

D. ISSUING ACTIVITY OF THE NBS AND CURRENCY IN CIRCULATION



1. THE ISSUE OF SLOVAK CURRENCY

In 2002, the National Bank of Slovakia ensured the reprinting of a total number of 102.6 million banknotes in the values of 50 Sk, 200 Sk and 1000 Sk, in harmony with the needs of currency circulation. The 50 Sk banknotes were printed in the Canadian printing works BA Banknote, the subsidiary of the German printer of securities Giesecke & Devrient, the 200 Sk banknotes by the French printing company François-Charles Oberthur Fiduciaire, and the 1000 Sk banknotes by the British printer of securities De La Rue Currency. Apart from them, banknotes with the values of 20 Sk and 100 Sk, printed on the basis of contracts agreed in 2001, were delivered from the safekeeping of foreign printers of securities.

Also in 2002, 107.3 million coins in the values of 10 haliers, 20 haliers, 50 haliers, 1 Sk and 2 Sk were minted. Apart from the banknotes and coins intended for cash circulation, the National Bank of Slovakia issued 15,000 sets of coins dated 2002 for collectors. The first series, with the motif of Bojnice Castle, was issued in the number of 11,000, while the remaining 4,000, creating the second series, were devoted to Slovak national ice hockey team winning the world championship. The National Bank of Slovakia issued three commemorative coins in 2002. Two were struck from silver, and the third, from two metals – gold and palladium – was

devoted to the tenth anniversary of the origin of the Slovak Republic. Apart from these coins, commemorative silver coins with a face value of 200 Sk, for the centenary of the birth of Imrich Karvaš, and 1000 Sk, for the tenth anniversary of the origin of the Slovak Republic, produced in advance of the 2003 issue plan, were delivered to the NBS by the end of 2002. The Kremnica Mint produced all the circulation and commemorative coins.

1.1. Currency in circulation

On 31 December 2002, the amount of currency in circulation, including cash in vaults of the NBS, was Sk 94.2 billion. In comparison with the same period of the previous year, the value of currency in circulation increased by Sk 2.7 billion, that is 2.9% during 2002. This was the lowest increase of currency in circulation since the origin of the Slovak currency, with the exception of 1998, when there was a decline of 0.24%. The amount of currency in circulation at the end of individual months showed an even development with a typical decline in January and seasonal increase before Christmas.

The development of the daily level of currency in circulation showed little variation throughout the year. Currency in circulation reached its maximum level of Sk 99.9 billion on 20th December 2002.

Commemorative coins issued by the NBS in 2002

Face value	Event commemorated by the coin	Number of coins issued		Decree of the NBS
		Total	PROOF	
CSC	Ludovít Fulla			
200 Sk	- 100th anniversary of birth	13,700	2,400	22/2002 Z. z.
CSC	UNESCO World Heritage			
200 Sk	- Vlkolinec folk architecture reserve	14,300	2,800	153/2002 Z. z.
CBC	10 th anniversary of the origin			
10 000 Sk	of the Slovak Republic	6,000	6,000	663/2002 Z. z.

