: Cumulative figures

Detailed Balance of Payments Capital Account for 1998

Exchange rates applied	1st quarter		1st - 2nd quarters		1st - 3rd quarters		1st - 4th quarters	
	35.163 Sk/USD		34.926 Sk/USD		34.956 Sk/USD		35.242 Sk/USD	
	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions	Sk millions	USD millions
Capital transfers	164.0	4.7	1,066.0	30.5	1,650.0	47.2	2,483.0	70.5
Direct investment	2,843.8	80.9	5,475.6	156.8	7,389.0	211.4	9,154.0	259.7
SR abroad	-1,940.0	-55.2	-2,120.4	-60.7	-2,552.0	-73.0	-4,467.0	-126.8
in the SR	4,783.8	136.0	7,596.0	217.5	9,941.0	284.4	13,621.0	386.5
Portfolio investment	-1,184.3	-33.7	-1,760.5	-50.4	-7,718.9	-220.8	-6,264.4	-177.8
SR abroad	-1,279.3	-36.4	295.5	8.5	-2,463.6	-70.5	-2,019.1	-57.3
in the SR	95.0	2.7	-2,056.0	-58.9	-5,255.3	-150.3	-4,245.3	-120.5
Other long-term financial accounts	10,859.2	304.5	42,432.5	1,223.8	54,443.3	1,574.0	57,866.9	1,663.9
Assets	759.0	21.6	770.9	24.2	1,642.1	46.7	2,130.4	60.8
Government	28.1	0.8	76.0	2.2	340.2	9.8	363.4	10.3
Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	28.1	0.8	76.0	2.2	340.2	9.8	363.4	10.3
Commercial banks	6.9	0.2	4.9	2.3	607.9	17.0	1,060.0	30.4
Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	6.9	0.2	4.9	2.3	607.9	17.0	1,060.0	30.4
Enterprises	724.0	20.6	690.0	19.8	694.0	19.9	707.0	20.1
Increase in assets	-10.0	-0.3	-36.0	-1.0	-101.0	-2.9	-276.0	-7.8
Decrease in assets	734.0	20.9	726.0	20.8	795.0	22.7	983.0	27.9
Liabilities	10,100.2	282.9	41,661.6	1,199.6	52,801.2	1,527.4	55,736.5	1,603.1
Government	-2,187.0	-62.6	25,319.1	739.4	27,313.9	797.7	27,971.4	815.7
Drawings	1,692.9	47.9	31,296.0	910.6	35,624.4	1,035.6	37,541.9	1,088.1
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EXIM BANK	1,396.8	39.4	1,396.8	39.4	1,396.8	39.4	1,396.8	39.4
G24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EIB	104.0	3.0	209.3	6.0	566.6	16.2	766.1	21.8
Others	192.1	5.5	29,689.9	865.2	33,661.0	980.0	35,379.0	1,026.9
Repayments	-3,879.9	-110.5	-5,976.9	-171.2	-8,310.5	-237.9	-9,570.5	-272.4
Commercial banks	-406.8	-15.5	-270.5	-15.5	121.3	4.0	-3,199.9	-91.2
Drawings	2,773.2	76.9	3,753.6	100.7	7,485.8	214.7	10,656.4	302.4
Repayments	-3,180.0	-92.4	-4,024.0	-116.2	-7,364.5	-210.7	-13,856.3	-393.5
Enterprises	12,694.0	361.0	16,613.0	475.7	25,366.0	725.7	30,965.0	878.6
Increase in liabilities	16,566.0	471.1	24,841.0	711.2	37,643.0	1,076.9	50,273.0	1,426.5
Decrease in liabilities	-3,872.0	-110.1	-8,228.0	-235.6	-12,277.0	-351.2	-19,308.0	-547.9
Short-term financial account	-1,587.7	-51.2	1,144.3	38.3	-6,553.7	-175.2	555.8	27.2
Bank assets	-22,279.8	-636.5	-17,474.0	-506.8	-10,669.1	-305.6	3,083.5	83.5
Bank liabilities	28,147.3	793.7	27,038.3	798.6	12,932.4	389.7	-2,051.0	-34.2
Corporate assets	-2,316.0	-65.9	-3,589.0	-102.8	-2,924.0	-83.6	-2,272.0	-64.5
Corporate liabilities	-5,341.0	-151.9	948.0	27.1	-926.0	-26.5	7,918.0	224.7
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	201.8	9.4	-5,779.0	-177.9	-4,967.0	-149.2	-6,122.7	-182.3
Total capital and financial account	11,095.0	305.2	48,357.9	1,399.0	49,209.7	1,436.6	63,795.3	1,843.6

Note: Cumulative figures

Foreign Trade (Sk millions)

		1998											
		1	2	3	4	5	6	7	8	9	10	11	12
Import (OP)	a	29,789	34,791	39,468	38,186	35,619	40,017	37,522	36,796	38,048	44,414	42,206	39,857
	b	29,789	64,580	104,048	142,234	177,853	217,870	255,392	292,188	330,236	374,650	416,856	456,713
	c	98.7	104.1	110.4	106.5	107.4	109.8	110.3	111.9	112.7	114.0	115.3	116.4
of which: Czech Republic	a	5,547	7,009	7,315	7,393	6,292	7,512	6,403	6,578	7,576	8,347	7,459	6,839
	b	5,547	12,556	19,871	27,264	33,556	41,068	47,471	54,049	61,625	69,972	77,431	84,270
	d	18.6	20.1	18.5	19.4	17.7	18.8	17.1	17.9	19.9	18.8	17.7	17.2
Export (FCO)	a	24,283	29,088	33,132	30,173	29,683	33,652	30,998	30,624	33,703	33,553	35,697	31,334
	b	24,283	53,371	86,503	116,676	146,359	180,011	211,009	241,633	275,336	308,889	344,586	375,920
	c	104.3	107.1	113.0	111.3	111.1	111.4	112.0	113.3	114.5	113.4	114.1	116.0
of which: Czech Republic	a	5,722	6,275	6,814	6,230	6,141	6,842	6,072	6,054	6,526	6,694	6,965	5,894
	b	5,722	11,997	18,811	25,041	31,182	38,024	44,096	50,150	56,676	63,370	70,335	76,229
	d	23.6	21.6	20.6	20.6	20.7	20.3	19.6	19.8	19.4	20.0	19.5	18.8
Trade balance	a	-5,506	-5,703	-6,336	-8,013	-5,936	-6,365	-6,524	-6,171	-4,345	-10,862	-6,509	-8,523
	b	-5,506	-11,209	-17,545	-25,558	-31,494	-37,859	-44,383	-50,554	-54,899	-65,761	-72,270	-80,793
of which: Czech Republic	a	175	-734	-501	-1,163	-152	-670	-331	-523	-1,050	-1,653	-494	-945
	b	175	-559	-1,060	-2,223	-2,375	-3,045	-3,376	-3,899	-4,949	-6,602	-7,096	-8,041

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

Note: Preliminary data
Based on data from the Statistical Office of the SR

State Budget of the SR (Sk millions)

		1998											
		1	2	3	4	5	6	7	8	9	10	11	12
State budget revenue	a	16,398	25,991	43,939	60,841	73,202	86,356	103,590	116,150	131,154	145,760	162,302	177,835
	b	9.1	14.5	24.4	33.8	40.7	48.0	57.6	64.6	72.9	81.1	90.3	105.5
State budget expenditure	a	12,923	25,753	42,836	61,105	75,608	90,224	112,527	124,803	139,600	154,827	175,183	197,036
	b	7.0	13.9	23.2	33.1	40.9	48.8	60.9	67.5	75.5	83.8	94.8	106.6
State budget balance	a	3,475	238	1,103	-264	-2,406	-3,868	-8,937	-8,653	-8,446	-9,067	-12,881	-19,201

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

Based on data from the Statistical Office of the SR

Monetary Survey (Sk billions)

		1998												
		1.1.	31.1.	28.2.	31.3.	30.4.	31.5.	30.6.	31.7.	31.8.	30.9.	31.10.	30.11.	31.12.
Fixed exchange rate	34.782	SKK/USD												
Fixed exchange rate	19.398	SKK/DEM												
ASSETS														
Net foreign assets	69.8	68.3	72.3	72.6	69.7	71.3	70.4	71.1	63.4	47.9	45.8	47.6	40.7	
Foreign assets	233.5	252.5	255.3	252.3	259.6	265.8	269.8	275.0	280.0	236.5	238.3	236.2	209.6	
Foreign liabilities	163.7	184.2	183.0	179.7	189.9	194.5	199.4	203.9	216.6	188.6	192.5	188.6	168.9	
Net domestic assets	383.7	378.6	380.2	371.9	376.8	382.2	380.6	388.2	397.2	398.8	403.2	404.6	425.4	
Domestic credits	465.3	463.5	468.0	468.2	476.4	484.6	483.1	494.4	498.2	503.7	509.5	513.6	519.5	
- Net credit to Government	101.5	99.3	99.5	94.9	99.3	107.2	103.9	114.4	116.5	118.1	124.3	126.9	132.5	
- Net credit to FNM ^{1/}	-3.0	-1.7	-0.6	-0.2	-0.2	0.4	0.5	0.4	0.4	0.4	0.5	0.6	0.2	
- Credit to households and enterprises	366.8	365.9	369.1	373.5	377.3	377.0	378.7	379.6	381.3	385.2	384.7	386.1	386.8	
- Credit in SKK	331.4	331.1	334.5	338.8	341.5	340.6	342.2	341.2	342.5	346.3	345.1	346.7	346.9	
- Credit to enterprises	311.0	310.9	314.1	318.1	320.5	319.0	320.0	318.7	319.0	322.1	320.1	321.0	320.4	
- Credit to households	20.4	20.2	20.4	20.7	21.0	21.6	22.2	22.5	23.5	24.2	25.0	25.7	26.5	
- Credit in foreign currency	35.4	34.8	34.6	34.7	35.8	36.4	36.5	38.4	38.8	38.9	39.6	39.4	39.9	
LIABILITIES														
Liquid liabilities [M2]	453.5	446.9	452.5	444.5	446.5	453.5	451.0	459.3	460.6	446.7	449.0	452.2	466.1	
Money [M1]	166.1	154.3	161.0	150.1	149.2	155.4	154.4	159.0	159.2	149.0	145.3	147.5	147.2	
Currency outside banks [M0]	48.7	51.0	50.7	49.5	50.2	50.6	51.2	51.6	52.5	52.8	50.9	51.2	49.8	
Demand deposits	117.4	103.3	110.3	100.6	99.0	104.8	103.2	107.4	106.7	96.2	94.4	96.3	97.4	
- Households	46.2	45.7	45.1	44.0	44.5	44.7	44.6	45.3	45.1	43.5	40.5	40.4	41.6	
- Enterprises	69.6	56.3	63.5	55.6	53.9	59.2	57.7	61.1	60.5	51.9	53.1	55.0	55.1	
- Insurance companies	1.6	1.3	1.7	1.0	0.6	0.9	0.9	1.0	1.1	0.8	0.8	0.9	0.7	
Quasi-money [QM]	287.4	292.6	291.5	294.4	297.3	298.1	296.6	300.3	301.4	297.7	303.7	304.7	318.9	
Time and savings deposits	240.4	244.7	242.0	245.0	246.7	247.2	243.6	246.5	248.0	238.4	241.3	243.4	257.0	
- Households	182.8	185.9	188.8	190.8	192.9	194.5	196.1	197.4	196.9	192.2	196.1	198.9	211.6	
- Enterprises	41.4	41.4	35.5	35.7	36.1	34.9	32.4	34.8	37.0	31.5	31.3	30.9	31.8	
- Insurance companies	16.2	17.4	17.7	18.5	17.7	17.8	15.1	14.3	14.1	14.7	13.9	13.6	13.6	
Foreign currency deposits	47.0	47.9	49.5	49.4	50.6	50.9	53.0	53.8	53.4	59.3	62.4	61.3	61.9	
- Households	39.6	39.2	38.9	38.9	39.2	39.4	39.6	40.0	40.7	43.9	44.2	44.0	44.8	
- Enterprises	7.4	8.7	10.6	10.5	11.4	11.5	13.4	13.8	12.7	15.4	18.2	17.3	17.1	
Other items net	81.6	84.9	87.8	96.3	99.6	102.4	102.5	106.2	101.0	104.9	106.3	109.0	94.1	

^{1/} FNM - National Property Fund of the SR

SKK Exchange Rates (mid rates)

Stav k ultimú obdobia	1 FRF	1,000 ITL	100 JPY	1 CAD	1 NLG	1 ATS	1 DEM	1 CHF	1 USD	1 GBP	1 XEU	1 CZK
01/98	5.825	19.774	28.198	24.204	17.315	2.775	19.516	24.160	35.273	57.982	38.490	1.008
02/98	5.760	19.584	27.431	24.754	17.137	2.745	19.314	23.886	35.155	57.958	38.178	1.030
03/98	5.711	19.411	26.638	24.748	16.978	2.720	19.137	23.309	35.056	58.908	38.018	1.041
04/98	5.751	19.522	26.210	24.124	17.126	2.741	19.285	23.171	34.678	57.843	38.135	1.046
05/98	5.765	19.617	24.995	23.682	17.154	2.748	19.336	23.366	34.441	56.232	38.099	1.034
06/98	5.808	19.758	24.797	24.027	17.278	2.768	19.468	23.123	35.306	58.834	38.600	1.057
07/98	5.821	19.785	24.290	22.954	17.312	2.774	19.525	23.317	34.574	56.757	38.464	1.115
08/98	5.930	20.124	24.818	22.533	17.621	2.824	19.875	24.142	35.535	58.956	39.270	1.062
09/98	6.180	20.959	25.900	23.063	18.381	2.945	20.724	25.037	34.701	59.248	40.774	1.158
10/98	6.343	21.496	30.015	22.796	18.858	3.023	21.269	26.165	35.058	58.803	41.842	1.211
11/98	6.401	21.681	29.822	23.852	19.040	3.051	21.469	26.017	36.548	60.534	42.193	1.196
12/98	6.582	22.297	32.022	23.780	19.595	3.137	22.081	26.987	36.913	61.805	43.290	1.235

Average Monetary Base of the NBS (Sk billions)

