

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



## 1. ISSUES OF SLOVAK BANKNOTES AND COINS

In 1999, the National Bank of Slovakia put into circulation new issues of Sk 20, Sk 50, Sk 100, Sk 200, Sk 1000 and Sk 5000 banknotes, and arranged the additional minting of 10 and 20-halier coins in accordance with the needs of currency circulation. The new Sk 200, Sk 1000, and Sk 5000 banknotes (series 1999) contain several new security features designed to increase the degree of protection against forgery in line with the world-wide trend and to ensure that the notes may be more easily distinguished in everyday circulation. The banknotes were produced at three different printing works abroad: BA Banknote, Giesecke & Devrient, and De La Rue. In December 1999, the NBS also released into circulation a limited number of banknotes in all denominations, with a metallic foil in the coupon and a design, format, and text commemorating the end of the second millennium.

In addition to coinage, the NBS issued six commemorative coins, including two gold and

four silver. All the coins (standard and commemorative) were struck at the Kremnica State Mint.

### 1.1. Currency in Circulation

There were no substantial disruptions in currency circulation in 1999, except for December, when the volume of currency in circulation increased in connection with the transition to the year 2000. There were no noteworthy changes in the structure of currency in circulation as to individual nominal values of banknotes and coins, in comparison with the previous year.

At 31 December 1999, the volume of currency in circulation stood at Sk 67.8 billion (including commemorative coins issued in 1993). In total, 111.4 million banknotes, 779.1 million standard coins, and 577.8 thousand commemorative coins were in circulation. In comparison with 1998, the total value of currency in circulation increased by Sk 9.4 billion (16.1%). The number of banknotes and coins in circulation increased by 82.6 million items (10.2%).

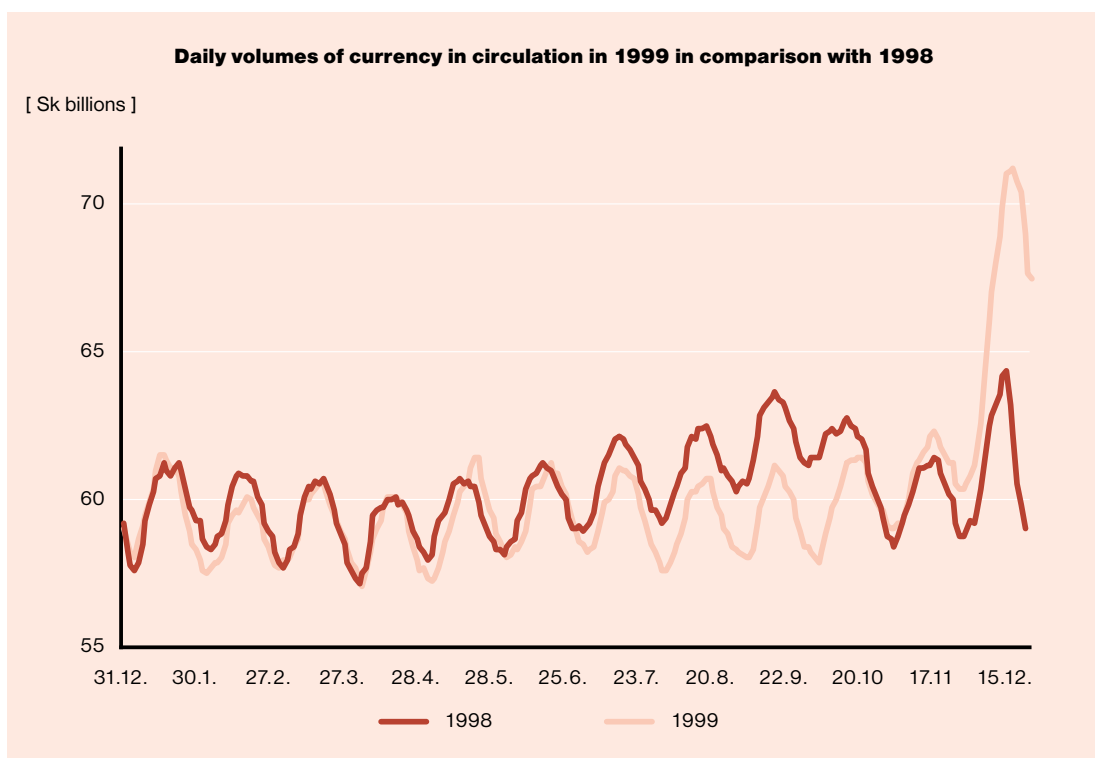
#### Commemorative coins issued by the NBS in 1999

