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Slovak Republic: Recent Economic Developments

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SLOVAK REPUBLIC

Recent Economic Developments

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Approved by European I Department

May 29, 1998

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Slovak Republic: Summary Indicators

Area	
Size (sq. km.):	49,035
Agricultural land (in percent of total area)	50.9
Population per sq. km.:	109.4
Population characteristics (1995):	
Total population (in millions)	5.36
Average annual rate of growth (percent change):	0.3
Population age structure (in percent)	
0-14	22.3
15-64	66.8
65 and over	10.9
Life expectancy at birth (in years):	72.3
Crude birth rate (per thousand):	11.4
Crude death rate (per thousand):	9.8
Per capita income (in U.S. dollars)	2,950

	1993	1994	1995	1996	1997 Jan.-Oct.	1997 Est.
			(Percent change, period average)			
Real sector						
Real GDP	-3.7	4.9	6.8	6.9	6.0 1/	5.7
Consumer prices						
Period average	23.0	13.4	9.9	5.8	6.1	6.1
12 months to end of period	25.0	11.7	7.2	5.4	5.9	6.4
Gross industrial output (constant prices)	-4.4	8.2	9.9	2.5	2.1	...
Real wages in industry 2/	-0.5	3.7	4.8	8.4	6.8	...
Employment in industry	-6.1	0.4	4.1	0.0	-1.7	...
Unemployment rate, period average	12.7	14.6	13.7	12.6	13.0	...
Real effective exchange rate						
CPI-based	7.4	1.2	2.8	0.0	5.0	...
ULC-based	...	-1.0	4.3	7.8	9.6 1/	...
			(Percent of GDP)			
General government finances						
Revenue	44.2	46.4	47.1	46.9	...	41.5
Expenditure	51.2	47.7	46.9	48.3	...	46.4
Balance	-7.6 3/	-1.3	0.2	-1.3	...	-4.9
Central government balance	-7.3	-1.0	-0.5	-1.6	...	-2.5
			(Percent change, 12 months to end-period)			
Money and credit						
Net domestic assets	15.2	-1.4	5.4	20.6	8.5	8.6
Credit to enterprises and households	11.1	2.2	15.5	17.4	3.5	2.2
Broad money	16.3	18.5	21.2	16.6	12.9	8.7
Interest rates (average)						
Lending rate	14.4	14.6	15.6	13.7	14.6 1/	...
Deposit rate	8.0	9.3	9.0	6.7	7.7 1/	...
Velocity	8.2	0.2	-4.4	-3.7	...	2.4

Slovak Republic: Summary Indicators (concluded)

	1993	1994	1995	1996	1997 Jan.-Oct.	1997 Est.
			(In billions of U.S. dollars)			
Balance of payments						
Merchandise exports	5.4	6.7	8.6	8.8	7.4	8.9
(percent change)	(-16.4)	(23.5)	(28.2)	(2.9)	(0.6)	(0.7)
Merchandise imports	6.4 3/	6.6	8.8	11.1	8.7	10.5
(percent change)	(-11.3)	(3.8)	(32.8)	(26.3)	(-0.8)	(-5.1)
Trade balance	-0.9	0.1	-0.2	-2.3	-1.9	-1.7
Current account	-0.6	0.7	0.4	-2.1	-1.2	-1.6
(percent of GDP)	(-5.4)	(4.8)	(2.2)	(-11.1)	(-8.0)	(-8.4)
Overall balance	0.4	1.4	1.7	0.3	0.0	0.2
Non-debt capital inflows	0.7	0.5	0.2	0.2	0.1	...
Official reserves, end-period 4/	0.9	2.2	3.3	3.5	3.4	3.5
(in months of imports of goods and services)	(1.2)	(3.1)	(3.6)	(3.1)	(3.1)	(3.3)
Gross reserves of banking system 4/	1.8	3.5	5.5	5.7	7.3	7.4
External debt, end-period	3.4	4.8	5.8	7.7	10.6	11.6
Short-term debt (convertible currencies, end-of-period)	0.7	1.2	1.7	2.9	5.0	5.3
(in percent of gross reserves)	36.6	35.2	31.3	51.8	68.5	71.6
Debt service (percent of total exports)	8.5	9.4	9.1	11.9	...	11.1
Memorandum items:						
GDP, current prices (Sk billions)	369.5	441.3	515.1	581.3	474.9 1/	647.0
Exchange rate (Sk/U.S. dollar)						
Period average	30.8	32.0	29.7	30.7	33.5	33.7
End of period	33.2	31.3	29.6	31.9	33.7	34.8