CSC – commemorative silver coin

CBC – commemorative bimetal coin

1.2. The structure of currency in circulation

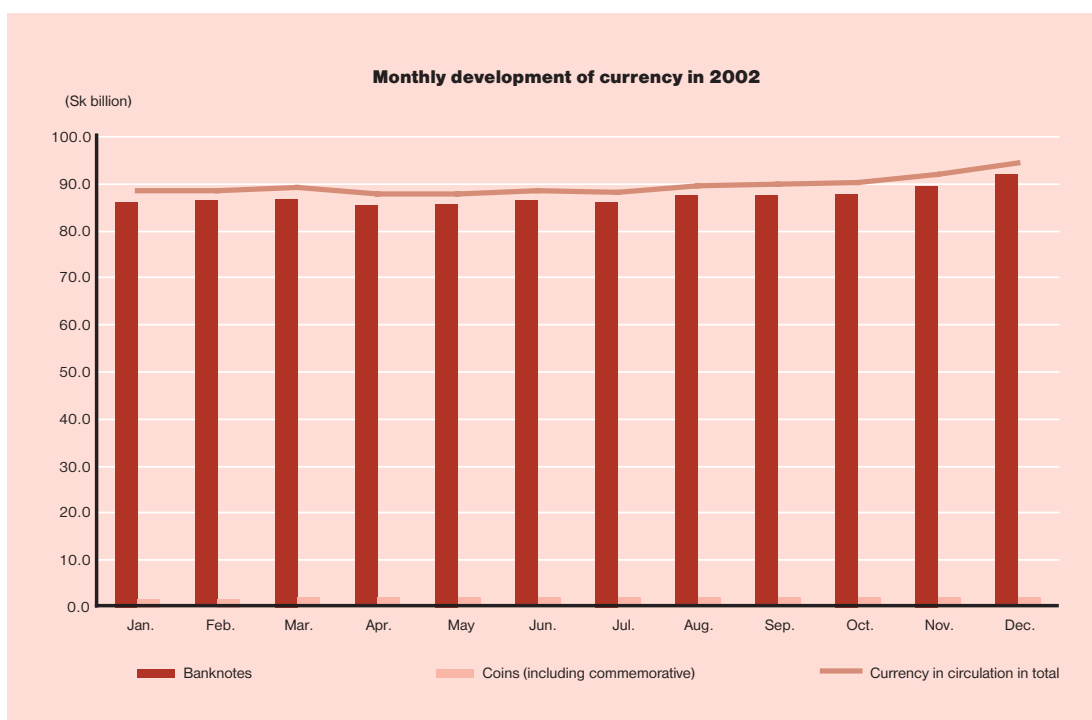
On 31 December 2002, 132 million banknotes with a value of Sk 92.09 billion, 1,040.1 million coins worth Sk 1.5 billion and 686 thousand commemorative coins issued by the National Bank of Slovakia with a value of Sk 438 million, were in circulation. The numbers of banknotes and coins in circulation grew in 2002 for all face values with the exception of the 1000 Sk and 500 Sk banknotes.

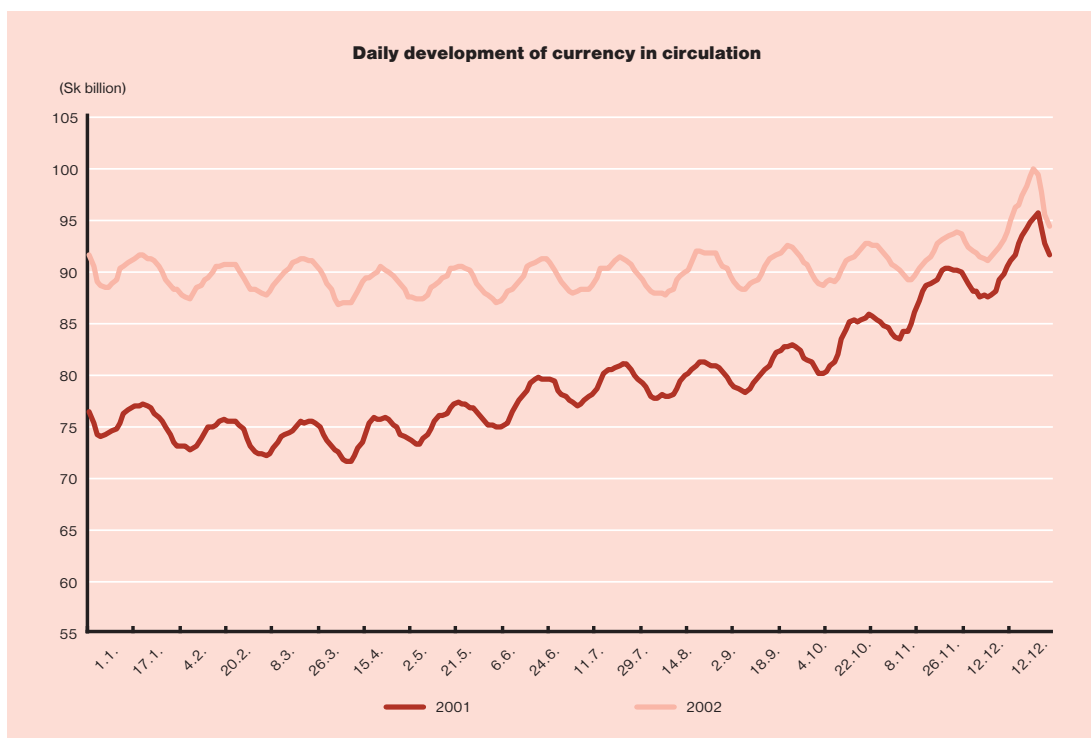
Of the total value of the currency in circulation, 97.8% was made up by banknotes, with the highest value of banknotes, 5000 Sk and 1000 Sk, representing 87.8%. On 31 December 2002, the amounts represented by the 5000 Sk and 1000 Sk banknotes in relation to the total amount of cash were almost equal. The share of the 5000 Sk banknote reached 43.5% (in 2001: 41.98%), while the 1000 Sk banknote represented 44.34% (in 2001: 45.70%). The 5000 Sk banknote accounted for 95.6% of the growth of value of cash in 2002, and the number in circulation increased by half a million (Sk 2.5 billion), while the number of 1000 Sk banknotes declined by 60 thousand.