	1998											
	1	2	3	4	5	6	7	8	9	10	11	12
I. RESOURCES OF THE MONETARY BASE	98.16	99.07	99.15	97.82	99.84	103.90	111.25	113.80	107.70	103.23	100.34	101.28
Autonomous factors	93.18	92.08	93.08	89.62	94.56	102.18	109.56	112.08	103.33	86.25	86.25	85.87
Net foreign assets	82.85	79.93	79.69	78.64	87.47	98.80	101.42	103.62	91.27	75.94	75.12	75.89
Reserves	114.00	113.21	111.86	110.12	117.71	128.28	131.15	132.22	118.55	106.92	106.20	105.91
Net foreign liabilities	31.15	33.28	32.17	31.48	30.24	29.48	29.73	28.60	27.28	30.98	31.08	30.03
Net credit to Government	-6.50	-7.07	-5.09	-8.52	-9.14	-15.28	-9.43	-6.78	-3.16	-2.87	-2.99	-3.42
Other assets net	16.83	19.22	18.48	19.50	16.23	18.66	17.58	15.23	15.23	13.18	14.13	13.41
Monetary policy factors	4.98	6.99	6.07	8.20	5.27	1.72	1.69	1.72	4.37	16.98	14.09	15.40
Monetary policy factors (including NBS bills)	2.32	5.90	4.34	7.67	3.29	-4.54	-10.17	-11.70	-2.16	13.77	12.63	14.37
Credits to banks (without redistribution credit)	2.58	2.33	2.21	2.10	1.74	1.72	1.68	1.54	1.30	1.37	1.38	1.38
Bills of exchange	2.58	2.33	2.21	2.10	1.74	1.72	1.68	1.54	1.30	1.37	1.38	1.38
Holdings of securities	2.40	4.66	3.86	6.10	3.53	0.00	0.00	0.18	3.07	15.61	12.70	14.02
Treasury bills	2.16	3.14	3.76	5.15	2.42	0.00	0.00	0.03	2.33	5.33	3.24	6.51
Other government securities	0.24	1.52	0.09	0.95	1.11	0.00	0.00	0.14	0.73	10.31	9.46	7.52
II. USE OF THE MONETARY BASE	98.16	99.07	99.15	97.82	99.84	103.90	111.25	113.80	107.70	103.23	100.34	101.28
Currency in circulation	59.08	59.05	58.64	58.36	58.86	59.31	60.03	60.56	61.73	61.36	59.56	61.14
Reserves of banks	36.42	38.94	38.78	38.93	38.99	38.33	39.36	39.82	39.45	38.66	39.32	39.11
Required reserves	36.01	37.78	38.07	38.18	38.16	37.99	38.83	39.19	39.14	39.09	38.82	38.77
Excess reserves	0.40	1.16	0.71	0.75	0.83	0.34	0.54	0.63	0.31	-0.43	0.50	0.35
Bills of NBS	9.68	10.00	10.97	10.00	10.00	17.00	21.61	33.07	27.79	22.72	11.77	5.84
of which: in NBS portfolio	7.01	8.91	9.24	9.47	8.01	10.73	9.76	19.66	21.27	19.51	10.32	4.81

Note: Reserve money = Currency in circulation + reserves of banks + bills of NBS in portfolios of commercial banks

Money Supply (M2)

	1.1.1998	31.3.1998	30.6.1998	30.9.1998	31.12.1998	Change since		Change during		Change during		Change during		Change during	
						beginning of year		the 1st quarter		the 2nd quarter		3rd quarter		the 4th quarter	
						Sk billions	in %	Sk billions	in %	Sk billions	in %	Sk billions	in %	Sk billions	in %
Money supply [M2]	453.5	444.5	451.0	446.7	466.1	12.6	2.8	-9.0	-2.0	6.5	1.5	-4.3	-1.0	19.4	4.3
Money [M1]	166.1	150.1	154.4	149.0	147.3	-18.8	-11.3	-16.0	-9.6	4.3	2.9	-5.4	-3.5	-1.7	-1.1
Currency outside banks [M0]	48.7	49.5	51.2	52.8	49.8	1.1	2.3	0.8	1.6	1.7	3.4	1.6	3.1	-3.0	-5.7
Demand deposits	117.4	100.6	103.2	96.2	97.5	-19.9	-17.0	-16.8	-14.3	2.6	2.6	-7.0	-6.8	1.3	1.4
- Households	46.2	44.0	44.6	43.5	41.7	-4.5	-9.7	-2.2	-4.8	0.6	1.4	-1.1	-2.5	-1.8	-4.1
- Enterprises	69.6	55.6	57.7	51.9	55.1	-14.5	-20.8	-14.0	-20.1	2.1	3.8	-5.8	-10.1	3.2	6.2
- Insurance companies	1.6	1.0	0.9	0.8	0.7	-0.9	-56.3	-0.6	-37.5	-0.1	-10.0	-0.1	-11.1	-0.1	-12.5
Quasi-money [QM]	287.4	294.4	296.6	297.7	318.8	31.4	10.9	7.0	2.4	2.2	0.7	1.1	0.4	21.1	7.1
Time deposits	240.4	245.0	243.6	238.4	256.8	16.4	6.8	4.6	1.9	-1.4	-0.6	-5.2	-2.1	18.4	7.7
- Households	182.8	190.8	196.1	192.2	211.5	28.7	15.7	8.0	4.4	5.3	2.8	-3.9	-2.0	19.3	10.0
- Enterprises	41.4	35.7	32.4	31.5	31.7	-9.7	-23.4	-5.7	-13.8	-3.3	-9.2	-0.9	-2.8	0.2	0.6
- Insurance companies	16.2	18.5	15.1	14.7	13.6	-2.6	-16.0	2.3	14.2	-3.4	-18.4	-0.4	-2.6	-1.1	-7.5
Foreign-currency deposits	47.0	49.4	53.0	59.3	62.0	15.0	31.9	2.4	5.1	3.6	7.3	6.3	11.9	2.7	4.6
- Households	39.6	38.9	39.6	43.9	44.9	5.3	13.4	-0.7	-1.8	0.7	1.8	4.3	10.9	1.0	2.3
- Enterprises	7.4	10.5	13.4	15.4	17.1	9.7	131.1	3.1	41.9	2.9	27.6	2.0	14.9	1.7	11.0
Crown deposits in total	357.8	345.6	346.8	334.6	354.3	-3.5	-1.0	-12.2	-3.4	1.2	0.3	-12.2	-3.5	19.7	5.9
- Households	229.0	234.8	240.7	235.7	253.2	24.2	10.6	5.8	2.5	5.9	2.5	-5.0	-2.1	17.5	7.4
- Enterprises	111.0	91.3	90.1	83.4	86.8	-24.2	-21.8	-19.7	-17.7	-1.2	-1.3	-6.7	-7.4	3.4	4.1
- Insurance companies	17.8	19.5	16.0	15.5	14.3	-3.5	-19.7	1.7	9.6	-3.5	-17.9	-0.5	-3.1	-1.2	-7.7

Total Deposits (Sk billions)

	1993	1994	1995	1996	1997	1998													
	12	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12	
1. TOTAL DEPOSITS																			
(Sk + for. currency)	238.7	283.5	356.9	418.4	450.4	450.4	439.0	443.3	435.2	437.6	445.4	443.3	447.1	446.9	434.2	438.0	444.1	464.9	
A) Slovak-crown deposits	208.9	243.5	314.9	374.4	400.4	400.4	387.2	391.0	383.2	384.2	391.8	386.9	389.9	388.8	368.6	367.9	373.9	392.2	
- Non-financial organisations	58.1	63.4	80.4	95.0	86.6	86.6	72.0	73.0	67.0	66.4	70.2	66.5	72.1	72.3	61.0	62.5	63.9	66.4	
- Banking sector	0.3	0.7	2.4	3.6	3.9	3.9	3.5	4.9	4.3	4.5	3.5	3.2	3.3	3.3	3.3	2.8	3.2	3.1	
- Insurance sector	15.4	16.4	17.2	19.5	17.8	17.8	18.7	19.4	19.5	18.3	18.7	16.0	15.4	15.2	15.5	14.8	14.5	14.3	
- Extrabudgetary funds of central and local authorities	9.3	15.7	32.0	42.8	42.6	42.6	39.4	38.6	37.5	38.5	39.8	40.1	36.0	34.0	34.0	32.2	34.2	37.9	
- Non-financial organisations	2.3	4.6	10.4	9.2	5.6	5.6	5.6	6.0	5.9	6.2	6.4	6.1	6.8	6.4	6.2	6.4	6.3	6.0	
- Small businesses	2.7	4.4	5.9	6.6	10.0	10.0	9.4	9.7	9.2	9.2	10.3	10.5	10.5	10.9	9.8	9.5	9.5	7.9	
- Households	113.4	129.5	163.0	194.6	229.0	229.0	231.5	233.9	234.8	237.3	239.2	240.8	242.6	242.1	235.7	236.6	239.3	253.2	
- Foreigners (non-residents)	0.3	0.5	0.6	0.9	2.5	2.5	2.9	2.9	2.7	1.3	1.3	1.2	1.1	2.2	1.0	1.0	0.9	1.0	
- Other	7.0	8.4	2.9	2.1	2.3	2.3	4.4	2.5	2.1	2.5	2.4	2.4	2.2	2.2	2.1	2.1	2.1	2.5	
B) Foreign-currency deposits ¹⁾	29.8	40.0	42.0	44.0	50.0	50.0	51.8	52.3	52.0	53.4	53.7	56.4	57.2	58.1	65.6	70.1	70.2	72.7	
- Natural persons	24.8	33.0	36.6	37.3	40.8	40.8	40.7	40.0	40.3	40.2	40.3	41.1	41.2	42.8	46.9	49.1	49.1	51.0	
- Legal entities	5.0	7.0	5.4	6.7	9.2	9.2	11.1	12.3	11.7	13.2	13.4	15.3	16.0	15.3	18.7	21.1	21.1	21.7	
2. CROWN DEPOSITS																			
BY SECTOR	208.9	243.5	315.0	374.4	400.4	400.4	387.2	391.0	383.2	384.2	391.8	386.9	389.9	388.8	368.6	367.9	373.9	392.2	
Entrepreneurial sector	78.8	89.4	105.9	125.0	118.3	118.3	103.5	107.0	100.1	98.4	102.7	96.3	101.3	101.8	89.7	89.6	91.1	91.7	
a) Public sector	42.6	40.0	31.4	35.4	23.5	23.5	19.5	20.8	18.3	18.1	18.9	15.1	16.7	15.6	13.8	15.7	12.7	12.5	
b) Private sector (incl. cooperatives and households)	35.4	46.4	69.7	81.0	82.5	82.5	73.4	75.8	72.4	71.4	74.8	72.5	76.0	76.8	67.8	65.9	69.5	68.5	
c) Under foreign control	0.8	3.0	4.8	8.6	12.3	12.2	10.6	10.4	9.4	8.9	9.0	8.7	8.6	9.4	8.1	8.0	8.9	10.7	
Extrabudgetary funds of central and local authorities	9.3	15.7	32.0	42.8	42.6	42.6	39.4	38.6	37.5	38.5	39.8	40.1	36.0	34.0	34.0	32.2	34.2	37.9	
Households	113.4	129.5	163.0	194.6	229.0	229.0	231.5	233.9	234.8	237.3	239.2	240.8	242.6	242.1	235.7	236.6	239.3	253.2	
Non-financial organisations	2.3	4.6	10.4	9.2	5.6	5.6	0.6	6.0	5.9	6.2	6.4	6.1	6.8	6.4	6.2	6.4	6.3	6.0	
Other	5.1	4.3	3.7	2.8	4.9	4.8	7.3	5.4	4.8	3.8	3.7	3.6	3.3	4.5	3.1	3.1	3.0	3.4	
3. CROWN DEPOSITS																			
BY TERM	208.9	243.5	314.9	374.4	400.4	400.4	387.2	391.0	383.2	384.2	391.8	386.9	389.9	388.8	368.6	367.9	373.9	392.2	
a) Short-term deposits	153.5	179.2	226.4	271.2	293.2	293.2	283.4	289.9	284.5	289.8	298.8	297.1	301.7	301.0	281.6	282.3	290.4	302.1	
b) Medium-term deposits	48.0	55.8	67.9	77.8	74.1	74.1	70.8	68.0	65.2	60.4	58.9	55.9	54.0	53.5	52.6	51.0	48.3	51.2	
c) Long-term deposits	7.4	8.4	20.6	25.4	33.1	33.1	33.1	33.1	33.4	34.0	34.1	33.9	34.2	34.3	34.4	34.6	35.2	38.9	
4. FOREIGN-CURRENCY DEPOSITS																			
BY TERM	29.8	40.0	42.0	44.0	50.0	50.0	51.8	52.3	52.0	53.4	53.7	56.4	57.2	58.1	65.6	70.1	70.2	72.7	
a) Short-term deposits	29.7	39.8	41.7	43.7	49.9	49.9	51.7	52.2	51.8	53.3	53.5	56.2	57.0	57.8	65.4	69.9	70.0	72.5	
b) Medium-term deposits	0.1	0.2	0.3	0.3	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	
c) Long-term deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
5. TOTAL DEPOSITS																			
BY TERM	238.7	283.5	356.9	418.4	450.4	450.4	439.0	443.3	435.2	437.6	445.5	443.3	447.1	446.9	434.2	438.0	444.1	464.9	
a) Short-term deposits	183.2	219.0	268.1	314.9	343.1	343.1	335.1	342.1	336.3	343.1	352.3	353.3	358.7	358.8	347.0	352.2	360.4	374.6	
b) Medium-term deposits	48.1	56.0	68.2	78.1	74.2	74.2	70.9	68.1	65.4	60.6	59.1	56.1	54.2	53.8	52.8	51.2	48.5	51.4	
c) Long-term deposits	7.4	8.4	20.6	25.4	33.1	33.1	33.1	33.1	33.4	34.0	34.1	33.9	34.2	34.3	34.4	34.6	35.2	38.9	
6. INFORMATIVE																			
A. Total increase in deposits (since beginning of year)																			
- in Sk billions	36.4	44.8	71.5	61.5	30.8	30.8	-11.4	-7.1	-15.2	-12.8	-4.9	-7.1	-3.3	-3.5	-16.2	-12.4	-6.3	14.5	
- in %	17.9	18.8	25.0	17.2	7.3	7.3	-2.5	-1.6	-3.4	-2.8	-1.1	-1.6	-0.7	-0.8	-3.6	-2.7	-1.4	3.2	
a) Slovak-crown deposits																			
- in Sk billions	20.4	34.6	69.5	59.5	24.8	24.8	-13.2	-9.4	-17.2	-16.2	-8.6	-13.5	-10.5	-11.6	-31.8	-32.5	-26.5	-8.2	
- in %	10.8	16.6	28.3	18.9	6.6	6.6	-3.3	-2.3	-4.3	-4.0	-2.2	-3.4	-2.6	-2.9	-7.9	-8.1	-6.6	-2.0	
b) Foreign-currency deposits																			
- in Sk billions	16.0	10.2	2.0	2.0	6.0	6.0	1.8	2.3	2.0	3.4	3.7	6.4	7.2	8.1	15.6	20.1	20.2	22.7	
- in %	115.9	34.2	5.0	4.8	13.7	13.7	3.6	4.6	4.0	6.8	7.4	12.8	14.4	16.2	31.2	40.3	40.4	45.4	