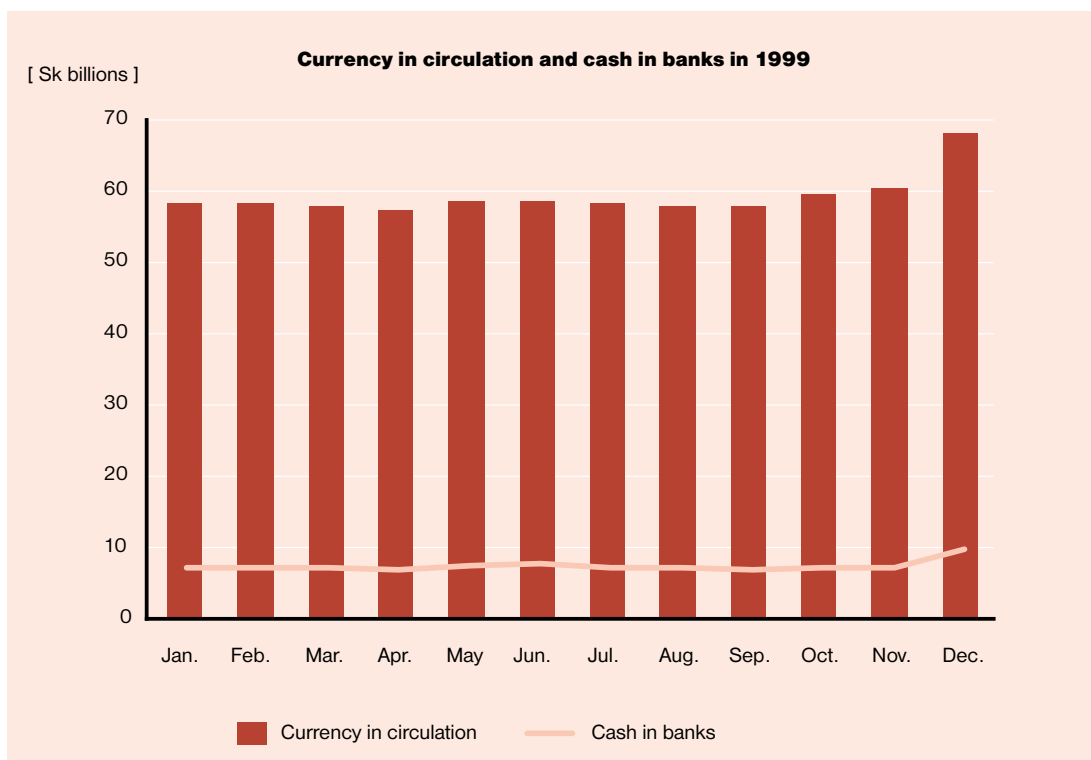
Nominal value	Event commemorated	Number of coins issued		NBS Decree No.
		Total	Thereof: PROOF	
CSC Sk 200	150th anniversary of the birth of Pavol Országh Hviezdoslav	14,100	1,400	124/1999 Z.z.
CSC Sk 500	Minting of the first thaler coins in Kremnica, 500th anniversary	13,800	1,400	158/1999 Z.z.
CSC Sk 200	Foundation of the Slovak Philharmonia, 50th anniversary	14,100	1,400	189/1999 Z.z.
CGC Sk 5000	Minting of the first thaler coins in Kremnica, 500th anniversary	5,500	5,500	224/1999 Z.z.
CGC Sk 10000	Commemorative coin for the year 2000 – millennium	3,500	3,500	329/1999 Z.z.
CGC Sk 2000	Commemorative coin for the year 2000 – millennium	2,000	2,000	330/1999 Z.z.