From the point of view of the quantity of currency in circulation, the most numerous items are current coins. At the end of 2002, they accounted for 88.7%, with 1.04 billion from a total number of 1.17 billion coins. However, their share of the total value of currency in circulation was only 1.57%.

While the two highest values of banknote were decisive for the value of the money in circulation, the halier coins (10 haliers, 20 haliers and 50 haliers) were decisive for the total number of currency in circulation. Their share of the total number of coins and banknotes in circulation was 60% and accounted for 67.7% of the total number of coins in circulation.

The large number of halier coins in circulation, and high rate of increase and cost of production, which exceeds face value, led to the National Bank of Slovakia proposing the abolition of the 10 and 20 halier coins, but this was not implemented in 2002. Fewer 10 and 20 halier coins were issued, probably due to the publicized intention of the NBS. In 2002, 25.7 million ten halier coins were issued compared to 27.2 million in 2001. 24.9 million twenty haliers were issued in 2002, compared to 24.3 million in 2001. The number of





50 halier coins in circulation increased by 11.4 million in 2002 (by 9.5 million in 2001).

The proportion of commemorative coins, including those issued by the State Bank of Czechoslovakia before 1993, reached 0.66% of the total value of the currency in circulation by the end of the year. The number of commemorative coins in circulation grew in 2002 by 27.5 thousand pieces with a value of Sk 61.3 million. Commemorative coins in the Czecho-Slovak currency, with a value of Sk 159.1 thousand, the validity of which ended on 30 September 2000, were withdrawn from circulation.^{1/}

1.3. The average value of currency in circulation

The value of currency in circulation, including commemorative coins, totalled Sk 17,509 per capita on 31 December 2002. Of this amount, banknotes represented Sk 17,119; coins Sk 274, while commemorative coins accounted for Sk

116. In comparison with 2001, the total value of currency in circulation per capita increased by Sk 494. The value of banknotes increased by Sk 462, current coins by Sk 21 and commemorative coins by Sk 11.

In 2002, there were 25 banknotes per capita compared to 24 in 2001. The most numerous were 1000 Sk banknotes numbering 8 and 20 Sk notes with 5. The number of current coins per capita increased from 178 in 2001 to 193 in 2002. The halier coins made up the highest proportion, with 130 per capita, an increase of 10 since the previous year. This number comprised 57 ten halier coins, 50 twenty haliers and 23 fifty haliers.

The average value of the currency mark^{2/} reached a value of Sk 80.3 in 2002, showing a decline over the year of 4.1. While this value has increased by 1.8 times since 1994^{3/} for banknotes, the level for current coins has decreased by a third. The high number of coins in circulation (1,040 million, that is 88.7% of the

1/ Decree of the NBS No. 278/2000 Z.z. concerning the end of validity of commemorative silver coins in the Czecho-Slovak currency issued from 21 August 1954 to 31 December 1992.

2/ Average value of the currency mark = total value in circulation / total number of banknotes and coins in circulation.

3/ Data from 1993 were not used because stamped banknotes and coins from the Czechoslovak currency were still in circulation in 1993.