Total Deposits (Sk billions) (continued)

	1993	1994	1995	1996	1997	1998												
	12	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
B. Structure of crown deposits by sector (%)																		
Total crown deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Entrepreneurial sector	37.7	36.7	33.6	33.4	29.5	29.5	26.7	27.4	26.1	25.6	26.2	24.9	26.0	26.2	24.3	24.4	24.4	23.4
- Public sector	20.4	16.4	10.0	9.5	5.9	5.9	5.0	5.3	4.8	4.7	4.8	3.9	4.3	4.0	3.7	4.3	3.4	3.2
- Private sector (incl. cooperatives and households)	16.9	19.1	22.1	21.6	20.6	20.6	19.0	19.4	18.9	18.6	19.1	18.7	19.5	19.8	18.4	17.9	18.6	17.5
- Under foreign control	0.4	1.2	1.5	2.3	3.1	3.0	2.7	2.7	2.5	2.3	2.3	2.2	2.2	2.4	2.2	2.2	2.4	2.7
b) Government sector	4.5	6.4	10.2	11.4	10.6	10.6	10.2	9.9	9.8	10.0	10.2	10.4	9.2	8.7	9.2	8.8	9.1	0.0
c) Households	54.3	53.2	51.7	52.0	57.2	57.2	10.2	9.9	9.8	10.0	10.2	10.4	9.2	8.7	9.2	8.8	9.1	9.7
d) Non-financial organisations	1.1	1.9	3.3	2.5	1.4	1.4	59.8	59.8	61.3	61.8	61.0	62.2	62.2	62.3	63.9	64.3	64.0	64.6
e) Other	2.4	1.8	1.2	0.7	1.2	1.2	0.2	1.5	1.5	1.6	1.6	1.6	1.7	1.6	1.7	1.7	1.7	1.5
C. Structure of crown deposits by term (%)																		
Total crown deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term deposits	73.5	73.6	71.9	72.4	73.2	73.2	73.2	74.1	74.2	75.4	76.3	76.8	77.4	77.4	76.4	76.7	77.7	77.0
b) Medium-term deposits	23.0	22.9	21.6	20.8	18.5	18.5	18.3	17.4	17.0	15.7	15.0	14.4	13.8	13.8	14.3	13.9	12.9	13.1
c) Long-term deposits	3.5	3.4	6.5	6.8	8.3	8.3	8.5	8.5	8.7	8.9	8.7	8.8	8.8	8.8	9.3	9.4	9.4	9.9
D. Structure of currency deposits by term (%)																		
Foreign-currency deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term deposits	99.7	99.5	99.3	99.3	99.8	99.8	99.8	99.8	99.7	99.8	99.7	99.7	99.7	99.6	99.6	99.7	99.7	99.8
b) Medium-term deposits	0.3	0.5	0.7	0.7	0.2	0.2	0.2	0.2	0.4	0.3	0.3	0.4	0.3	0.5	0.3	0.3	0.3	0.2
c) Long-term deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E. Structure of total deposits by term (%)																		
Crown and foreign-currency deposits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term deposits	76.7	77.2	75.1	75.3	76.2	76.2	76.3	77.2	77.3	78.4	79.1	79.7	80.2	80.3	79.9	80.4	81.1	80.6
b) Medium-term deposits	20.2	19.8	19.1	18.7	16.5	16.5	16.5	16.2	15.4	13.8	13.3	12.7	12.1	12.0	12.2	11.7	10.9	11.1
c) Long-term deposits	3.1	3.0	5.8	6.1	7.3	7.3	7.5	7.5	7.7	7.8	7.6	7.6	7.6	7.7	7.9	7.9	8.0	8.3

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

Total Deposits (Sk millions)

End-of-month figures	Banks in total	Slovak banks without foreign participation	Slovak banks with foreign participation	Branch offices of foreign banks
1.1.98	400,379.6	275,917.8	108,972.5	15,489.3
01/98	387,251.9	264,390.4	107,693.5	15,168.0
02/98	390,958.6	266,004.1	109,552.8	15,401.8
03/98	383,152.7	261,854.6	108,109.6	13,188.5
04/98	384,225.3	258,029.0	113,407.5	12,788.8
05/98	391,783.5	260,494.5	117,421.8	13,867.2
06/98	386,948.9	256,385.9	116,188.5	14,374.6
07/98	389,915.3	253,488.9	121,777.1	14,649.3
08/98	388,754.2	249,882.4	124,021.4	14,850.3
09/98	368,643.4	241,464.7	114,631.2	12,547.5
10/98	367,909.1	240,129.7	114,558.0	13,221.5
11/98	373,923.4	241,876.7	118,020.5	14,026.2
12/98	392,234.9	252,454.9	124,611.5	15,168.5

Total Volume of Loans (Sk billions)

	1993	1994	1995	1996	1997	1998													
	12	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12	
1. TOTAL VOLUME OF LOANS																			
(Sk + foreign currency)	268.9	272.9	310.8	374.4	388.9	385.7	386.2	389.0	392.2	381.3	382.1	384.3	385.6	388.3	393.6	394.3	396.9	398.4	
A. Slovak-crown loans	260.8	257.6	288.1	338.8	342.3	339.1	338.7	342.0	346.2	333.9	333.0	335.0	334.1	335.6	339.6	338.6	340.1	340.3	
- Non-financial organisations	217.3	216.5	242.8	281.6	276.3	273.1	272.8	274.7	278.0	280.5	279.5	280.2	278.1	277.1	280.2	275.9	276.3	275.4	
- Banking sector	6.9	7.7	11.2	16.4	19.4	19.4	19.7	21.2	22.0	7.0	6.7	6.6	6.6	6.3	6.2	8.5	8.6	8.9	
- Insurance sector	0.9	0.6	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.4	0.6	0.6	0.6	
- Extrabudgetary needs of central and local authorities	4.4	5.3	4.4	7.3	7.7	7.7	7.6	7.5	7.4	7.4	7.4	7.7	7.7	8.0	8.3	8.4	8.3	8.3	
- Non-profit organisations	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	
- Small businesses	11.6	10.8	12.3	12.9	15.1	15.1	15.0	15.0	15.2	15.1	14.9	14.5	15.6	17.1	17.3	17.0	17.4	17.4	
- Households	18.6	16.5	15.3	17.8	20.4	20.4	20.2	20.4	20.7	20.9	21.6	22.2	22.5	23.5	24.2	25.0	25.7	26.5	
- Foreigners (non-residents)	0.1	0.1	1.3	1.6	1.6	1.6	1.7	1.8	1.8	1.8	1.8	2.6	2.4	2.5	2.1	2.2	2.5	2.2	
- Other	0.8	0.1	0.4	0.6	1.4	1.4	1.3	1.1	0.6	0.6	0.6	0.6	0.5	0.6	0.8	0.8	0.7	0.8	
B. Loans in foreign currency ¹⁾	8.1	15.3	22.7	35.6	46.6	46.6	47.5	47.0	46.0	47.4	49.1	49.4	51.5	52.7	54.0	55.7	56.8	58.1	
2. CROWN LOANS																			
BY SECTOR	260.8	257.6	288.1	338.8	342.3	339.1	338.7	342.0	346.2	333.9	333.0	335.0	334.1	335.6	339.6	338.6	340.0	340.3	
a) Entrepreneurial sector	236.8	235.7	266.7	311.4	311.0	307.9	307.7	311.2	315.5	303.0	301.5	301.8	300.7	300.9	304.1	302.1	302.8	302.3	
- Public sector	123.4	115.5	93.1	94.8	75.5	75.1	77.7	74.9	75.4	60.7	60.7	59.6	56.6	55.3	54.4	54.4	49.1	49.0	
- Private sector (incl. cooperatives and households)	109.6	114.9	165.4	204.8	220.8	217.9	214.6	218.8	221.2	223.4	223.3	224.0	225.5	227.1	229.8	229.3	233.2	232.9	
- Under foreign control	3.8	5.3	8.2	11.8	14.8	14.8	15.3	17.4	18.9	18.9	17.5	18.2	18.6	18.5	19.8	18.5	20.5	20.4	
b) Government sector (extra-budgetary funds)	4.4	5.3	4.4	7.3	7.7	7.7	7.6	7.5	7.4	7.4	7.4	7.7	7.7	8.0	8.3	8.4	8.3	8.3	
c) Households	18.6	16.5	15.3	17.8	20.4	20.4	20.2	20.4	20.7	20.9	21.6	22.2	22.5	23.5	24.2	25.0	25.7	26.5	
d) Non-profit organisations	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	
e) Other	0.8	0.0	1.5	2.2	3.0	3.0	3.1	2.8	2.4	2.5	2.4	3.2	2.9	3.1	3.0	3.0	3.2	3.0	
3. CROWN LOANS																			
BY INDUSTRY	260.8	257.6	288.1	338.8	342.3	339.1	338.7	342.0	346.2	333.9	333.0	335.0	334.1	335.6	339.6	338.6	340.0	340.3	
a) Agriculture, hunting, and fishing	17.7	19.0	18.3	18.7	17.5	17.5	17.5	17.5	17.4	17.4	17.4	17.6	17.1	16.4	15.8	14.6	15.7	15.5	
b) Forestry and timber industry	0.3	0.2	0.3	0.4	0.3	0.3	0.6	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	
c) Raw materials extraction	9.5	8.9	2.6	2.6	2.6	2.6	2.6	3.0	3.5	3.4	3.5	3.2	3.3	3.4	3.6	3.4	3.4	3.5	
d) Industrial production	68.9	67.2	103.3	113.3	115.1	112.7	110.8	110.5	111.5	111.7	112.1	112.5	111.6	114.4	114.8	112.6	116.4	116.2	
- Food industry	9.7	10.4	17.5	20.6	22.0	22.0	21.9	21.9	22.2	22.5	23.3	23.7	23.6	25.5	24.9	22.6	23.9	23.5	
- Chemical and pharma. industry	8.8	8.4	10.2	9.7	8.1	7.9	8.5	8.0	7.3	7.2	7.1	7.0	7.1	8.2	7.8	7.8	7.4	7.1	
- Metallurgy and machine eng.	30.4	27.6	43.3	45.7	47.1	45.1	44.0	43.6	44.3	44.7	44.3	43.8	42.2	40.4	41.6	42.0	43.6	44.0	
- Electrical and electronic industry	5.5	5.7	7.5	8.5	8.4	8.2	8.1	7.7	8.2	7.9	7.8	7.5	8.1	8.2	8.3	8.2	8.3	8.4	
- Textile, clothing, and leather	4.3	4.3	6.1	7.5	7.1	7.1	7.1	7.2	7.0	7.0	6.8	7.2	7.4	7.8	8.1	8.0	8.3	8.0	
- Other industries	10.3	10.8	18.6	21.2	22.4	22.4	21.1	22.0	22.5	22.3	22.7	23.3	23.3	24.4	24.1	24.0	25.0	25.2	
e) Power industry, gas and water supply	18.4	17.4	18.2	21.9	22.1	22.1	23.2	23.5	23.3	23.5	23.5	23.9	24.2	25.1	25.7	25.7	26.1	25.8	
f) Building and construction	18.3	18.6	19.4	20.7	20.3	20.2	20.3	20.2	10.6	11.2	10.4	10.2	9.9	10.0	10.1	10.2	10.5	10.3	
g) Trade, sales, catering and hotel services	28.4	32.5	60.5	73.3	73.4	72.2	72.3	71.5	72.4	73.1	73.2	74.7	75.3	74.3	76.3	73.8	72.4	75.1	
h) Tourism	3.8	-	0.5	1.5	1.0	1.4	1.4	1.4	1.3	1.6	1.3	1.4	1.4	1.2	1.2	1.0	1.5	1.1	
i) Transport and communications	-	-	3.6	8.2	7.1	7.1	6.8	6.4	7.4	7.3	7.9	8.0	7.8	7.4	7.8	8.1	8.0	8.4	
j) Banking industry	-	-	11.2	16.4	19.4	19.4	19.7	21.2	22.0	7.0	6.7	6.6	6.6	6.2	6.2	8.5	8.6	8.9	
k) Insurance sector	-	-	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.4	0.6	0.6	0.6	
4. TOTAL VOLUME OF LOANS																			
(Sk + foreign currency)	268.9	272.9	310.8	374.4	388.9	385.7	386.2	389.0	392.2	381.3	382.1	384.4	385.6	388.3	393.6	394.3	396.9	398.4	
a) Short-term loans	92.4	103.9	117.0	157.0	168.6	168.6	169.0	169.0	171.4	159.7	159.7	162.9	163.5	165.3	170.2	169.0	170.8	173.9	
b) Medium-term loans	53.5	46.9	57.4	80.4	86.6	86.6	85.6	86.9	87.2	87.2	87.6	86.3	86.9	87.5	86.3	88.0	88.0	87.3	
c) Long-term loans	123.0	122.1	136.4	137.0	133.7	130.5	131.6	133.1	133.6	134.4	134.8	135.1	135.2	135.6	137.1	137.3	138.1	137.2	
A. SLOVAK-CROWN LOANS	260.8	257.6	288.1	338.8	342.3	339.1	338.7	342.0	346.2	333.9	333.0	335.0	334.1	335.6	339.6	338.6	340.1	340.3	
a) Short-term loans	90.7	95.9	105.8	137.5	137.7	137.7	136.8	137.6	141.2	128.4	126.8	130.5	129.3	130.8	134.8	132.1	133.6	134.8	
b) Medium-term loans	53.5	46.9	57.4	70.9	77.5	77.5	77.4	78.6	78.8	79.0	79.4	78.0	78.6	79.2	78.1	79.4	79.4	78.6	
c) Long-term loans	116.6	114.8	124.9	130.4	127.1	123.9	124.5	125.8	126.2	126.5	126.8	126.5	126.2	125.7	126.7	127.1	127.1	126.9	