Sources: Slovak Statistical Office; and IMF staff calculations.

1/ January-September 1997.
2/ Firms with 25 or more employees.
3/ Military imports of US$170 million (1.6 percent of GDP) in 1993—in exchange for a write-down of Slovak claims on Russia—are captured in the external accounts (imports) but not in the fiscal accounts.
4/ At current exchange rates, including gold at market valuation (market prices of gold as reported in the IFS).

I. Introduction

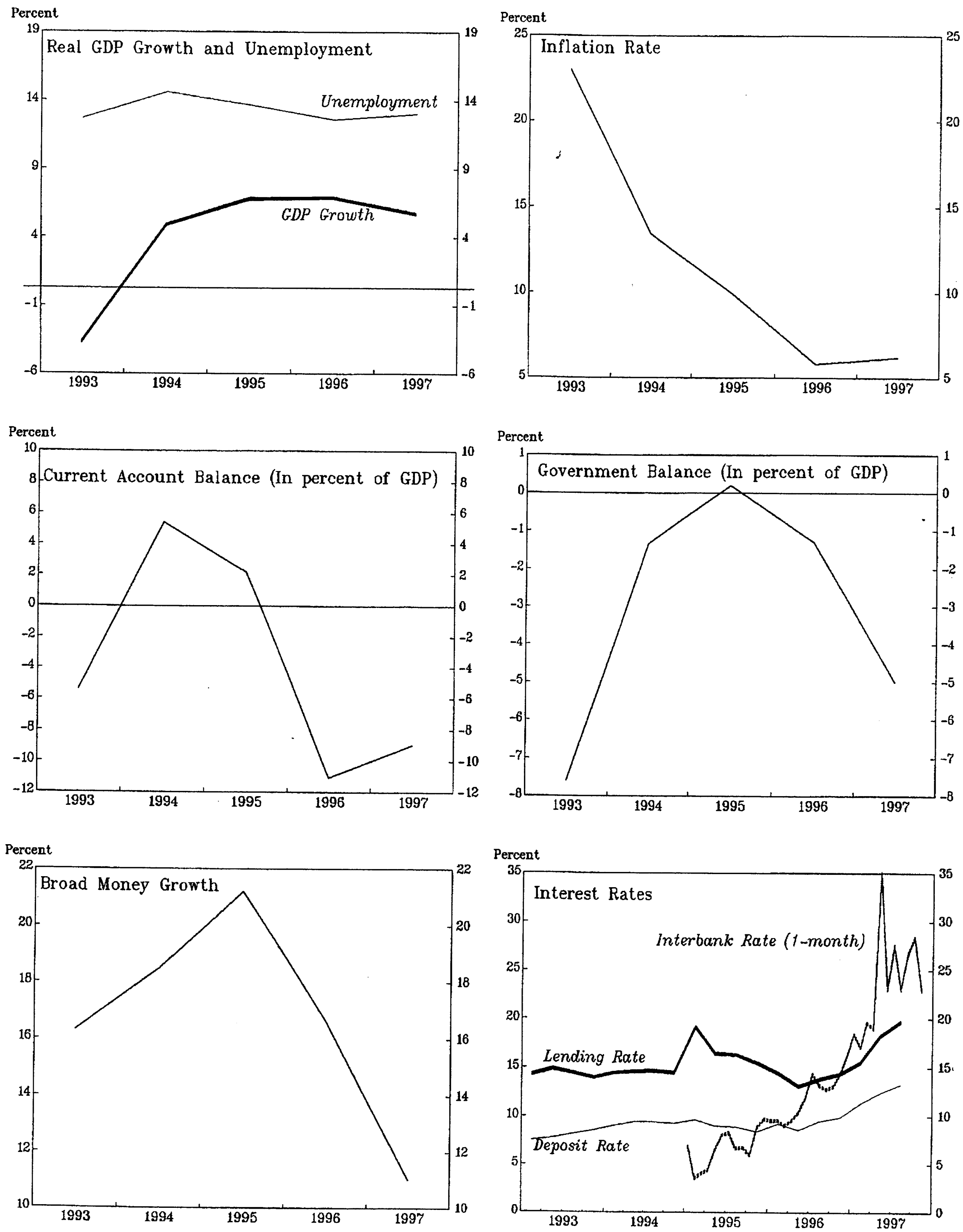
1. After remarkable successes in stabilization and reform, Slovakia faces large external and fiscal imbalances which threaten macroeconomic stability and could hinder growth prospects. Since independence in 1993, Slovakia has registered one of the strongest growth and lowest inflation rates among the transition economies (Figure 1). After a sharp decline following the country's independence, growth resumed in 1994 and accelerated in each of the following years, reaching almost 7 percent in 1996. In contrast to the export-led recovery of 1994, economic growth in the subsequent years was underpinned by an expansion in domestic demand, as fixed investment surged. Meanwhile, inflation fell steadily from more than 20 percent in 1993 to less than 6 percent in 1996. Prudent financial policies and progress in structural reforms underlay these achievements in stabilization and growth. Strong fiscal adjustment, achieved primarily through expenditure cuts, brought the general government balance from a deficit of almost 8 percent in 1993 to a small surplus in 1995. During the same period, the current account moved from deficit in 1993 to surplus in the following two years.