Development of the value of the currency mark

(in Sk)

Year	Banknotes	Coins	Currency including commemorative coins
1994	384.1	2.0	76.4
1995	455.6	1.8	76.7
1996	537.3	1.7	81.8
1997	566.3	1.6	80.5
1998	552.3	1.5	72.2
1999	594.1	1.5	76.1
2000	631.4	1.4	77.1
2001	693.6	1.4	84.4
2002	697.8	1.4	80.3

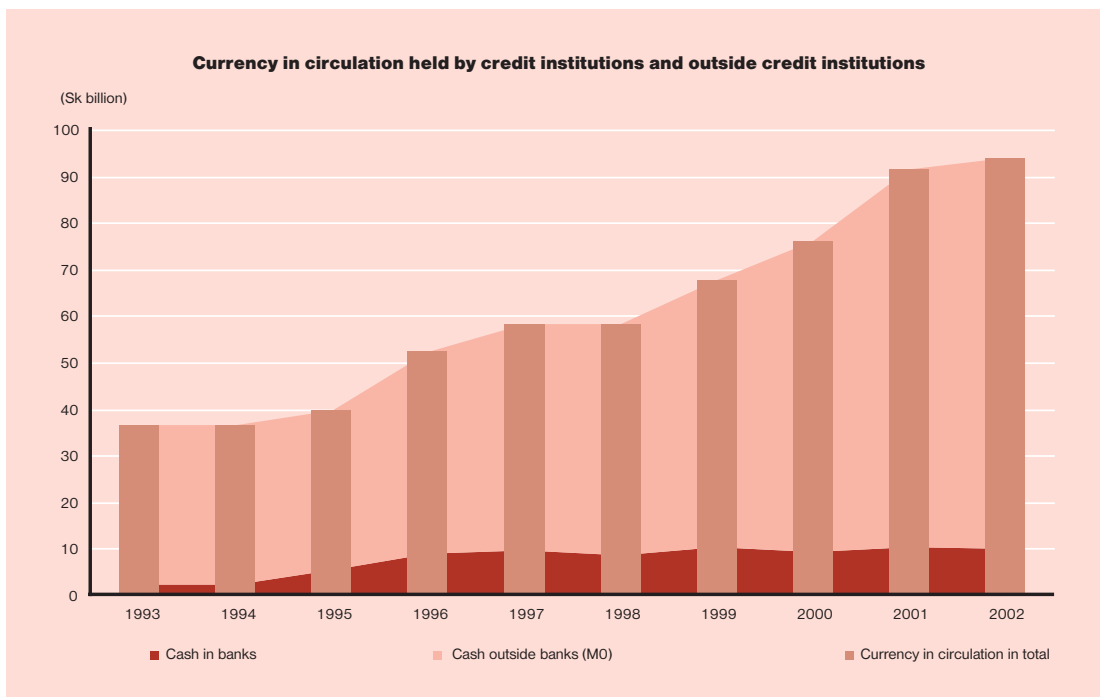
monetary items in circulation, on 31 December 2002) influenced the average value of the monetary item.