Total Volume of Loans (Sk billions) (continued)

	1993	1994	1995	1996	1997	1998												
	12	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
B. LOANS IN FOREIGN CURRENCY																		
CURRENCY ^{1/}	8.1	15.3	22.7	35.6	46.6	46.6	47.5	47.0	46.0	47.4	49.1	49.4	51.5	52.7	54.0	55.7	56.8	58.1
a) Short-term loans	1.7	8.0	11.2	19.5	30.9	30.9	32.2	31.4	30.2	31.3	32.9	32.4	34.2	34.5	35.4	36.9	37.2	39.1
b) Medium-term loans	0.0	0.0	0.0	9.5	9.1	9.1	8.2	8.3	8.4	8.2	8.2	8.4	8.3	8.3	8.2	8.6	8.6	8.7
c) Long-term loans ^{2/}	6.4	7.3	11.5	6.6	6.6	6.6	7.1	7.3	7.4	7.9	8.0	8.7	9.0	9.9	10.4	10.2	11.0	10.3
5. CROWN LOANS																		
BY PURPOSE	260.8	257.6	288.1	338.8	342.0	339.1	338.7	342.0	346.2	333.9	333.0	335.0	334.1	335.6	339.6	338.6	340.1	340.3
a) Current assets	57.8	53.4	44.0	56.9	40.1	40.1	39.9	40.3	43.2	43.5	42.2	44.6	44.8	45.3	40.2	46.4	47.2	46.1
b) Capital goods	69.7	49.8	37.2	48.6	51.2	51.2	53.6	52.9	52.3	51.3	51.3	51.6	52.4	53.3	52.0	51.7	50.6	49.5
c) Privatisation	8.8	5.4	3.7	5.5	4.2	4.2	3.9	3.8	3.7	3.5	3.4	3.1	3.1	3.1	2.9	2.7	2.7	2.5
- Small-scale privatisation	5.3	2.0	0.4	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
- Large-scale privatisation	3.5	3.4	3.3	5.1	4.1	4.1	3.8	3.7	3.6	3.4	3.3	3.1	3.1	3.0	2.9	2.7	2.7	2.5
d) Temporary lack of resources	10.7	9.3	9.0	15.8	11.2	11.2	6.2	12.4	10.6	11.2	10.7	11.6	11.4	11.0	10.8	8.9	9.1	8.4
e) Permanently revolving stocks	21.7	17.5	5.5	3.6	2.0	2.0	1.7	1.6	1.5	1.7	1.7	1.4	1.0	1.0	1.0	1.0	1.0	0.9
f) Residential construction	11.2	10.9	10.4	10.2	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.0	9.0	9.0	9.0	9.0	9.0	8.6
g) Current account balances (debit)	9.9	7.9	7.5	18.6	19.8	19.8	18.8	17.7	18.6	18.4	17.2	16.9	15.9	16.7	25.3	15.8	15.5	16.3
h) Consumption	9.0	7.0	6.0	7.1	6.3	6.3	6.2	6.2	6.1	6.0	5.9	5.8	5.7	5.6	5.5	5.4	5.3	5.3
i) Claims with reservation	26.0	16.9	37.8	53.2	68.1	64.9	66.6	66.0	66.4	53.7	55.3	53.8	51.5	49.8	48.9	49.5	49.1	54.7
j) Classified receivables	30.8	76.4	120.5	109.9	118.5	118.5	118.6	119.8	122.2	122.8	123.2	124.4	126.0	127.8	130.8	134.2	136.1	136.4
- doubtful and disputable	15.1	23.6	12.6	10.4	9.7	9.7	9.1	9.2	9.6	9.2	9.4	10.4	10.2	10.2	11.3	12.6	11.0	10.2
- loss-making loans	7.3	36.3	85.6	91.9	101.3	101.3	101.7	102.3	103.8	104.4	104.6	105.7	106.8	108.2	110.8	110.8	113.0	116.0
6. INFORMATIVE																		
A. Total increase in loans (since beginning of year)																		
- in Sk billions	29.2	4.0	37.3	63.6	14.3	-	0.5	3.3	6.5	-4.4	-3.6	-1.4	-0.1	2.6	7.9	8.6	11.2	12.7
- in %	12.2	1.5	13.7	20.5	3.8	-	0.1	0.9	1.7	-1.1	-0.9	-0.4	0.0	0.7	2.0	2.2	2.9	3.3
a) Slovak-crown loans																		
- in Sk billions	24.8	-3.2	29.9	50.7	3.2	-	-0.4	2.9	7.1	-5.2	-6.1	-4.1	-5.0	-3.5	0.5	-0.5	1.0	1.2
- in %	10.5	-1.2	11.6	17.6	0.9	-	-0.1	0.9	2.1	-1.5	-1.8	-1.2	-1.5	-1.0	0.1	-0.1	0.3	0.4
b) Foreign-currency loans ^{1/}																		
- in Sk billions	4.4	7.2	7.4	12.9	11.0	-	0.9	0.4	-0.6	0.8	2.5	2.8	4.9	6.1	7.4	9.1	10.2	11.5
- in %	118.9	88.9	49.0	56.8	30.9	-	1.9	0.9	-1.3	1.7	5.4	6.0	10.5	13.1	15.9	19.5	21.9	24.7
B. Structure of crown loans by sector (%)																		
Crown loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Entrepreneurial sector	90.8	91.5	92.6	91.9	90.9	90.8	90.8	91.0	91.1	90.7	90.5	90.1	90.0	89.7	89.5	89.2	89.0	88.8
- Public sector	47.3	44.8	32.3	28.0	22.1	22.1	22.9	21.9	21.8	18.2	18.2	17.8	16.9	16.5	16.0	16.1	14.4	14.4
- Private sector (incl. cooperatives and households)	42.0	44.6	57.4	60.4	64.5	64.3	63.4	64.0	63.9	66.9	67.1	66.9	67.5	67.7	67.7	67.7	68.6	68.4
- Under foreign control	1.5	2.1	2.8	3.5	4.3	4.4	4.5	5.1	5.5	5.7	5.3	5.4	5.6	5.5	5.8	5.5	6.0	6.0
b) Government sector (extra-budgetary funds)	1.7	2.1	1.5	2.2	2.2	2.3	2.2	2.2	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.5	2.4	2.4
c) Households	7.1	6.4	5.3	5.3	6.0	6.0	6.0	6.0	6.0	6.3	6.5	6.6	6.7	7.0	7.1	7.4	7.6	7.8
d) Non-profit organisations	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
e) Other	0.3	0.0	0.5	0.6	0.9	0.9	0.9	0.8	0.7	0.7	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9
C. Structure of crown loans by industry (%)																		
Crown loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Agriculture, hunting and fishing	6.8	7.4	6.4	5.5	5.1	5.1	5.2	5.1	5.0	5.2	5.2	5.3	5.1	4.9	4.7	4.3	4.6	4.6
b) Forestry and timber industry	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
c) Raw materials extraction	3.6	3.5	0.9	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.0	1.0	1.0	1.1	1.0	1.0	1.0
d) Industrial production	26.4	26.1	35.9	33.4	33.6	33.2	32.7	32.3	32.2	33.5	33.7	33.6	33.4	34.1	33.8	33.3	34.2	34.1
- Food industry	3.7	4.0	6.1	6.1	6.4	6.5	6.5	6.4	6.4	6.7	7.0	7.1	7.1	7.6	7.3	6.7	7.0	6.9
- Chem. and pharma. industry	3.4	3.3	3.5	2.9	2.4	2.3	2.5	2.3	2.1	2.2	2.1	2.1	2.1	2.4	2.3	2.3	2.2	2.1
- Metallurgy and machine eng.	11.7	10.7	15.0	13.5	13.8	13.3	13.0	12.7	12.8	13.4	13.3	13.1	12.6	12.0	12.2	12.4	12.8	12.9
- Electrical and electronic industry	2.1	2.2	2.6	2.5	2.5	2.4	2.4	2.3	2.4	2.4	2.3	2.2	2.4	2.4	2.4	2.4	2.4	2.5

Total Volume of Loans (Sk billions) (continued)

	1993	1994	1995	1996	1997	1998												
	12	12	12	12	12	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
- Textile, clothing, and leather	1.6	1.7	2.1	2.2	2.1	2.1	2.1	2.1	2.0	2.1	2.0	2.1	2.2	2.3	2.4	2.4	2.4	2.4
- Other industries	3.9	4.2	6.5	6.3	6.5	6.6	6.2	6.4	6.5	6.7	6.8	6.9	7.0	7.3	7.1	7.1	7.4	7.4
e) Power industry, gas and water supply	7.1	6.8	6.3	6.5	6.5	6.5	6.8	6.9	6.7	7.0	7.1	7.1	7.2	7.5	7.6	7.6	7.7	7.6
f) Building and construction	7.0	7.2	6.7	6.1	5.9	5.9	6.0	5.9	3.1	3.4	3.1	3.1	3.0	3.0	3.0	3.0	3.1	3.0
g) Trade, sales, catering and hotel services	10.9	12.6	21.0	21.6	21.5	21.5	21.3	20.9	20.9	21.9	22.0	22.3	22.5	22.1	22.5	21.8	21.3	22.1
h) Tourism	1.5	-	0.2	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.3
i) Transport and communications	-	-	1.2	2.4	2.1	2.1	2.0	1.9	2.1	2.2	2.4	2.4	2.3	2.2	2.3	2.4	2.4	2.5
j) Banking industry	-	-	3.9	4.8	5.9	5.9	5.8	6.2	6.4	2.1	2.0	2.0	2.0	1.8	1.8	2.5	2.5	2.6
k) Insurance sector	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
D. Structure of total loans by term (%)																		
Loans in Sk and foreign curr.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term loans	34.4	38.1	37.6	41.9	43.4	43.7	43.8	43.4	43.7	41.9	41.8	42.4	42.4	42.6	43.2	42.9	43.0	43.6
b) Medium-term loans	19.9	17.2	18.5	21.5	22.3	22.5	22.2	22.3	22.2	22.9	22.9	22.5	22.5	22.5	21.9	22.3	22.2	21.9
c) Long-term loans ^{2/}	45.7	44.7	43.9	36.6	34.4	33.8	34.1	34.2	34.1	35.2	35.3	35.2	35.1	34.9	34.8	34.8	34.8	34.4
D.1. Structure of crown loans by term (%)																		
Crown loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term loans	34.8	37.2	36.7	40.6	40.2	40.6	40.4	40.2	40.8	38.5	38.1	38.9	38.7	39.0	39.7	39.0	39.3	39.6
b) Medium-term loans	20.5	18.2	19.9	20.9	22.6	22.9	22.9	23.0	22.8	23.7	23.8	23.3	23.5	23.6	23.0	23.4	23.3	23.1
c) Long-term loans	44.7	44.6	43.4	38.5	37.1	36.5	36.8	36.8	36.5	37.9	38.1	37.8	37.8	37.5	37.3	37.5	37.4	37.3
D.2. Loans in foreign currency by term (%)																		
Foreign-currency loans in total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term loans	21.0	52.3	49.3	54.8	66.3	66.3	67.8	66.8	65.7	66.1	66.9	65.5	66.4	65.4	65.6	66.2	65.5	67.3
b) Medium-term loans	-	-	-	26.7	19.5	19.5	17.3	17.7	18.3	17.3	16.7	16.9	16.1	15.8	15.2	15.4	15.1	15.0
c) Long-term loans ^{2/}	79.0	47.7	50.7	18.5	14.2	14.2	14.9	15.6	16.1	16.6	16.3	17.5	17.5	18.8	19.3	18.3	19.4	17.7
E. Crown loans																		
by purpose (in %)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Current assets	22.2	20.7	15.3	16.8	11.7	11.8	11.8	11.8	12.5	13.0	12.7	13.3	13.4	13.5	11.8	13.7	13.9	13.5
b) Investment	26.7	19.3	12.9	14.3	15.0	15.1	15.8	15.5	15.1	15.4	15.4	15.4	15.7	15.9	15.3	15.3	14.9	14.5
c) Privatisation	3.4	2.1	1.3	1.6	1.2	1.2	1.2	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.7
- Small-scale privatisation	2.0	0.8	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Large-scale privatisation	1.3	1.3	1.1	1.5	1.2	1.2	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.7
d) Temporary lack of resources	4.1	3.6	3.1	4.7	3.3	3.3	1.8	3.6	3.1	3.4	3.2	3.5	3.4	3.3	3.2	2.6	2.7	2.5
e) Permanently revolving stocks	8.3	6.8	1.9	1.1	0.6	0.6	0.5	0.5	0.4	0.5	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.3
f) Residential construction	4.3	4.2	3.6	3.0	2.7	2.8	2.8	2.7	2.7	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.6	2.5
g) Current account balances (debit)	3.8	3.1	2.6	5.5	5.8	5.8	5.6	5.2	5.4	5.5	5.2	5.0	4.8	5.0	7.4	4.7	4.6	4.8
h) Consumption	3.5	2.7	2.1	2.1	1.8	1.9	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6	1.6
i) Claims with reservation	10.0	6.6	13.1	15.7	19.9	19.1	19.7	19.3	19.2	16.1	16.6	16.1	15.4	14.8	14.4	14.6	14.4	16.1
j) Classified receivables	11.8	29.7	41.8	32.4	34.6	34.9	35.0	35.0	35.3	36.8	37.0	37.1	37.7	38.1	38.5	39.6	40.0	40.1
- doubtful and disputable claims	5.8	9.2	4.4	3.1	2.8	2.9	2.7	2.7	2.8	2.7	2.8	3.1	3.0	3.0	3.3	3.7	3.2	3.0
- loss-making loans	2.8	14.1	29.7	27.1	29.6	29.9	30.0	29.9	30.0	31.3	31.4	31.5	32.0	32.2	32.6	32.7	33.2	34.1

^{1/} Loans to residents and non-residents in convertible currencies

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

New Loans (Sk billions)