Explanations: CSC – commemorative silver coin  
CGC – commemorative gold coin



The development of currency circulation during 1999 was steady, without marked fluctuations, except for December (an increase of Sk 7.8 billion at the end of the month), when the maximum volume of currency in circulation was reached (Sk 71.9 billion on 22 December 1999).





The development of currency in circulation in December was affected mainly by a seasonal increase during the period before Christmas and by increased cash withdrawals from banks in expectation of problems with computer software in connection with the transition to the year 2000.

Daily development of the total value of currency in circulation during the first half of 1999 was virtually identical to that in 1997. During the second half of the year, there were no marked changes (the volume of currency fluctuated between Sk 57 and 62 billion); the volume of currency was below the level of 1998. In December 1999, the volume of currency showed a marked increase.

The cumulative monthly volume of currency issue reached a maximum of Sk 11.9 billion in December, which is almost twice the cumulative value of growth in currency in comparison with the same period a year earlier.

Of the total volume of currency in circulation, vault cash in commercial banks, which is

a component of currency, accounted for 13.3% on average in 1999 (measured at ends of months), which was comparable with the figure reached in 1998 (13.6%). From January to November, the volume fluctuated between 12.5 and 13.0% of the total volume of currency. In December, the share of vault cash in banks increased to 15%, due to the expectedly high withdrawals of cash by customers towards the end of the year.

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

In 1999, the number of banknotes and coins in circulation increased by 82.6 million items. This increase was mainly due to the number of standard coins, which increased by almost 74.3 million. As a result, the share of standard coins in the total volume of money in circulation increased slightly and reached 87.4%. The number of banknotes in circulation increased by only 8.3 million, which represented a decrease in the share of banknotes in the total volume of

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

<b>Nominal value</b>	<b>Volume at 31.12.1998</b>	<b>Volume at 31.12.1999</b>	<b>Share in % at 31.12.1998</b>	<b>Share in % at 31.12.1999</b>
Banknotes	103.10	111.44	12.75	12.50
Sk 5000	3.63	4.70	0.45	0.53
Sk 1000	30.44	33.54	3.76	3.76
Sk 500	8.13	9.09	1.01	1.02
Sk 200	4.71	5.94	0.58	0.67
Sk 100	24.03	23.89	2.97	2.68
Sk 50	10.84	11.45	1.34	1.28
Sk 20	21.33	22.83	2.64	2.56
Coins	704.83	779.08	87.18	87.43
Sk 10	56.80	59.12	7.03	6.64
Sk 5	37.45	40.01	4.63	4.49
Sk 2	62.34	68.45	7.71	7.68
Sk 1	88.54	94.46	10.95	10.60
Sk 0.50	51.47	51.25	6.37	5.75
Sk 0.50 II	34.66	44.76	4.29	5.02
Sk 0.20	173.78	194.47	21.49	21.82
Sk 0.10	199.80	226.56	24.71	25.43
Commemorative coins	0.55	0.58	0.07	0.07
Total	808.48	891.10	100.00	100.00

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

<b>Nominal value</b>	<b>Volume at 31.12.1998</b>	<b>Volume at 31.12.1999</b>	<b>Share in % at 31.12.1998</b>	<b>Share in % at 31.12.1999</b>
Banknotes	56,944.64	66,203.53	97.50	97.64
Sk 5000	18,131.54	23,511.42	31.05	34.68
Sk 1000	30,435.86	33,542.14	52.11	49.47
Sk 500	4,063.71	4,543.60	6.96	6.70
Sk 200	941.79	1,188.92	1.61	1.75
Sk 100	2,403.16	2,388.60	4.11	3.52
Sk 50	541.95	572.32	0.93	0.85
Sk 20	426.63	456.53	0.73	0.67
Coins	1,066.22	1,132.18	1.83	1.67
Sk 10	567.96	591.24	0.97	0.87
Sk 5	187.24	200.03	0.32	0.30
Sk 2	124.67	136.89	0.21	0.20
Sk 1	88.54	94.46	0.15	0.14
Sk 0.50	25.74	25.63	0.04	0.04
Sk 0.50 II	17.33	22.38	0.03	0.03
Sk 0.20	34.76	38.89	0.06	0.06
Sk 0.10	19.98	22.66	0.03	0.03
Commemorative coins	391.57	462.98	0.67	0.69
Total	58,402.43	67,798.69	100.00	100.00

currency in circulation (to 12.5%) with regard to the level reached in the volume of standard coins in circulation.