1.4. Currency in circulation and some macro-economic statistics

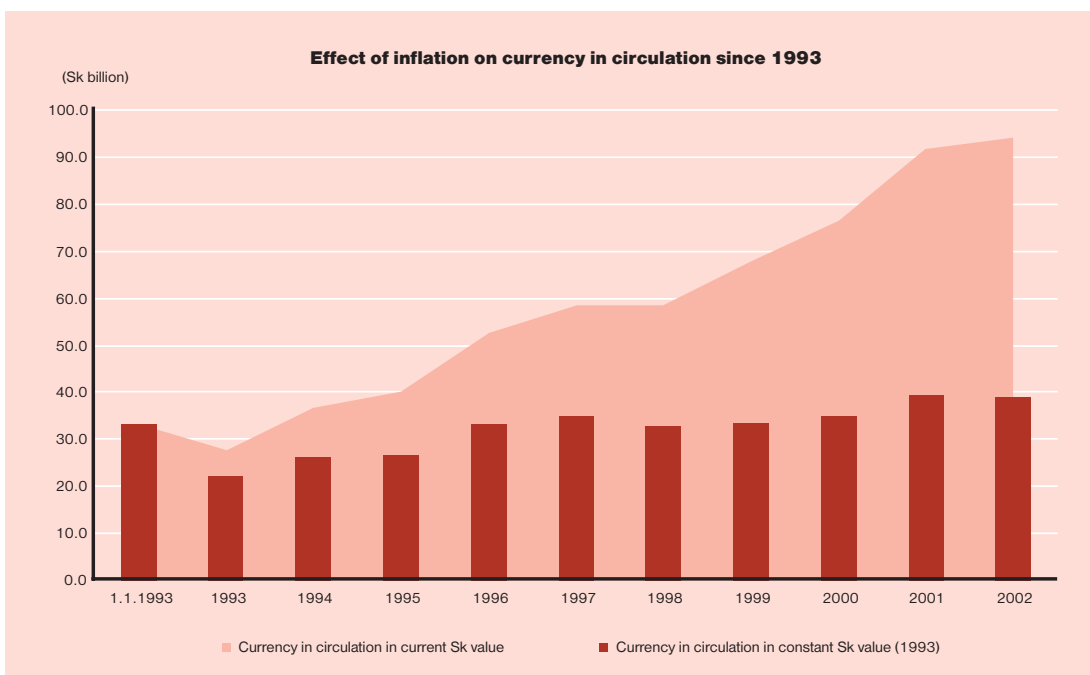
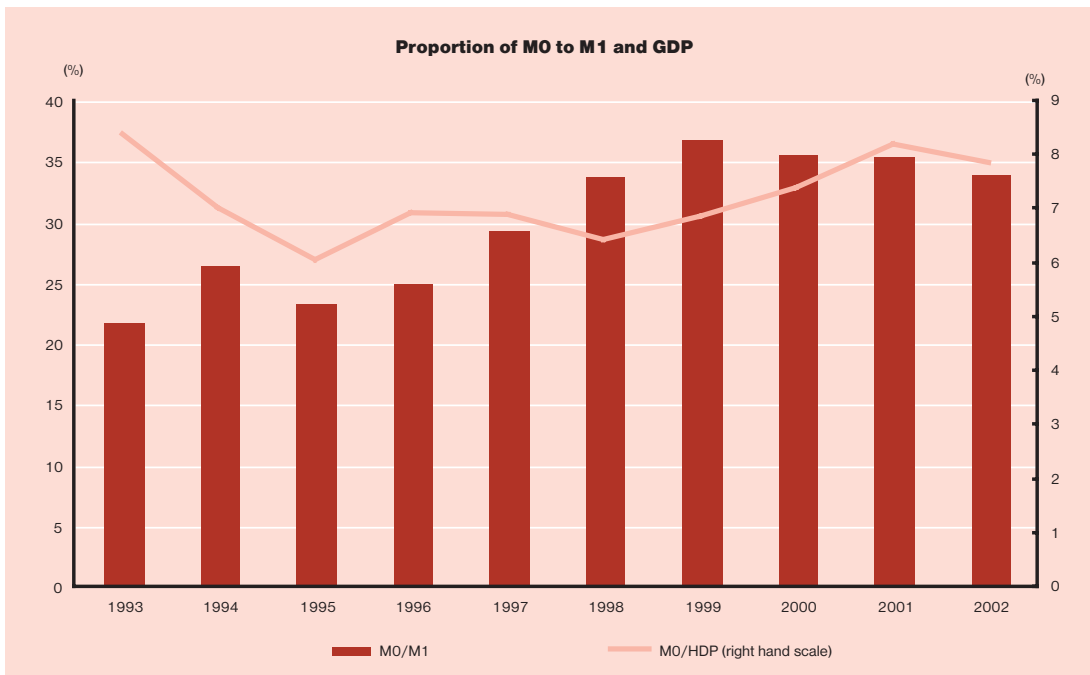
The structure of the currency in circulation held by credit institutions and outside did not significantly change in 2002. The amount of currency in circulation increased from Sk 91.5 billion to Sk 94.2 billion, that is by Sk 2.7 billion, while the amount of currency held by credit

institutions moderately declined from Sk 10.5 billion to Sk 10 billion, that is by Sk 0.5 billion.