	1993	1994	1995	1996	1997	1998											
	12	12	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
1. NEW LOANS IN SLOVAK CROWNS	-	14.6	21.1	29.5	24.4	19.4	30.2	40.3	28.6	25.9	35.0	40.1	37.6	39.0	59.5	55.2	42.1
a) Entrepreneurial sector	-	13.1	20.5	26.9	23.3	18.7	29.2	39.3	27.6	24.6	32.1	38.8	36.1	36.4	56.6	53.4	40.5
- Public sector	-	5.3	4.8	4.8	1.1	1.3	1.6	0.9	2.8	1.1	1.0	1.1	1.9	1.6	1.7	1.4	2.7
- Private sector	-	6.9	12.4	17.5	12.7	11.7	17.2	12.5	12.6	17.8	12.7	27.7	12.9	12.4	12.2	13.2	16.4
- Under foreign control	-	0.9	3.3	4.6	9.5	5.7	10.4	25.9	12.2	5.7	18.4	10.0	21.3	22.4	42.7	38.8	21.4
b) Households	-	0.2	0.4	0.9	0.7	0.5	0.8	0.7	0.7	1.0	2.1	1.2	1.1	1.1	1.8	1.3	1.1
c) Non-profit organisations	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d) Extrabudgetary needs of central and local authorities	-	0.0	0.0	1.7	0.2	0.1	0.2	0.0	0.1	0.1	0.7	0.1	0.2	0.3	0.4	0.4	0.5
e) Other	-	1.3	0.2	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.1	0.0	0.2	1.2	0.7	0.0	0.0
2. NEW LOANS BY TERM	-	14.6	21.1	29.5	24.4	19.4	30.2	40.3	28.6	25.9	35.0	40.1	37.6	39.0	59.5	55.2	42.1
a) Short-term loans	-	12.0	17.0	22.5	21.4	16.9	25.3	38.0	26.3	23.8	30.9	38.0	34.6	36.6	56.5	52.7	39.5
b) Medium-term loans	-	1.5	2.7	4.8	1.8	1.2	3.0	1.5	1.6	1.5	2.4	1.7	2.7	1.8	2.5	1.9	1.9
c) Long-term loans	-	1.1	1.4	2.2	1.2	1.3	1.9	0.8	0.8	0.6	1.8	0.4	0.3	0.6	0.5	0.6	0.8
3. NEW LOANS BY TERM (%)																	
New loans in total	-	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
a) Short-term loans	-	82.2	80.6	76.3	87.7	87.1	83.8	94.3	92.0	91.9	88.3	94.8	92.0	93.8	95.0	95.5	93.8
b) Medium-term loans	-	10.3	12.8	16.3	7.4	6.2	9.9	3.6	5.5	5.9	6.9	4.2	7.2	4.6	4.2	3.4	4.5
c) Long-term loans	-	7.5	6.6	7.5	4.9	6.7	6.3	2.0	2.7	2.3	5.1	1.0	0.8	1.5	0.8	1.1	1.9

Total Credits (Sk millions)

End-of-month figures	Banks in total	Slovak banks without foreign participation	Slovak banks with foreign participation	Branch offices of foreign banks
1.1/98	339,110.9	252,574.5	60,438.1	26,098.2
01/98	338,674.9	252,367.9	60,555.2	25,751.9
02/98	342,057.0	253,240.3	62,260.4	26,556.3
03/98	346,154.5	255,939.4	64,502.0	25,713.1
04/98	333,937.7	249,319.5	74,090.0	10,528.2
05/98	333,015.3	248,440.2	74,031.4	10,543.7
06/98	334,957.8	246,113.5	78,425.0	10,419.4
07/98	334,050.9	243,766.8	79,640.7	10,643.4
08/98	335,642.7	243,497.0	81,218.2	10,927.4
09/98	339,605.8	244,884.0	83,971.4	10,750.5
10/98	338,603.7	244,322.1	83,062.9	11,218.6
11/98	340,143.1	243,838.2	85,524.8	10,780.1
12/98	340,321.6	241,460.8	87,770.7	11,090.1

Average Lending Rates of Commercial Banks (%)

	1993	1994	1995	1996	1997	1998											
	12	12	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
1. TOTAL VOLUME OF LOANS^v	14.13	14.39	14.78	13.22	16.22	16.66	17.28	16.70	16.75	16.50	16.35	16.03	16.33	17.07	16.92	17.14	16.17
<i>A) Loans by sector</i>																	
a) Entrepreneurial sector	14.58	15.00	15.56	13.41	16.16	16.71	17.27	16.71	16.12	16.00	15.95	15.69	15.52	16.02	16.30	16.72	14.52
- Public sector	14.96	15.18	15.52	12.95	15.33	15.72	16.31	15.87	14.55	14.38	14.26	14.05	13.77	14.37	14.37	14.81	11.15
- Private sector (incl. cooperatives)	14.20	14.82	15.59	13.86	16.98	17.70	18.22	17.55	17.68	17.62	17.63	17.33	17.27	17.67	18.23	18.63	17.91
b) Households	5.52	4.29	5.06	6.76	7.37	7.51	7.48	7.50	8.55	8.32	8.12	7.86	8.83	8.08	7.99	8.14	8.03
<i>B) Loans by term</i>																	
- Short-term loans	16.29	16.51	16.17	13.86	19.91	20.77	20.77	20.50	20.83	20.47	20.00	19.34	19.61	21.86	21.33	20.66	21.08
- Medium-term loans	16.62	17.63	17.77	15.28	16.41	16.61	16.47	16.58	16.64	16.67	16.58	16.32	17.08	16.30	16.65	16.29	16.21
- Long-term loans	11.06	11.30	12.12	11.36	11.90	12.26	13.86	12.34	12.54	12.34	12.36	12.36	12.40	12.41	12.01	13.63	10.36

Average Lending Rates of Commercial Banks (%) (continued)

	1993	1994	1995	1996	1997	1998											
	12	12	12	12	12	1	2	3	4	5	6	7	8	9	10	11	12
2. NEW LOANS IN TOTAL	-	19.09	14.04	13.45	20.92	20.75	20.82	20.29	19.54	18.59	16.44	14.17	17.32	24.36	23.48	16.95	18.62
<i>A) Loans by sector</i>																	
a) Entrepreneurial sector	-	19.51	14.56	13.85	21.25	19.06	19.53	21.24	20.90	21.26	20.32	17.60	18.72	25.04	22.24	19.50	22.14
- Public sector	-	19.82	14.23	13.46	21.30	15.84	17.45	21.86	20.19	23.46	20.08	21.03	17.03	27.05	20.80	16.89	22.06
- Private sector (incl. cooperatives)	-	19.20	14.89	14.23	21.19	22.28	21.60	20.61	21.60	19.06	20.56	14.17	20.41	23.03	23.67	22.10	22.22
b) Households	-	18.35	15.44	10.44	10.18	13.59	9.99	9.99	10.70	9.68	12.18	11.07	10.06	8.77	8.93	9.44	9.39
<i>B) Loans by term</i>																	
- Short-term loans	-	19.37	13.68	13.52	21.60	21.57	21.81	20.58	19.86	18.97	16.64	14.17	17.44	25.06	23.91	17.11	18.91
- Medium-term loans	-	19.18	16.17	13.05	16.30	17.56	16.88	15.26	16.43	13.64	15.20	14.05	16.04	13.55	14.92	12.54	14.21
- Long-term loans	-	16.11	14.37	13.68	15.40	13.04	13.73	15.87	14.73	16.09	14.47	14.87	14.87	14.46	17.57	16.62	14.82

1/ In 1993 and 1994: interest rate on the total volume of loans including loans at zero interest rate
From 1995 to 1998: interest rate on the total volume of loans excluding loans at zero interest rate

Average Monthly Lending Rates - Total Credit (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/98	8.80	17.66	14.58	9.96	14.12
02/98	8.80	17.57	14.35	11.28	14.52
03/98	8.80	17.22	14.46	9.87	13.91
04/98	8.80	17.21	14.49	10.02	13.84
05/98	8.80	16.73	14.48	9.89	13.59
06/98	8.80	16.23	14.34	9.80	13.36
07/98	8.80	15.71	14.07	9.82	13.10
08/98	8.80	15.99	14.65	10.00	13.41
09/98	8.80	17.90	14.06	10.03	14.08
10/98	8.80	17.10	12.94	8.66	12.95
11/98	8.80	16.18	12.49	9.69	12.89
12/98	8.80	16.30	12.36	7.20	12.00

Average Monthly Lending Rates - Public Sector (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/98	8.80	17.00	13.52	10.90	13.56
02/98	8.80	17.15	13.76	10.04	13.18
03/98	8.80	17.08	15.72	8.67	12.67
04/98	8.80	14.08	15.55	8.81	10.96
05/98	8.80	13.37	15.05	9.00	10.86
06/98	8.80	13.56	14.89	8.85	10.74
07/98	8.80	14.99	15.13	8.81	10.91
08/98	8.80	15.50	14.56	8.79	10.81
09/98	8.80	17.59	14.66	8.84	11.27
10/98	8.80	17.05	12.87	8.69	10.82
11/98	8.80	15.45	14.21	8.67	10.79
12/98	8.80	15.82	13.84	4.27	7.98

Average Monthly Lending Rates - Private Sector (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/98	8.80	17.53	14.83	11.25	14.85
02/98	8.80	17.36	14.51	12.24	15.00
03/98	8.80	17.04	14.65	10.40	14.33
04/98	8.80	17.30	14.72	10.33	14.44
05/98	8.80	17.11	14.69	10.28	14.30
06/98	8.80	16.57	14.76	10.30	14.12
07/98	8.80	15.80	14.52	10.34	13.75
08/98	8.80	15.73	14.68	10.64	13.88
09/98	8.80	16.44	14.61	10.63	14.18
10/98	8.80	16.69	13.45	8.25	13.25
11/98	8.80	16.04	12.74	9.85	13.24
12/98	8.80	16.05	12.64	7.52	12.49

Average Monthly Lending Rates - Households (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Total credit
01/98	8.80	22.54	11.58	3.47	7.30
02/98	8.80	22.61	11.24	3.63	7.29
03/98	8.80	22.46	10.99	3.70	7.32
04/98	8.80	21.84	11.07	5.44	8.32
05/98	8.80	22.30	12.40	3.36	8.10
06/98	8.80	21.93	11.80	3.58	7.92
07/98	8.80	22.02	11.16	3.58	7.66
08/98	8.80	17.95	14.15	3.40	8.31
09/98	8.80	18.21	10.87	3.68	7.80
10/98	8.80	22.34	10.49	3.81	7.71
11/98	8.80	22.43	10.51	3.77	7.87
12/98	8.80	19.71	10.36	3.76	7.76

Development of Average Deposit Rates and Crown Deposits

		1997					1998							
		12	1	2	3	4	5	6	7	8	9	10	11	12
Total deposits	a	388,784	378,097	382,397	375,142	376,340	383,200	376,843	383,662	382,098	362,586	361,990	367,611	381,440
	b	8.69	10.21	9.98	9.99	10.23	10.15	9.92	9.53	9.53	10.29	11.05	10.71	10.39
of which:														
Demand deposits	a	140,524	114,600	121,846	113,384	112,544	116,557	116,798	120,198	117,812	109,127	104,016	107,916	117,991
	b	3.50	3.78	3.73	3.70	3.68	3.64	3.69	3.68	3.56	3.81	3.66	3.66	4.20
Time deposits	a	248,260	263,496	260,550	261,758	263,796	266,642	260,045	263,464	264,286	253,460	257,973	259,695	263,449
	b	11.62	13.00	12.90	12.71	13.03	12.98	12.71	12.20	12.19	13.07	14.04	13.64	13.16
- at up to 7-day notice	a	8,702	15,394	13,893	15,586	15,514	14,200	14,369	14,833	16,399	12,424	18,485	18,655	15,457
	b	17.10	20.48	17.35	15.47	16.97	16.20	15.01	13.27	11.92	21.88	19.96	17.02	16.16
- at up to 1-month notice	a	49,095	49,923	51,504	53,582	57,423	59,829	55,265	57,462	56,561	51,895	56,624	57,419	62,715
	b	16.25	18.59	18.66	18.00	18.02	17.25	16.36	15.28	15.67	17.30	19.88	18.67	17.49
- at up to 3-month notice	a	11,166	17,330	17,584	19,258	21,350	24,629	26,448	29,102	29,726	29,941	27,476	29,536	29,308
	b	15.04	18.85	18.74	18.68	18.98	18.77	18.45	17.63	17.38	17.77	18.56	18.73	18.49
- at up to 6-month notice	a	6,743	13,209	14,117	14,669	14,930	16,031	16,308	16,512	16,868	16,854	15,651	16,058	9,395
	b	11.37	15.59	16.20	16.41	16.46	16.64	16.52	15.23	15.10	15.18	15.32	15.52	15.09
- at up to 9-month notice	a	518	533	569	647	1,352	2,049	2,092	2,384	2,582	2,507	2,580	3,554	2,198
	b	16.78	17.76	17.41	18.92	18.41	19.11	18.97	18.51	18.33	18.72	19.12	16.73	15.41
- at up to 1-year notice	a	64,957	63,275	61,818	59,393	58,804	56,949	55,786	54,900	54,391	52,842	51,575	50,925	54,290
	b	10.51	10.69	10.67	10.73	10.81	10.82	11.04	11.08	11.13	11.10	11.96	12.00	12.01
- at up to 18-month notice	a	1,341	1,324	1,003	817	784	837	690	745	733	769	766	859	819
	b	11.14	11.72	12.78	12.73	12.73	13.34	12.82	12.84	13.34	12.82	12.69	12.97	12.40
- at up to 2-year notice	a	50,785	48,170	45,974	44,112	40,314	39,235	38,433	37,909	37,348	36,556	35,033	33,824	36,579
	b	10.77	10.80	10.76	10.80	10.64	10.66	10.66	10.68	10.69	10.69	10.73	10.65	10.65
- at up to 3-year notice	a	1,447	1,521	1,817	1,700	1,530	1,397	1,362	1,219	1,402	1,482	1,944	1,553	1,484
	b	12.14	12.36	12.87	12.57	12.58	12.66	12.38	12.31	12.60	13.08	13.65	13.03	13.08
- at up to 4-year notice	a	8,601	8,443	8,406	8,334	8,059	8,007	5,759	4,892	4,879	4,866	4,755	3,805	3,825
	b	13.13	12.90	12.98	12.60	12.58	12.98	12.86	12.93	12.93	12.93	13.04	13.20	13.26
- at up to 5-year notice	a	11,832	11,246	10,755	10,232	9,689	9,426	9,607	9,257	9,090	8,886	8,540	8,272	8,504
	b	12.92	13.39	13.26	10.42	13.26	13.23	13.17	9.79	9.71	9.57	9.89	9.81	13.17
- at above 5-year notice	a	33,072	33,129	33,110	33,426	34,047	34,053	33,926	34,247	34,305	34,437	34,545	35,234	38,875
	b	4.51	4.54	4.49	4.51	4.11	4.10	4.07	4.06	4.06	4.47	4.47	4.44	4.34
- short-term deposits	a	141,182	159,663	159,484	163,136	169,373	173,687	170,269	175,194	176,528	166,463	172,392	176,147	173,363
	b	13.39	15.42	15.24	15.05	15.40	15.24	14.88	14.22	14.19	15.57	16.88	16.25	15.67
- medium-term deposits	a	74,006	70,704	67,956	65,195	60,376	58,902	55,851	54,023	53,452	52,559	51,036	48,314	51,211
	b	11.42	11.51	11.52	11.04	11.40	11.47	11.39	10.80	10.81	10.81	10.93	10.82	11.36
- long-term deposits	a	33,072	33,129	33,110	33,426	34,047	34,053	33,926	34,247	34,305	34,437	34,545	35,234	38,875
	b	4.51	4.54	4.49	4.51	4.11	4.10	4.07	4.06	4.06	4.47	4.47	4.44	4.34
- demand and short-terms deposits	a	281,705	274,264	281,331	276,520	281,917	290,244	287,066	295,392	294,341	275,590	276,408	284,062	291,354
	b	8.45	10.56	10.26	10.4	10.73	10.59	10.33	9.93	9.94	10.92	11.91	11.47	11.02

a - Volume of deposits (\$k billions)
b - Average interest rates (%)