Of the total increase in the value of currency in circulation (Sk 9.4 billion), the value of banknotes in circulation accounted for Sk 9.3 billion. With regard to the structure of money in circulation, the most significant increase was recorded in the value of banknotes of the highest denomination (Sk 5.4 billion). The value of notes in circulation increased by Sk 66 million, due to an increase in the number of coins of all denominations.

At 31 December 1999, the total value of currency in circulation per capita including commemorative coins amounted to Sk 12,555, whereof banknotes represented Sk 12,260, standard coins Sk 210, and commemorative coins Sk 73, per capita. The total value of currency in circulation per capita increased by Sk 1,726 in comparison with 1998. The per capita number of banknotes was 21 (compared with 19 in 1998). The most frequent denominations were Sk 1000 and Sk 100. The number of standard coins per capita increased by

almost 14 and reached 144 items with the largest share of 20-halier and 10-halier coins.

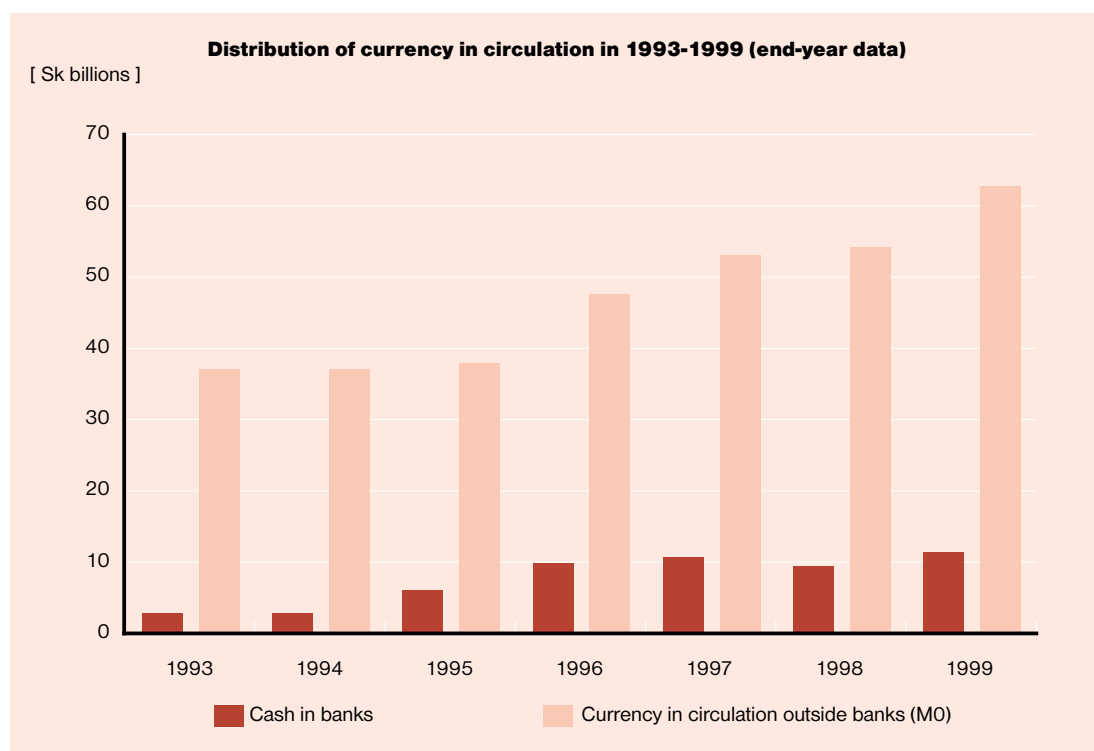
The average value of currency in circulation increased by Sk 3.9, since the increase in the average value of banknotes (Sk 41.8) virtually offset the increase in the share of smaller nominal value coins in circulation. A comparison with 1998 is given in the following table.