The proportion of the aggregate M0 to the aggregate M1 reached a value of 33.9% in 2002, indicating a decline of 1.5% compared to 2001. Since 1998, this statistic has varied within the range 30-37%, which testifies to the continuing low level of non-cash payments in Slovakia, since more than a third of the monetary aggregate M1^{4/} is available for carrying out cash payments. In European Union countries, this statistic reaches a level of about 18%.



4/ The remaining two thirds are available for carrying out non-cash payments.



The proportion of M0 to gross domestic product reached 7.8% in 2002, which is comparable to the level reached in the countries of the European Union, where it varies from 3 to 10%.

The rate of inflation has a significant influence on the development of currency in circulation. In the period 1993 – 2002, the price level rose by

141.5% and currency in circulation in constant Slovak crowns^{5/} reached a value of Sk 39 billion on 31 December 2002. In comparison with 2001, currency in circulation in constant Sk reached a level Sk 0.3 billion lower because of the lower growth in value of the money in circulation in 2002 (2.9%) in comparison with the annual rate of inflation (3.4%).

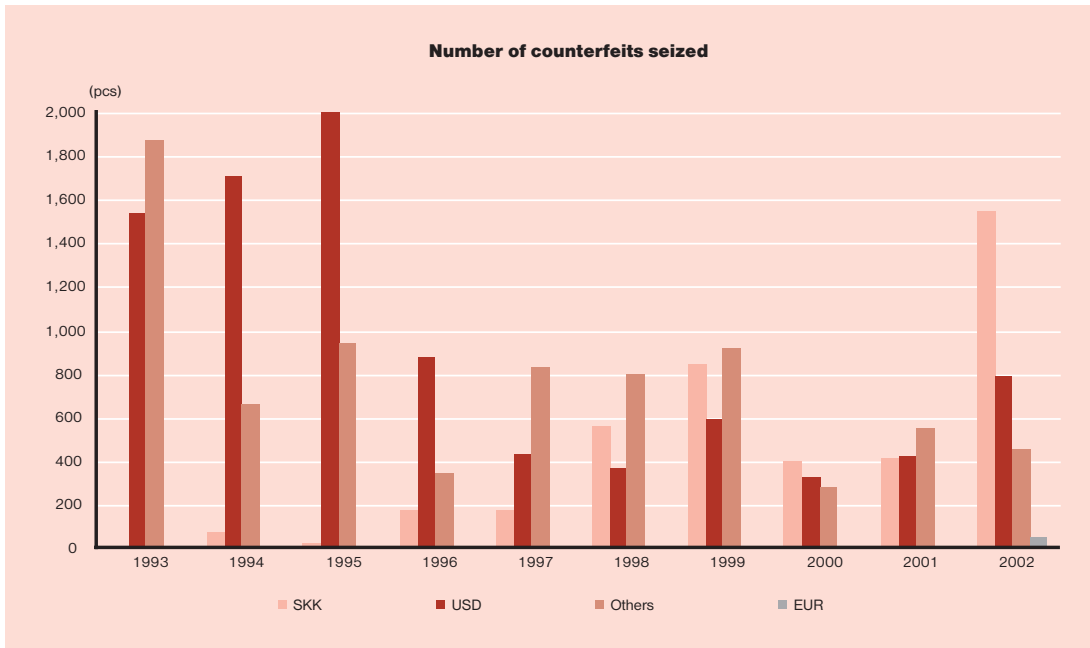
5/ The currency in circulation recalculated according to the price levels on 1 January 1993.

Currency in circulation (in millions of Sk)