Average Monthly Deposit Rates - Total Deposits (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and time deposits	Total
01/98	8.80	15.42	11.51	4.54	13.00	3.78	10.56	10.21
02/98	8.80	15.24	11.52	4.49	12.90	3.73	10.26	9.98
03/98	8.80	15.05	11.04	4.51	12.71	3.70	10.40	9.99
04/98	8.80	15.40	11.40	4.11	13.03	3.68	10.73	10.23
05/98	8.80	15.24	11.47	4.10	12.98	3.64	10.59	10.15
06/98	8.80	14.88	11.39	4.07	12.71	3.69	10.33	9.92
07/98	8.80	14.22	10.80	4.06	12.20	3.68	9.93	9.53
08/98	8.80	14.19	10.81	4.06	12.19	3.56	9.94	9.53
09/98	8.80	15.57	10.81	4.47	13.07	3.81	10.92	10.29
10/98	8.80	16.88	10.93	4.47	14.04	3.66	11.91	11.05
11/98	8.80	16.25	10.82	4.44	13.64	3.66	11.47	10.71
12/98	8.80	15.67	11.36	4.34	13.16	4.19	11.02	10.39

Average Monthly Deposit Rates - Public Sector (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and time deposits	Total
01/98	8.80	17.61	12.40	9.66	15.39	3.37	8.89	9.57
02/98	8.80	16.91	12.77	4.03	15.05	3.58	7.33	8.22
03/98	8.80	15.66	12.73	15.14	14.61	3.62	8.28	9.11
04/98	8.80	16.20	12.40	17.80	14.92	3.31	8.84	9.55
05/98	8.80	16.54	12.58	8.67	14.92	3.28	7.73	8.59
06/98	8.80	15.06	12.32	5.48	13.84	2.81	7.06	8.04
07/98	8.80	13.26	12.53	4.19	12.90	3.13	6.48	7.29
08/98	8.80	15.00	12.57	3.90	13.98	3.13	6.86	7.68
09/98	8.80	18.30	12.58	4.14	16.01	3.14	8.38	9.04
10/98	8.80	18.33	12.60	3.69	16.21	3.76	8.64	9.18
11/98	8.80	14.91	13.77	3.67	14.59	3.28	7.09	7.23
12/98	8.80	15.76	13.74	10.85	15.49	3.40	7.00	7.19

Average Monthly Deposit Rates - Private Sector (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and time deposits	Total
01/98	8.80	17.77	13.06	13.70	16.75	3.34	9.07	9.47
02/98	8.80	16.57	13.39	13.06	15.88	3.23	8.15	8.63
03/98	8.80	15.62	13.08	12.85	15.09	3.08	8.07	8.55
04/98	8.80	16.55	12.81	10.82	15.93	2.92	8.62	8.93
05/98	8.80	15.59	13.49	13.53	15.25	3.07	8.13	8.51
06/98	8.80	15.32	13.56	13.18	15.12	3.05	7.85	8.11
07/98	8.80	14.46	13.58	12.92	14.37	2.94	7.51	7.77
08/98	8.80	14.20	13.58	13.03	14.14	2.86	7.56	7.82
09/98	8.80	18.57	13.60	13.04	18.03	2.97	9.49	9.68
10/98	8.80	18.00	13.91	13.30	17.53	2.86	9.03	9.27
11/98	8.80	16.33	13.87	12.45	16.06	2.91	8.39	8.65
12/98	8.80	16.02	13.96	12.69	15.80	2.90	8.29	8.56

Average Monthly Deposit Rates - Households (%)

Period	Discount rate	Short-term	Medium-term	Long-term	Time deposits	Demand deposits	Demand and time deposits	Total
01/98	8.80	13.90	11.37	4.36	11.53	4.31	10.89	10.11
02/98	8.80	14.34	11.31	4.38	11.82	4.07	11.26	10.33
03/98	8.80	14.44	10.74	4.37	11.76	4.03	11.45	10.32
04/98	8.80	14.67	11.32	3.93	12.01	4.06	11.66	10.52
05/98	8.80	14.80	11.32	3.94	12.13	4.08	11.80	10.63
06/98	8.80	14.38	11.33	3.94	11.90	4.04	11.52	10.45
07/98	8.80	13.97	10.65	3.95	11.52	4.12	11.25	10.14
08/98	8.80	13.92	10.65	3.95	11.49	4.07	11.22	10.11
09/98	8.80	14.41	10.63	4.37	11.80	4.17	11.60	10.39
10/98	8.80	16.55	10.72	4.37	13.21	4.21	13.45	11.67
11/98	8.80	16.21	10.70	4.36	13.01	4.20	13.24	11.52
12/98	8.80	15.56	11.32	4.24	12.63	4.17	12.77	11.24

Assets of Commercial Banks (banks and branches of foreign banks in total) (\$k millions)

ASSETS	1998												
	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
Cash items	12,827.8	11,398.2	11,140.9	10,756.1	10,731.9	10,906.5	11,076.6	10,561.5	11,170.2	11,779.3	12,759.3	11,269.2	12,446.8
Cash	12,798.4	10,374.3	10,062.8	9,967.6	10,066.4	10,255.2	10,287.3	10,022.5	10,388.8	10,856.2	12,018.9	10,634.4	12,405.4
Gold	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other cash items	29.4	1,023.3	1,078.0	788.5	665.5	651.3	789.3	539.0	781.5	923.1	740.4	634.8	41.4
Accounts of issuing banks and postal checking accounts	3,121.8	-1,915.9	-1,672.1	-2,859.9	-390.4	-1,647.7	3,281.4	2,114.2	1,808.4	2,015.4	1,542.1	2,019.4	1,943.5
Money reserve accounts with the NBS	37,419.8	38,835.9	40,185.2	35,640.8	36,809.8	38,537.6	37,868.3	38,630.3	45,312.1	44,737.1	38,536.9	38,211.5	32,405.7
Accounts of other banks	172,099.1	198,981.4	201,978.4	193,030.4	207,102.2	210,800.0	205,891.1	217,184.6	239,656.9	211,588.1	199,850.0	191,869.9	182,932.1
Current accounts with other banks	6,847.2	6,533.4	5,791.9	6,191.7	5,875.9	6,748.5	7,067.3	5,835.6	8,333.5	6,410.6	6,673.1	6,872.9	8,121.4
Credits provided	5,076.7	5,754.3	5,368.4	5,346.7	6,000.9	5,887.4	12,840.1	10,431.2	11,611.7	23,128.1	9,631.2	15,788.6	12,555.4
Time deposits with other banks	160,019.9	182,204.7	186,741.4	176,644.3	192,572.9	194,216.0	183,649.3	200,344.8	216,454.1	181,127.6	183,029.1	168,393.5	161,770.6
Current accounts of other banks	80.0	113.9	119.9	831.8	92.3	69.5	416.5	161.4	1,621.3	650.3	41.2	124.7	96.1
Transfer of funds between banks	0.0	4,299.2	3,881.7	3,941.5	2,485.4	3,803.4	1,842.2	335.8	1,471.9	189.3	392.9	606.8	0.0
Classified claims on banks	75.3	75.8	75.0	74.3	74.8	75.3	75.7	75.8	164.4	82.2	82.5	83.3	388.5
of which: short-term claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	87.2	1.7	0.0	0.0	302.8
interest on non-performing loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on securities and other items	402.1	1,211.8	819.4	595.7	317.3	312.6	77.1	76.6	1,097.5	1,423.5	1,844.4	2,386.9	2,351.8
Treasury bills (T/B) purchased	40,400.0	36,295.0	40,316.0	41,072.0	33,459.0	28,995.0	22,673.0	6,755.0	6,623.0	0.0	5,300.0	8,832.0	19,764.0
Short-term T/Bs purchased and other similar items	1,538.0	1,178.0	2,410.0	3,607.0	531.0	4,929.0	6,251.0	18,959.0	7,116.0	665.0	3,206.0	1,533.0	0.0
Standard credits to customers	166,987.5	169,486.7	172,649.8	171,363.5	171,851.1	172,059.0	174,131.0	173,542.4	174,063.5	168,003.5	174,240.7	175,676.7	166,770.4
Credits for commercial claims	17,009.0	17,072.9	17,291.2	17,354.4	17,754.8	18,394.7	18,050.4	17,054.4	16,133.5	16,380.1	17,857.7	16,378.1	15,460.5
Short-term credits	57,107.3	60,195.8	61,147.6	61,290.6	63,445.6	63,487.0	66,315.2	67,353.9	67,500.3	62,347.2	67,615.1	69,978.2	67,581.2
Medium-term credits	49,233.8	47,790.2	49,021.7	47,831.9	47,654.1	47,733.2	47,222.0	47,255.5	48,051.3	46,728.6	46,158.0	45,966.4	44,444.2
Long-term credits	43,637.5	44,427.8	45,189.3	44,886.6	42,996.5	42,444.1	42,543.4	41,878.7	42,378.3	42,547.6	42,609.8	43,353.9	39,284.5
Other claims on customers	1,365.8	1,313.7	2,762.5	1,348.9	706.5	965.0	1,226.9	1,881.6	2,079.6	2,491.3	2,430.7	10,828.8	7,240.0
Current accounts - debit balances, overdrafts	23,665.2	19,817.7	18,892.3	20,312.3	20,369.5	19,248.5	18,792.2	17,701.3	18,971.2	27,896.2	17,921.2	17,537.8	18,186.4
Standard claims with reserve (customers)	67,738.2	69,453.4	69,063.9	69,695.1	57,901.9	59,144.1	58,130.5	58,707.1	57,209.6	56,651.7	57,338.5	56,873.3	63,029.8
Classified claims (customers)	84,543.8	84,889.1	86,390.2	89,219.5	88,590.3	89,062.8	91,265.3	93,387.0	95,225.5	97,307.6	100,932.9	102,778.8	105,646.6
of which: interest on non-performing loans	7,478.4	7,496.2	8,163.5	8,840.3	7,172.0	7,271.1	7,862.8	8,032.0	8,191.3	8,322.0	8,551.5	9,062.0	8,585.1
Sub-standard claims	7,362.4	7,650.7	8,034.0	8,604.1	8,690.5	8,721.4	8,074.3	8,698.7	9,300.4	8,406.0	10,559.1	12,004.5	12,659.1
Doubtful and controversial debts	8,391.8	7,902.2	7,968.3	8,304.1	7,804.8	8,064.9	9,127.7	8,844.5	8,783.7	10,020.3	11,091.6	9,637.7	8,830.1
Loss-making debts	68,789.6	69,336.2	70,387.8	72,311.3	72,095.1	72,276.5	74,063.3	75,843.9	77,141.4	78,881.3	79,282.2	81,136.5	84,157.4
Accounts of publ. authorities, local gov., State funds and other funds	7,645.8	7,585.3	7,497.2	7,349.1	7,298.2	7,306.0	7,655.3	7,673.5	7,966.6	8,220.9	8,316.5	8,268.3	8,250.5
Claims on public authorities of the SR	0.0	16.7	0.0	0.0	6.6	0.0	0.6	0.5	0.4	0.4	0.5	0.3	0.2
Claims on social insurance funds	21.3	11.5	11.6	12.4	12.0	0.6	19.3	19.3	169.3	260.6	245.2	216.8	150.0
Claims on local governments	3,275.7	3,228.6	3,265.0	3,181.5	3,183.6	3,249.4	3,278.5	3,301.0	3,458.7	3,545.6	3,678.6	3,748.1	3,883.4
Claims on other funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on State funds	4,348.9	4,328.5	4,220.6	4,155.2	4,096.0	4,056.0	4,356.9	4,352.8	4,338.2	4,414.3	4,392.3	4,303.1	4,216.9
Stock	286.1	280.8	280.0	287.6	299.6	293.8	306.3	250.8	267.5	262.8	250.9	246.3	390.7
Claims and obligations from collections of money	913.2	1,034.7	901.5	992.6	919.1	958.1	837.3	930.9	1,001.9	391.2	466.3	500.2	360.7
Branches and representative offices	0.0	0.5	0.4	0.4	202.1	21.4	148.2	103.0	72.4	64.0	48.9	52.6	0.0
Claims, savings and other suspense accounts	20,553.2	22,473.4	22,133.5	21,102.9	22,095.9	23,386.0	23,361.6	23,266.4	24,337.1	24,298.9	25,566.3	25,109.4	22,814.9
Claims and liabilities on own issues of securities	1,119.1	882.6	880.3	878.4	957.4	870.1	881.7	197.8	197.8	197.8	201.8	199.8	197.8
Securities for intervention and dealing purposes	387.4	960.4	445.8	2,782.1	365.8	883.8	3,168.0	1,529.9	5,769.8	6,354.6	2,847.9	1,430.9	2,078.1
Securities in portfolio	85,764.6	82,926.9	82,557.5	80,620.1	87,793.0	90,735.2	91,087.3	101,065.8	99,832.7	98,347.2	102,813.1	102,341.4	83,985.0
Investment securities and deposits	16,485.8	18,439.1	21,015.0	23,946.3	23,584.3	25,721.8	26,692.4	26,495.4	24,618.1	24,323.4	22,701.9	21,642.4	37,930.8
Foreign branches	502.0	502.0	515.0	520.5	523.0	517.0	528.5	669.0	637.2	694.8	726.6	717.6	741.0
Tangible fixed assets	24,188.3	23,897.9	23,932.4	24,240.8	24,238.4	24,163.4	24,281.8	24,199.4	24,297.4	24,650.4	24,710.9	24,992.0	25,938.2
Acquisition of fixed assets	4,010.3	4,048.6	4,059.2	3,922.2	3,941.6	3,990.9	3,889.1	4,049.1	4,215.1	4,154.0	4,143.3	4,055.4	2,720.6
Tangible fixed assets leased	30.8	30.4	30.0	29.6	29.2	28.8	28.5	28.1	1.3	1.3	1.1	1.1	1.0
Intangible fixed assets	1,984.7	2,138.6	2,058.0	1,805.0	1,750.8	1,739.5	1,771.1	1,745.7	1,714.8	1,673.1	1,670.6	1,686.8	1,866.9
Special agenda commissioned	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	775,980.4	796,146.0	811,242.3	802,259.0	801,978.7	813,928.2	815,301.3	831,705.4	855,263.3	818,193.0	810,369.0	811,061.1	799,993.1