#### Average value of currency in circulation (Sk)

Currency in circulation	1998	1999	Difference
Total including commemorative coins	72.2	76.1	+3.9
Banknotes	552.3	594.1	+41.8
Standard coins	1.5	1.4	-0.1

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

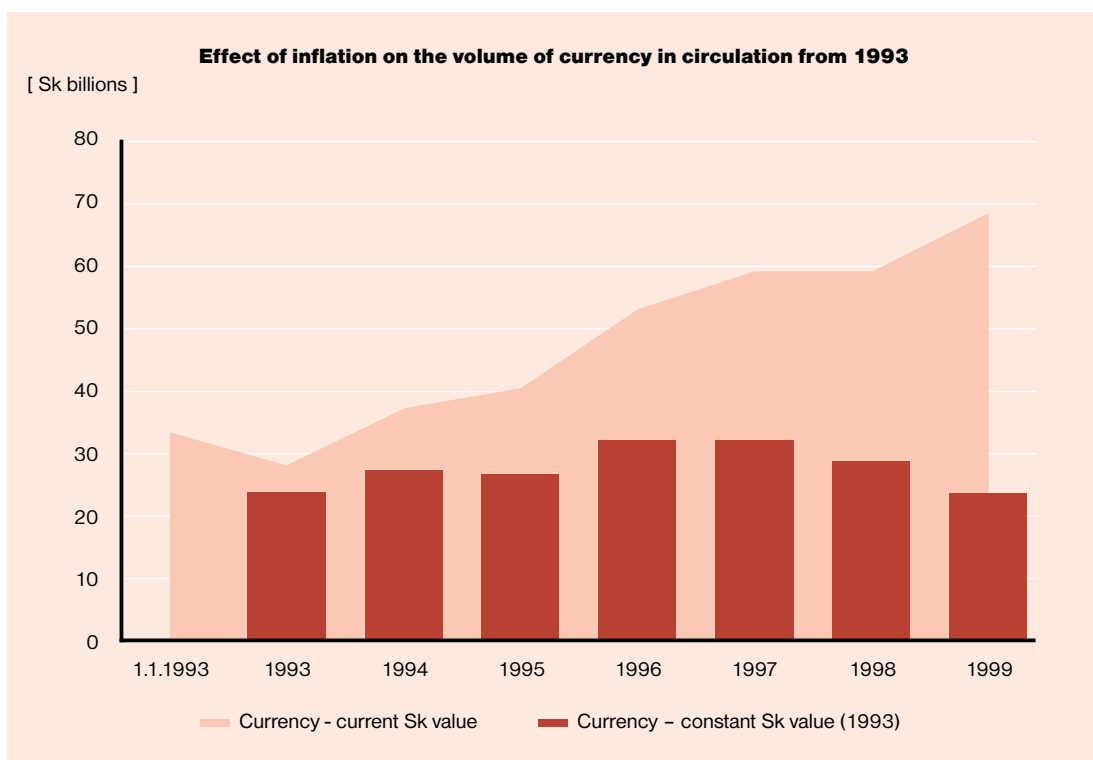
The comparison of money in circulation with selected macroeconomic variables is of





importance for the evaluation of the level of cash and/or cash free payments and the values of some macroeconomic variables, whose effect on money circulation is considered significant.

After a period of growth in 1996, the share of currency-in-circulation in banks remained stagnant and/or decreased until 1998. In 1999, the volume of vault cash increased by



Sk 1.8 billion, to Sk 10.4 billion, due to fears of problems with the transition to the year 2000. The volume of currency in circulation outside banks shows a tendency to grow. In 1999, the volume of cash outside bank vaults amounted to Sk 57.4 billion.