Face value	Amount on 31. 12. 2001	Amount on 31. 12. 2002	Proportion in % on 31. 12. 2001	Proportion in % on 31. 12. 2002
Banknotes	89,605.02	92,089.93	97.89	97.77
5000 Sk	38,430.39	40,969.58	41.98	43.50
1000 Sk	41,826.63	41,768.64	45.70	44.34
500 Sk	4,280.33	4,155.84	4.68	4.41
200 Sk	1,470.48	1,531.06	1.61	1.63
100 Sk	2,405.31	2,412.03	2.63	2.56
50 Sk	662.98	690.65	0.71	0.73
20 Sk	528.90	562.13	0.58	0.60
Coins	1,362.54	1,474.10	1.49	1.57
10 Sk	707.68	768.98	0.78	0.82
5 Sk	242.25	259.95	0.26	0.28
2 Sk	167.36	179.65	0.18	0.19
1 Sk	110.13	117.18	0.12	0.12
0.50 Sk	25.68	25.30	0.03	0.03
0.50 Sk II	32.53	38.58	0.04	0.04
0.20 Sk	48.65	53.63	0.05	0.06
0.10 Sk	28.26	30.83	0.03	0.03
Commemorative coins	566.18	627.31	0.62	0.66
Total	91,533.74	94,191.34	100.00	100.00

Currency in circulation (in millions of items)

Face value	Number on 31. 12. 2001	Number on 31. 12. 2002	Proportion in % on 31. 12. 2001	Proportion in % on 31. 12. 2002
Banknotes	129.18	131.97	11.91	11.26
5000 Sk	7.69	8.19	0.71	0.70
1000 Sk	41.83	41.77	3.85	3.56
500 Sk	8.56	8.31	0.79	0.71
200 Sk	7.35	7.66	0.68	0.65
100 Sk	24.05	24.12	2.22	2.06
50 Sk	13.26	13.81	1.22	1.18
20 Sk	26.44	28.11	2.44	2.40
Coins	955.26	1,040.05	88.03	88.68
10 Sk	70.77	76.90	6.52	6.56
5 Sk	48.45	51.99	4.47	4.43
2 Sk	83.68	89.83	7.71	7.66
1 Sk	110.13	117.18	10.15	9.99
0.50 Sk	51.37	50.59	4.73	4.31
0.50 Sk II	65.06	77.16	6.00	6.58
0.20 Sk	243.24	268.13	22.42	22.86
0.10 Sk	282.56	308.27	26.03	26.29
Commemorative coins	0.66	0.69	0.06	0.06
Total	1,085.10	1,172.71	100.00	100.00

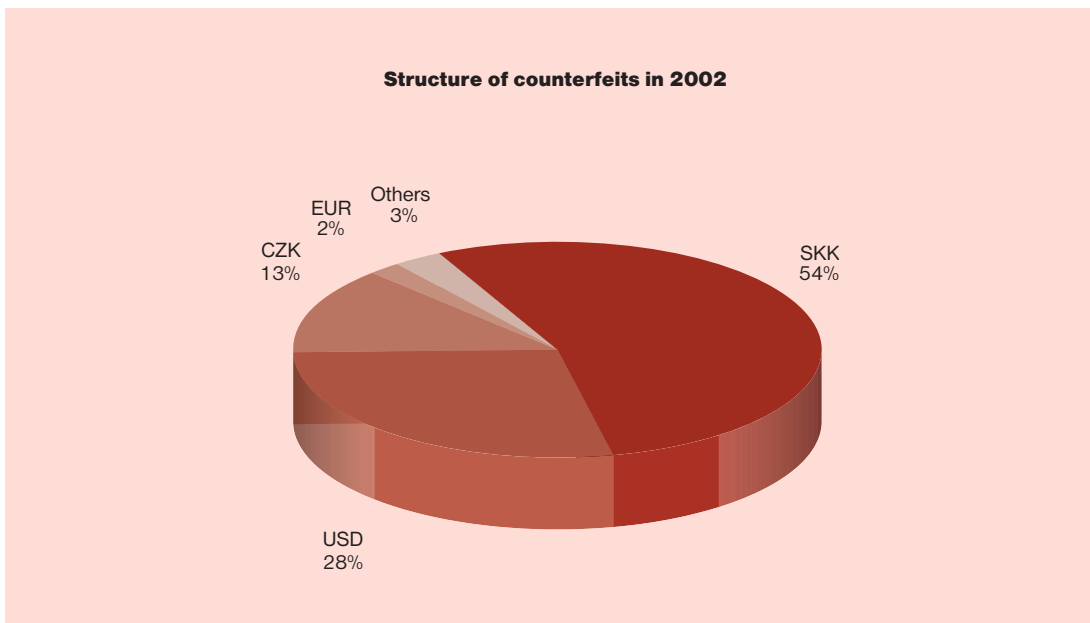


**2. COUNTERFEIT MONEY SEIZED
IN THE TERRITORY OF THE SLOVAK
REPUBLIC**

detected by the staff of commercial banks, exchange offices and security services, in currency transactions with clients.