Liabilities of Commercial Banks (banks and branches of foreign banks in total) (\$k millions)

LIABILITIES	1998												
	1.1.	1	2	3	4	5	6	7	8	9	10	11	12
Accounts of issuing banks and postal checking accounts	51,607.0	55,977.2	60,640.5	62,049.1	60,638.2	60,386.7	59,482.1	57,738.0	57,269.4	56,067.3	57,099.8	60,745.6	61,526.8
Accounts with issuing banks	1,423.8	4,399.8	7,895.0	6,764.4	7,729.1	6,765.1	5,756.7	4,467.2	4,507.0	3,085.0	2,810.0	6,502.9	6,255.9
Credits received from issuing banks	50,183.2	51,577.5	52,745.6	55,284.7	52,909.1	53,621.6	53,725.4	53,270.7	52,762.5	52,982.3	54,289.8	54,242.8	55,270.9
Redistribution loans	30,025.3	29,825.3	29,475.3	29,335.9	29,335.9	29,335.9	29,035.9	28,857.6	28,507.6	28,507.6	28,507.6	28,507.6	28,207.6
Refinancing loans	2,993.4	2,407.3	2,350.9	2,261.9	1,845.5	1,643.9	1,942.4	1,599.8	1,370.3	1,679.1	2,166.1	1,469.1	2,725.5
of which: Lombard loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	327.7	0.0	0.0	0.0
Accounts of other banks	160,991.8	182,463.4	186,249.9	180,034.6	181,008.6	184,796.4	184,184.3	197,301.3	215,786.5	181,945.2	177,863.0	162,024.2	159,931.6
Current accounts with other banks	855.0	566.8	901.5	464.0	937.2	341.2	446.6	495.8	840.7	1,265.6	1,009.0	206.9	369.9
Current accounts of other banks	4,847.1	2,900.6	3,125.1	3,274.6	2,864.9	2,589.1	3,094.1	2,966.3	3,915.7	1,988.3	2,876.0	2,617.4	2,693.2
Credits received	38,185.3	32,276.6	28,129.4	30,063.5	35,073.5	28,645.4	31,981.6	41,782.8	48,604.1	47,038.1	46,121.2	40,637.0	45,983.5
Time deposits of other banks	117,104.4	146,719.3	154,093.9	146,232.6	142,133.0	153,220.8	148,662.0	152,056.4	162,425.9	131,653.2	127,856.8	118,562.9	110,885.0
Liabilities from securities and other items	217.8	1,409.1	1,075.9	953.7	675.4	469.6	490.9	490.2	426.9	426.2	37.4	227.8	191.3
Deposits and credits received from customers	400,435.2	391,845.7	397,633.2	390,720.0	392,694.1	399,304.0	397,674.6	405,810.5	406,991.8	394,694.6	400,694.8	404,701.3	421,271.1
Current accounts of customers	98,123.4	86,245.0	95,929.7	86,952.3	82,790.5	89,319.4	91,626.1	95,255.4	95,510.3	89,490.2	89,264.2	92,890.8	95,536.3
Time deposits of customers	111,195.8	120,351.8	121,235.3	126,802.2	134,534.5	137,348.0	135,453.7	141,332.2	143,671.0	139,202.2	150,006.8	151,504.8	153,694.9
Savings deposits	189,564.9	183,734.6	178,992.8	175,091.0	173,166.6	170,998.3	169,626.8	168,475.4	167,303.8	165,379.9	160,780.3	159,611.1	171,183.8
Savings giro accounts	8,503.4	8,528.4	8,486.8	8,269.8	8,506.7	8,653.5	8,231.0	8,456.7	8,408.7	8,043.0	7,401.0	7,403.8	7,895.2
Demand deposits on passbooks	32,316.7	31,381.8	30,668.0	30,137.2	30,036.3	29,865.7	29,663.1	29,452.1	29,419.3	29,390.9	28,394.5	28,164.7	29,024.3
Other short-term savings deposits	62,350.5	60,263.0	58,501.3	57,037.6	55,833.3	54,909.0	54,600.8	54,017.6	53,566.4	52,792.9	51,160.9	50,223.1	53,645.7
Medium-term savings deposits	54,711.0	51,733.1	49,372.5	47,345.2	46,061.1	44,859.5	44,329.4	43,425.9	42,725.8	41,821.9	40,381.3	39,662.7	42,800.1
Long-term savings deposits	31,683.2	31,828.3	31,964.2	32,301.3	32,729.4	32,710.6	32,802.5	33,123.1	33,183.7	33,331.1	33,442.6	34,156.7	37,818.6
Credits received from customers	1,551.2	1,514.4	1,475.5	1,874.5	2,202.5	1,638.4	968.0	747.6	506.7	622.4	643.5	694.6	856.1
Other liabilities to customers	8,929.6	9,390.9	10,129.1	13,330.6	11,802.8	12,054.9	14,946.6	12,395.3	15,228.4	18,640.6	13,075.8	18,943.7	7,719.2
Certificates of deposits and bills issued	5,217.2	5,142.5	4,899.6	4,846.7	4,623.7	4,279.7	3,905.9	3,846.7	3,900.7	3,915.0	3,678.4	3,589.1	3,968.4
Deposits for special purposes	1,229.6	1,887.5	1,215.2	1,165.8	1,173.5	1,297.9	962.6	982.3	895.7	784.3	783.3	929.4	1,304.2
Accounts of publ. authorities, local gov., State funds and other funds	31,916.9	31,037.5	30,997.2	30,385.6	31,685.9	32,390.0	31,141.5	30,675.6	28,779.2	29,187.1	27,393.8	28,959.9	28,018.1
Deposits of extra-budgetary funds of public authorities	6,115.6	5,209.9	5,007.1	3,416.4	3,731.8	4,216.5	3,570.0	3,724.3	3,753.4	3,539.7	3,513.5	3,701.5	4,081.8
Deposits of social insurance funds	15,152.1	14,785.4	14,530.1	15,653.5	16,187.4	15,185.2	16,812.6	16,325.6	15,448.0	16,381.0	14,728.4	16,500.7	15,083.6
Deposits of local governments	5,754.0	5,290.6	5,907.6	6,355.7	6,427.0	5,878.4	5,918.4	5,906.3	5,617.4	5,472.3	5,342.5	5,159.2	4,765.9
Deposits of other funds	3,767.5	4,597.1	4,060.0	3,368.8	3,419.4	3,100.0	3,079.1	3,098.7	3,133.5	3,071.3	3,131.3	2,996.0	3,552.8
Deposits of State funds	1,127.8	1,154.5	1,492.5	1,591.1	1,920.2	4,009.9	1,761.4	1,620.8	827.0	722.8	678.1	602.5	534.0
Claims and liabilities from collections	373.1	611.4	355.0	404.6	334.9	356.1	288.0	353.4	466.3	384.3	441.0	513.6	430.5
Branches and representative offices	367.8	1,018.0	864.5	955.5	453.6	689.6	746.7	432.4	744.3	523.5	490.8	785.3	610.6
Claims, adjustment and other suspense accounts	19,165.5	17,643.9	17,822.1	18,428.1	18,393.7	19,029.4	18,634.3	19,190.2	21,329.2	22,437.7	23,974.4	24,493.1	14,687.7
Claims and liabilities from own issues of securities	115.9	-47.2	2.6	-114.3	121.0	317.1	370.2	225.0	159.3	128.5	160.9	128.2	154.9
Securities for intervention and dealing purposes	156.1	164.8	159.7	160.8	178.6	150.5	147.2	163.3	1,006.6	2,002.4	1,427.5	541.2	586.8
Marketable securities in portfolio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,387.4	0.0	0.0	0.0
Liabilities from unpaid securities	5.7	5.7	5.7	5.7	5.7	5.7	5.9	32.3	32.3	35.6	32.3	32.3	26.6
Subsidies and funds of similar nature	3,796.4	3,788.9	4,043.1	4,038.4	4,054.3	1,960.4	2,006.0	2,005.7	2,003.3	1,998.9	1,991.9	1,984.9	1,973.0
Bonds issued	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9	13,140.9	13,300.9	13,301.5	13,316.5	11,816.5
Long-term borrowings of special nature	6,945.7	6,948.7	6,980.9	6,988.5	6,924.2	6,882.8	7,041.8	6,909.4	7,093.2	6,971.6	7,042.2	7,315.4	7,396.4
Reserves	34,914.2	34,794.1	36,945.8	36,857.8	35,949.4	36,592.0	38,112.8	38,414.0	38,695.7	38,515.0	38,755.6	39,209.1	39,240.5
Funds allocated from profits	12,399.5	12,373.7	12,423.5	12,424.0	12,745.8	12,944.0	12,968.5	12,974.9	12,960.6	12,954.5	12,948.1	12,939.6	13,017.1
Share capital	26,963.7	27,250.5	27,247.3	27,244.5	27,624.2	27,623.4	29,630.1	29,626.6	29,636.5	29,642.4	29,651.3	29,613.3	30,113.3
Long-term liabilities of foreign banks' branches to head offices	5,055.3	5,075.9	5,087.0	4,588.0	4,592.0	4,576.5	4,316.5	4,364.3	4,194.2	4,317.3	4,406.9	4,433.3	4,511.4
Share premium funds	1,032.6	1,089.1	1,089.1	1,089.1	1,089.1	1,089.0	1,089.0	1,089.0	1,089.0	1,089.0	1,093.3	1,093.3	943.3
Other capital funds	1,108.6	1,108.6	1,108.6	1,108.6	1,108.6	3,208.8	3,208.8	3,208.8	3,210.7	3,210.7	3,210.7	3,211.3	3,224.3
Gains / losses from valuation of property shares	103.6	114.6	114.6	103.6	103.6	103.6	103.6	103.6	103.6	103.7	103.7	103.7	103.8
Own shares issued to reduce share capital	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	0.0	0.0	0.0	0.0	0.0	0.0
Gains / losses from revaluation of share capital	90.2	125.1	109.4	95.4	80.3	68.1	128.7	88.3	156.4	135.4	145.3	334.7	386.3
Retained earnings from previous years (+)	2,314.9	2,372.8	2,314.9	2,473.1	2,514.7	3,809.9	3,818.9	3,810.6	3,809.4	3,810.6	3,676.3	3,676.3	3,351.2
Accumulated losses from previous years (-)	-11,274.0	-11,274.0	-11,274.0	-11,274.0	-13,525.1	-13,679.4	-16,919.9	-16,919.9	-16,919.9	-16,816.9	-16,816.9	-16,816.9	-16,862.7
Profit and loss account (+, -)	2,158.6	905.6	1,526.8	1,905.0	2,076.7	2,417.6	3,380.6	3,184.3	3,004.5	3,445.9	3,617.5	3,943.7	350.9
Profit or loss in process of approval (+, -)	-3,499.2	-218.9	-1,666.0	-1,850.6	-289.7	-2,337.0	295.9	68.4	68.4	-45.8	88.5	88.5	0.0
Total liabilities	775,980.4	796,146.0	811,242.3	802,259.0	801,978.7	813,928.2	815,301.3	831,705.4	855,263.3	818,193.0	810,369.0	811,061.1	799,993.1

**Foreign Exchange Assets and Liabilities of Banks and Branches of Foreign Banks vis-a-vis Abroad
(in convertible currency) (US\$ thousands)**

End-of-month figures	Foreign exchange assets			Foreign exchange liabilities			Foreign exchange position		
	Total	Short-term	Medium- and long-term	Total	Short-term	Medium- and long-term	Total	Short-term	Medium- and long-term
01/98	4,072,880	3,862,737	210,143	3,481,930	2,913,069	568,862	590,950	949,669	-358,719
02/98	4,093,393	3,881,436	211,958	3,405,456	2,712,690	692,766	687,937	1,168,745	-480,808
03/98	4,052,738	3,838,938	213,800	3,390,409	2,726,993	663,416	662,329	1,111,945	-449,616
04/98	4,120,494	3,937,523	182,971	3,528,194	2,861,282	666,911	592,300	1,076,240	-483,940
05/98	3,931,664	3,746,289	185,375	3,298,401	2,628,199	670,202	633,263	1,118,090	-484,827
06/98	3,919,060	3,736,992	182,067	3,343,194	2,687,457	655,737	575,866	1,049,536	-473,669
07/98	4,222,905	4,056,121	166,784	3,570,457	2,890,160	680,296	652,449	1,165,961	-513,512
08/98	4,437,009	4,268,966	168,044	3,790,203	3,118,875	671,328	646,807	1,150,091	-503,284
09/98	3,983,486	3,505,729	477,757	3,237,117	2,541,873	695,244	746,369	963,855	-217,487
10/98	4,239,994	3,839,362	400,631	3,369,916	2,690,005	679,911	870,078	1,149,357	-279,279
11/98	4,075,697	3,823,062	252,634	3,147,584	2,543,606	603,978	928,112	1,279,456	-351,344
12/98	3,403,831	3,141,871	261,960	2,665,579	2,063,205	602,374	738,252	1,078,666	-340,414

**Foreign Exchange Positions of Banks and Branches of Foreign Banks vis-a-vis Abroad
(in convertible currency) (Sk thousands)**