From the macroeconomic point of view, the share of M0 in the M1 aggregate is interesting for the purposes of international comparison, as is also the proportion of M0 to gross domestic product (GDP). The relatively high share of M0 in the M1 aggregate (20-38%) in the years 1993 to 1999, indicates a lower proportion of non-cash transactions in Slovakia compared with countries of the European Union. The high value of this proportion in 1999 was due mainly to expectations of problems in non-cash payments during the period of transition to the year 2000.

The proportion of M0 to the GDP during the period from 1993 to 1999 remained almost unchanged at 7 to 9%, which is typical for countries of the European Union, where this indicator is at the level of 3-10%.

Currency in circulation in current Sk has increased steadily since 1993. The volume of currency in circulation based on constant Sk value from 1993 (adjusted for inflation from 1993) has been on the decrease since 1997, which indicates that the value of real money in circulation has been falling. Due to the relatively high level of annual inflation (14.2% in 1999), the

volume of currency in circulation at constant 1999 prices fell below the level of 1993.

## 2. COUNTERFEIT MONEY SEIZED IN THE SLOVAK REPUBLIC

### 2.1. Main Trends

In 1999, 2,353 items of counterfeit Slovak-crown and foreign-currency banknotes and coins were seized in Slovakia, i.e. 40% more than in 1998.

The number of Sk counterfeits continued to increase and the structure of foreign-currency counterfeits changed in comparison with the previous year. Most counterfeits were seized directly in currency circulation by the employees of commercial banks, non-bank exchange offices, and the Police.

### 2.2. Slovak Currency Counterfeits

In 1999, 844 items of counterfeit Slovak currency were seized in the Slovak Republic. The highest number was recorded in the Trnava region, where 430 counterfeit banknotes were seized in 50 separate instances.

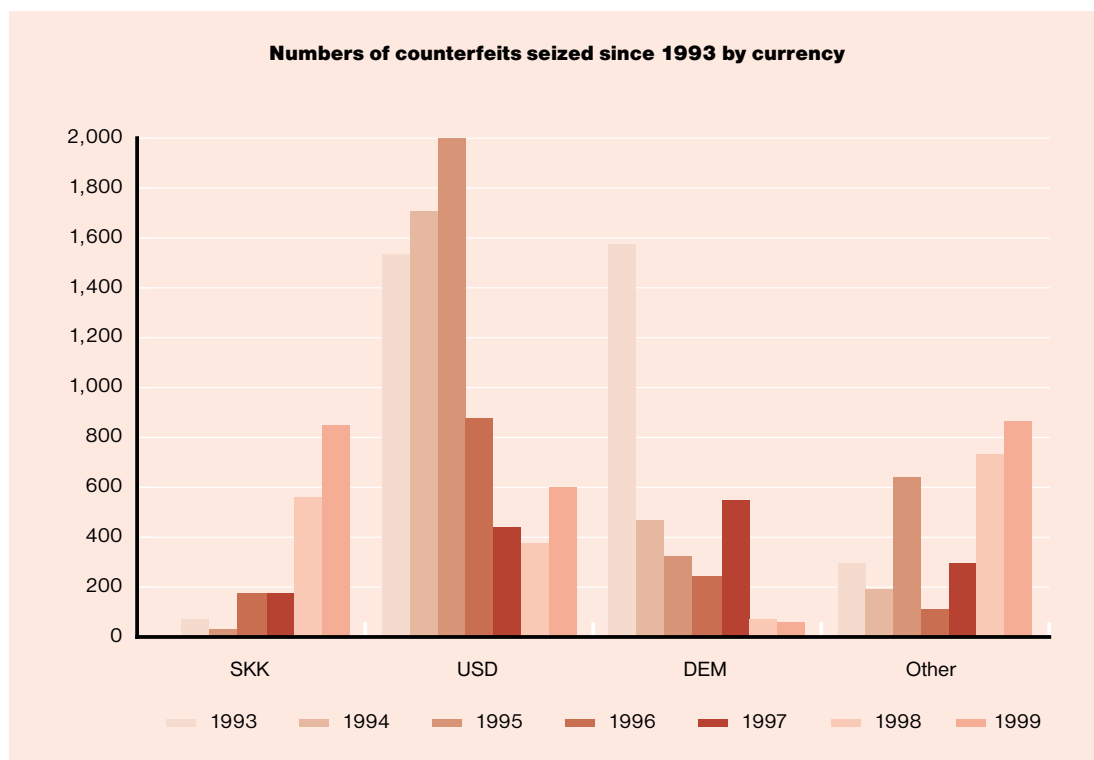
**Number of counterfeits seized from 1993 to 1999 (in pcs)**