In 2002, a total of 2,842 pieces of counterfeit Slovak crown or foreign currency was seized in the territory of the Slovak Republic. Their number more than doubled in comparison with 2001. In all, 75.8% of these counterfeits were seized by the police authorities; the rest was

From the point of view of the structure of counterfeits in the territory of the Slovak Republic, counterfeits of Sk (54%) and USD (28%) accounted for the largest amounts in 2002. Counterfeits of CZK (13%) and EUR (2%) occurred to a lesser degree.



Number of counterfeit Sk seized**(in pcs)**

	Face value										Total
	5000	1000	500	200	100	50	20	10	5	A	
1998	26	439	20	16	32	13	10	0	0	0	556
1999	13	649	47	4	108	17	5	0	0	1 ^{1/2}	844
2000	12	246	84	5	43	9	3	0	0	0	402
2001	2	278	55	15	54	4	3	0	0	0	411
2002	14	1,307	105	17	49	38	17	2	0	0	1,549

A – Altered 1/200 Sk altered to 2000 Sk

2.1. Counterfeits of Slovak crowns

In the territory of the Slovak Republic, 1,549 pieces of counterfeit Slovak crowns were seized. The greatest occurrence was recorded in the Nitra Region, where 929 counterfeits were seized in 26 cases. Banknotes with face values of 1000 Sk, 500 Sk and 100 Sk were most numerous among the counterfeits.

2.2. Counterfeit foreign currency

In 2002, 789 counterfeits of USD, 1 imitation USD, 48 counterfeits of EUR and 455 counterfeits of other foreign currencies were seized in Slovakia. The greatest occurrence of

counterfeits was recorded in the Banská Bystrica Region.

Counterfeits of USD

The number of counterfeit USD increased by 88% in comparison with 2001.

Counterfeits of EUR

The validity of the currencies of the twelve states in the European Monetary Union ended on 1 January 2002, when all member countries began to use the new common currency, the euro. There was no growth in the number of counterfeit euros in Slovakia in 2002. They accounted for 2% only of the total number of counterfeits seized.

Number of counterfeit USD seized**(in pcs)**

	Face value							Total
	1	5	10	20	50	100	A	
1998	2	0	0	14	10	318	20	364
1999	1	0	2	5	22	550	10	590
2000	2	0	0	5	11	292	13	323
2001	1	0	3	9	7	398	2	420
2002	4	1	1	1	11	768	4	790

A – Altered

Structure of counterfeit EUR seized in 2002**(in pcs)**

	Face value				Total
	20	50	100	500	
June	0	0	1	0	1
July	0	2	3	0	5
August	1	3	0	0	4
September	0	3	5	0	8
October	0	12	3	0	15
November	0	6	2	1	9
December	1	5	0	0	6
Total	2	31	14	1	48

Number of counterfeit seizures of other foreign currencies**(in pcs)**

	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other currencies	Total
1998	70	460	226	16	5	9	5,991	13	6,790
1999	56	329	14	13	315	186	0	6	919
2000	73	158	6	8	2	21	0	13	281
2001	119	141	11	1	1	243	1	32	549
2002	34	28	3	9	1	369	0	11	455

The statistics on counterfeit euros from the European Central Bank show that counterfeit 50 EUR banknotes were the most frequent counterfeits in circulation in the euro area in 2002. The 50 euro is the most frequently used banknote in the euro area. This banknote was also the most frequent counterfeit euro note seized in Slovakia, accounting for 64.5% of all EUR counterfeits seized.

Counterfeits of other foreign currencies

The introduction of the euro and the end of the validity of the former national currencies of the EMU member states reduced the number of counterfeits of these currencies to a minimum, so that they represented only 2.3% of the total number of counterfeits seized in this period. At the beginning of 2002, counterfeit DEM and ITL were the most frequently met with. Among other foreign currencies, counterfeit CZK occurred most frequently. Of the total number of 369 pieces, 364 were seized by the police in one action.