End-of-month figures	Foreign exchange position								
	FX position	Total		FX position	Short-term		FX position	Medium- and long-term	
Assets		Liabilities	Assets		Liabilities	Assets		Liabilities	
01/98	20,844,576	143,662,707	122,818,131	33,497,669	136,250,339	102,752,670	-12,653,093	7,412,368	20,065,461
02/98	24,184,435	143,903,245	119,718,810	41,087,240	136,451,869	95,364,629	-16,902,805	7,451,376	24,354,181
03/98	23,218,597	142,072,776	118,854,179	38,980,344	134,577,812	95,597,468	-15,761,747	7,494,964	23,256,711
04/98	20,539,784	142,890,479	122,350,695	37,321,867	136,545,407	99,223,540	-16,782,083	6,345,072	23,127,155
05/98	21,810,218	135,410,451	113,600,233	38,508,150	129,025,952	90,517,802	-16,697,932	6,384,499	23,082,431
06/98	20,331,535	138,366,326	118,034,791	37,054,903	131,938,255	94,883,352	-16,723,368	6,428,071	23,151,439
07/98	22,557,758	146,002,731	123,444,973	40,311,920	140,236,324	99,924,404	-17,754,162	5,766,407	23,520,569
08/98	22,984,281	157,669,127	134,684,846	40,868,478	151,697,699	110,829,221	-17,884,197	5,971,428	23,855,625
09/98	25,899,738	138,230,945	112,331,207	33,446,748	121,652,293	88,205,545	-7,547,010	16,578,652	24,125,662
10/98	30,503,199	148,645,701	118,142,502	40,294,174	134,600,366	94,306,192	-9,790,975	14,045,335	23,836,310
11/98	33,920,646	148,958,562	115,037,916	46,761,564	139,725,281	92,963,717	-12,840,918	9,233,281	22,074,199
12/98	27,251,108	125,645,618	98,394,510	39,816,812	115,975,890	76,159,078	-12,565,704	9,669,728	22,235,432

Capital Market (Sk millions, thousands of pcs)

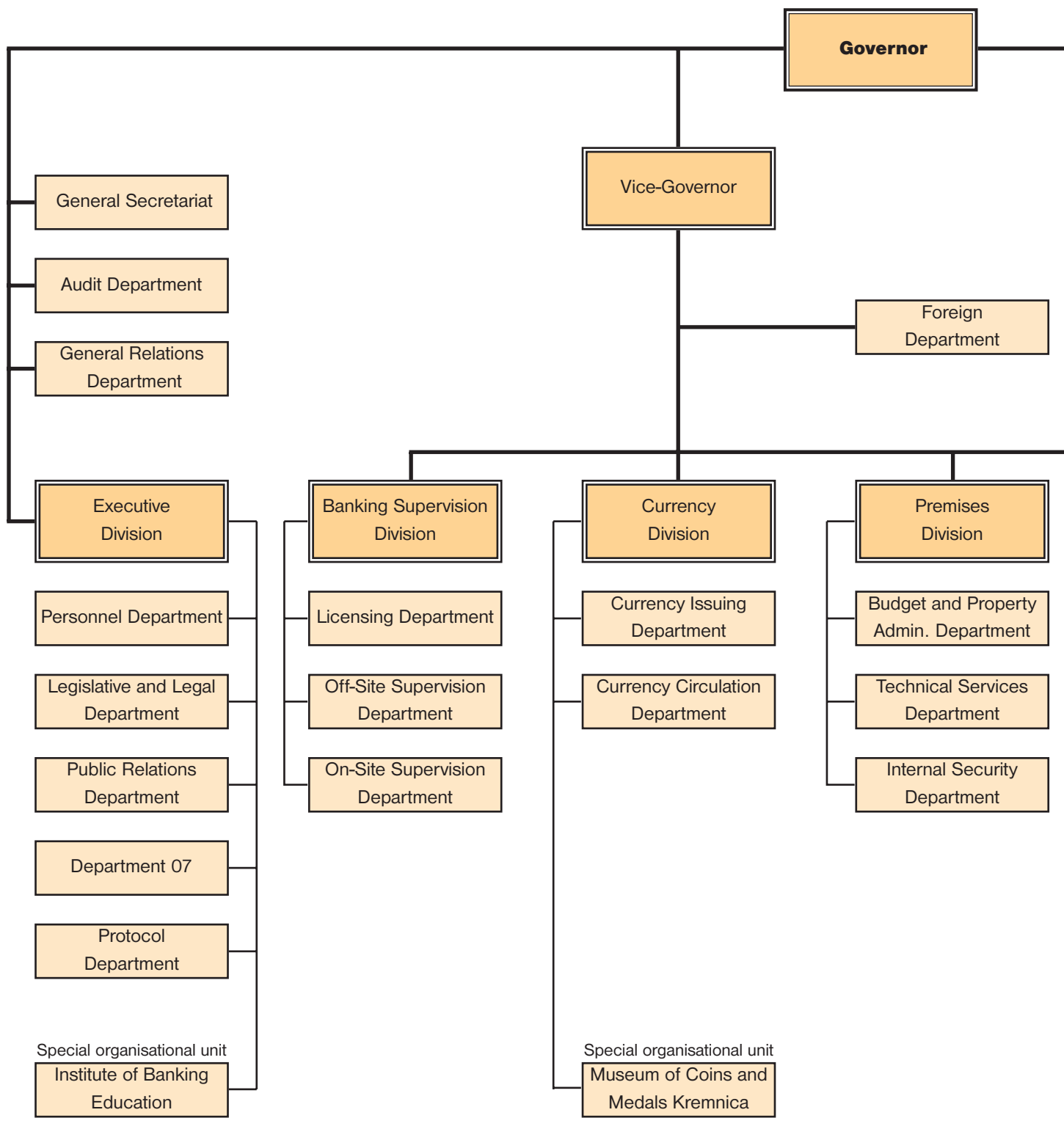
BRATISLAVA STOCK EXCHANGE (BCPB)	1993	1994	1995	1996	1997	1998												
	1 - 12	1 - 12	1 - 12	1 - 12	1 - 12	1	2	3	4	5	6	7	8	9	10	11	12	1 - 12
A. VOLUME OF TRANSACTIONS																		
1. Volume of transactions - total	166.3	6,283.5	40,068.7	114,116.3	164,063.9	8,855.2	16,200.5	45,065.0	15,495.5	13,802.6	18,081.4	17,459.1	24,017.5	55,077.6	22,466.0	29,600.8	32,959.7	299,080.9
a/ Trading on the BCPB floor	37.9	829.4	470.8	15,824.1	5,922.9	296.2	132.1	59.1	150.2	239.3	787.7	2,391.4	1,834.6	8,693.2	1,969.6	3,249.3	2,810.5	22,613.2
b/ Direct transactions	128.4	5,454.1	39,597.9	98,292.2	158,141.0	8,559.0	16,068.4	45,005.9	15,345.3	13,563.3	17,293.7	15,067.7	22,182.9	46,384.4	20,496.4	26,351.5	30,149.2	27,646.7
2. Number of securities sold (thousands of pcs)	115.9	8,598.5	45,158.7	131,235.4	140,220.4	7,656.5	6,397.9	7,811.4	6,205.4	3,473.0	379.8	5,758.3	5,513.5	8,447.9	6,213.8	12,470.3	10,868.4	81,196.4
B. STRUCTURE OF TRANSACTIONS																		
1. Volume of transactions - total	166.3	6,283.5	40,068.7	114,116.3	164,063.9	8,855.2	16,200.5	45,065.0	15,495.5	13,802.6	18,081.4	17,459.1	24,017.5	55,077.6	22,466.0	29,600.8	32,959.7	299,080.9
a/ Market for listed securities	95.7	4,654.4	23,554.7	57,702.8	102,922.1	4,508.8	10,179.0	40,724.4	12,643.9	11,910.1	15,109.2	12,777.7	21,746.9	49,753.9	17,380.6	25,836.1	24,966.9	247,537.5
- shares	18.7	3,838.7	11,487.3	40,238.4	45,398.4	1,517.6	2,285.5	2,251.6	1,816.1	311.1	538.8	309.3	817.2	542.0	400.1	2,954.4	755.1	14,498.8
- bonds	77.0	815.7	12,067.4	17,464.4	57,523.7	2,991.2	7,893.5	38,472.8	10,827.8	11,599.0	14,570.4	12,468.4	20,929.7	49,211.9	16,980.5	22,881.7	24,211.8	233,038.7
b/ Market for unlisted securities	70.7	1,629.1	16,514.0	56,413.5	33,774.5	-	-	-	-	-	-	-	-	-	-	-	-	-
- shares	70.7	1,589.6	13,243.4	42,891.6	21,071.4	-	-	-	-	-	-	-	-	-	-	-	-	-
- bonds	0	39.5	3,270.6	13,521.9	12,703.1	-	-	-	-	-	-	-	-	-	-	-	-	-
c/ Market for registered sec.	-	-	-	-	18,949.5	3,294.8	4,856.0	3,663.8	2,174.6	1,059.4	2,096.8	3,210.3	1,046.3	3,680.4	2,731.3	2,535.9	5,379.5	35,729.1
- shares	-	-	-	-	8,046.6	561.4	499.8	391.2	501.2	325.7	310.6	984.9	286.5	918.8	876.1	353.9	2,433.3	8,443.4
- bonds	-	-	-	-	10,902.9	2,733.4	4,356.2	3,272.6	1,673.4	733.7	1,786.2	2,225.4	759.8	2,761.6	1,855.2	2,182.0	2,946.2	27,285.7
d/ Free market	-	-	-	-	8,417.8	1,051.6	1,165.5	676.8	677.0	833.1	875.4	1,471.1	1,224.3	1,643.3	2,354.1	1,228.8	2,613.3	15,814.3
- shares	-	-	-	-	8,155.1	999.6	951.5	442.1	677.0	833.1	875.4	1,471.1	1,224.3	1,643.3	2,234.8	1,125.6	1,847.6	14,325.4
- bonds	-	-	-	-	262.7	52.0	214.0	234.7	0	0	0	0	0	0	119.3	103.2	765.7	1,488.9

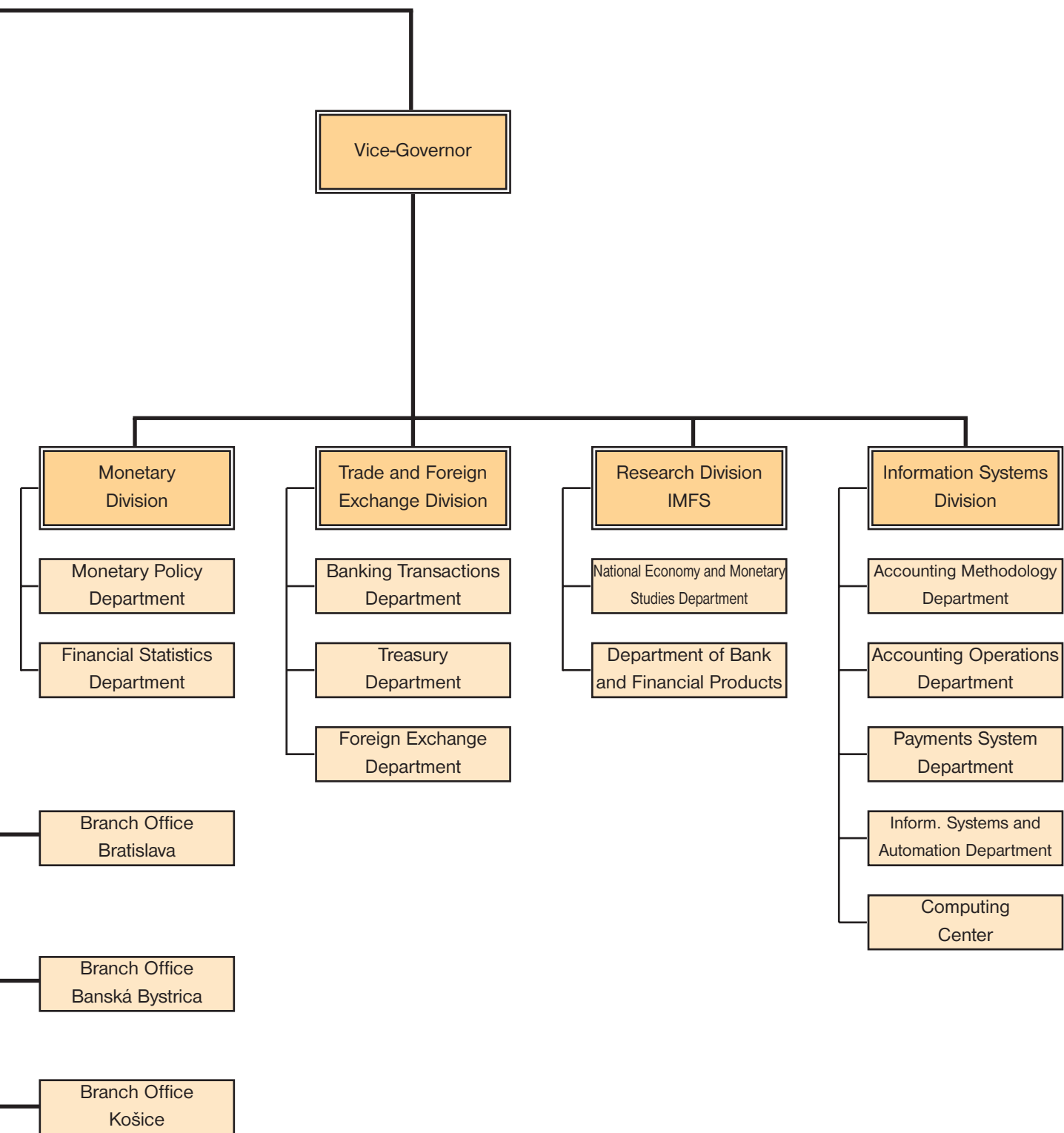
RM - SYSTEM SLOVAKIA BRATISLAVA	1993	1994	1995	1996	1997	1998												
	1 - 12	1 - 12	1 - 12	1 - 12	1 - 12	1	2	3	4	5	6	7	8	9	10	11	12	1 - 12
Volume of transactions - total	43.3	1,970.3	18,051.7	26,550.7	15,984.4	991.7	539.7	403.5	688.8	249.4	561.0	976.2	867.5	235.9	192.8	562.4	587.8	6,856.7
a/ Periodic auctions	43.3	1,581.7	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b/ Regular auctions	0.0	388.6	17,951.7	26,550.7	15,984.4	991.7	539.7	403.5	688.8	249.4	561.0	976.2	867.5	235.9	192.8	562.4	587.8	6,856.7

Note: The BCPB categorisation of markets was changed with effect from 1 August 1997.

Source: BCPB, RM - System Slovakia

Organisation of NBS as at 31 December 1998





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