Year	SKK	USD	DEM	Other	Total
1993	0 <sup>1/</sup>	1,540	1,579	294	3,413
1994	71	1,709	463	201 <sup>2/</sup>	2,444
1995	27	1,998	311	632	2,968
1996	173	879	237	107	1,396
1997	178	431	543	285 <sup>2/</sup>	1,437
1998	556	364	70	729 <sup>2/</sup>	1,719
1999	844	590	56	863	2,353

*1/ Statistics from 1993 do not cover counterfeits of stamped banknotes.*

*2/ Statistics from 1994, 1997, and 1998 do not cover counterfeits seized by the police before introduction into circulation (19,968 pieces in total).*





In comparison with the previous year, the number of seized counterfeit Slovak currency banknotes increased more than 1.5 times, with the most frequently forged notes being Sk 1000 and

Sk 100 banknotes. In most cases, the counterfeit notes were of poor quality, in the danger degree '4' and '5' categories, without any simulated security features.

**Number of Sk counterfeits seized in 1994-1999 (in pcs)**

Nominal value	5000	1000	500	200	100	50	20	10	5	A <sup>1/</sup>	Total	Value (Sk)
<b>1994</b>		3	5	0	1	2	0	60	0	0	71	6,300
<b>1995</b>	-	18	3	0	3	3	0	0	0	0	27	19,950
<b>1996</b>	4	98	40	1	26	3	0	0	1	0	173	140,955
<b>1997</b>	5	108	39	0	19	0	2	5	0	0	178	154,490
<b>1998</b>	26	439	20	16	32	13	10	0	0	0	556	586,250
<b>1999</b>	13	649	47	4	108	17	5	0	0	1	844	752,050
<b>Total</b>	48	1,315	154	21	189	38	17	65	1	1	1,849	1,659,995

1/ Counterfeit with a nominal value altered from Sk 200 to Sk 2000.

**Structure of seized Sk counterfeits by degree of danger**

Degree	1		2		3		4		5		N <sup>1/</sup>		Total	
of danger	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1994</b>	0	0	0	0	0	0	6	54.5	5	45.5	0	0	11	100
<b>1995</b>	0	0	0	0	3	11.1	3	11.1	21	77.8	0	0	27	100
<b>1996</b>	0	0	0	0	1	0.4	161	62.4	11	4.3	85	32.9	258	100
<b>1997</b>	0	0	0	0	2	0.6	162	46.7	14	4.0	169	48.7	347	100
<b>1998</b>	0	0	0	0	0	0	477	85.8	79	14.2	0	0	556	100
<b>1999</b>	0	0	0	0	6	0.7	808	95.7	29	3.5	1	0.1	844	100

1/ Not included in danger degree categories are imitations of standard Slovak coins with parameters similar to genuine coins which were used in gambling machines, and altered counterfeits.

Most counterfeit Slovak banknotes (550 pcs) were seized by the Police. Of the local financial institutions, Všeobecná úverová banka (VÚB) seized 155, Slovenská sporiteľňa 36, and Tatra banka 34 counterfeit banknotes.

### 2.3. Foreign Currency Counterfeits

In 1999, a total of 590 counterfeit US dollar notes were seized in Slovakia and 919 counterfeit banknotes in other foreign currencies. Financial institutions and non-bank exchange offices seized 654 and the Police seized 855 counterfeits in the equivalent of Sk 5,440,314. Most counterfeits were seized in the Bratislava region.

During the period under review, the number of forged and modified US dollar notes increased by 62.1% compared with 1998. The most frequently forged banknotes were US\$ 100 notes (of the old as well as the new series).

In 1999, 38 extremely dangerous counterfeit US\$ 100 notes (so-called superdollars) were

seized in Slovakia. They were grouped into seven categories, with negligible differences according to relevant banking standards. Of the new series of US dollar notes, three denominations are in circulation (100, 50, and 20-dollar banknotes) with new security features, protecting the US currency against forgery by using modern copying techniques. Despite the increased degree of protection, the NBS seized 102 counterfeit 100-dollar notes of the 1996 series, included in the danger degree '3' category – good-quality counterfeits, and 253 counterfeits in the danger degree '5' category – poor-quality counterfeits.

In comparison with the previous year, the structure of counterfeits of other currencies changed in 1999. The number of counterfeit DEM notes decreased by 20.0%, FRF notes by 93.8%, and ITL notes by 28.5%. On the other hand, the number of seized counterfeit ATS and CZK notes increased 63 and 20 times respectively.

#### Number of US\$ counterfeits seized in 1994-1999 (in pcs)

Nominal value	1	5	10	20	50	100	Altered	Total	Value in Sk
<b>1994</b>	2	1	1	118	73	1,499	15	1,709	4,899,918.20
<b>1995</b>	2	1	3	146	69	1,768	9	1,998	5,434,989.20
<b>1996</b>	0	0	5	24	73	719	58	879	2,518,748.10
<b>1997</b>	0	0	1	20	30	346	34	431	1,283,908.50
<b>1998</b>	2	0	0	14	10	318	20	364	1,199,401.00
<b>1999</b>	1	0	2	5	22	550	10	590	2,367,378.00
<b>Total</b>	7	2	12	327	277	5,200	146	5,971	17,704,343.00

#### Structure of seized US\$ counterfeits by degree of danger

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1994</b>	116	6.8	49	2.9	1,424	83.3	100	5.8	5	0.3	15	0.9	1,709	100
<b>1995</b>	95	4.7	25	1.2	1,857	93.1	10	0.5	2	0.1	9	0.4	1,998	100
<b>1996</b>	91	10.4	8	0.9	704	80.1	17	1.9	1	0.1	58	6.6	879	100
<b>1997</b>	73	17.0	5	1.2	301	69.8	17	3.9	1	0.2	34	7.9	431	100
<b>1998</b>	39	10.7	3	0.8	281	77.2	18	5.0	3	0.8	20	5.5	364	100
<b>1999</b>	38	6.4	0	0	278	47.1	7	1.2	256	43.4	11	1.9	590	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.

**Number of counterfeit of other currencies seized in 1994-1999 (in pcs)**

Currency	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other currencies	Total	Value in Sk
<b>1994</b>	463	110	48	6	12	0	1,074	25	1,738	2,020,377.60
<b>1995</b>	311	60	32	18	1	447	73	1	943	1,648,431.40
<b>1996</b>	237	66	22	8	1	9	0	1	344	914,937.60
<b>1997</b>	543	99	101	16	7,731	22	5,211	8	13,731	26,608,951.70
<b>1998</b>	70	460	226	16	5	9	5,991	13	6,790	6,300,277.00
<b>1999</b>	56	329	14	13	315	186	0	6	919	3,072,936.00
<b>Total</b>	1,680	1,124	443	77	8,065	673	12,349	54	24,465	40,565,911.30

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

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Spolu	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1994</b>	0	0	9	0.5	1,711	98.4	1	0.1	0	0	17	1.0	1,738	100
<b>1995</b>	0	0	14	1.5	921	97.7	1	0.1	2	0.2	5	0.5	943	100
<b>1996</b>	3	0.9	13	3.8	321	93.3	3	0.9	0	0	4	1.1	344	100
<b>1997</b>	6	0.1	502	3.6	13,199	96.1	11	0.1	12	0.1	1	0	13,731	100
<b>1998</b>	0	0	450	6.6	6,319	93.1	16	0.2	4	0.1	1	0	6,790	100
<b>1999</b>	1	0.1	351	38.2	234	25.5	327	35.6	4	0.4	2	0.2	919	100

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

**Structure of counterfeit seized since 1999 by currency**