2. However, in 1996, a large current account deficit emerged as domestic demand surged by more than 20 percent. At the same time, fiscal policy became expansionary, with the fiscal position turning from surplus to deficit. These imbalances persisted into 1997. In an effort to reverse the deterioration in the external accounts, monetary policy was tightened, but its effectiveness in slowing down domestic demand was undermined by a fiscal policy which became even more expansionary. Moreover, the associated high real interest rate environment created strains in the banking sector and led to increasing difficulties for the government in its financing and refinancing operations. Chapter 2 provides more detail on recent economic developments.

3. Chapter 3 evaluates whether a loss in competitiveness was a major cause for the large deterioration in Slovakia's current account in 1996. An inspection of different indicators of competitiveness, including dollar-wages, export market shares, and several estimates of real effective exchange rates, suggest that other reasons had a more important contribution in causing the large trade deficit. An equilibrium real exchange rate function was estimated which—through end-1996—did not differ in a significant way from the actual exchange rates.

4. Chapter 4 analyzes how the Slovak Republic has managed to preserve the high level of tax revenue collection during transition, outlines the deterioration of the fiscal performance in 1997, and examines the fiscal prospects in the years to come. The chapter suggests that the Slovak republic has established a modern tax system characterized by relatively high tax rates and absence of exemptions. However, the high taxation of the economy may not be sustainable in the context of further restructuring in the enterprise sector. The fiscal performance over the medium term will therefore depend to a large extent on the government's ability to continue gradually reducing the level of public expenditure and shrinking the government sector to a size more consistent with the country's per capita income level.

FIGURE 1
SLOVAK REPUBLIC
SELECTED ECONOMIC INDICATORS 1/ 2/



Sources: World Economic outlook and International Financial Statistics.
1/ Annual data, except for the monthly interbank rate, and quarterly lending and deposit rates.
2/ Data for 1997 reflects staff projections.

II. Recent Economic Developments

A. Real Sector Developments

Output and Expenditure

5. 1997 is the fourth year of strong recovery for the Slovak Republic. The economy grew by 6.0 percent during the first three quarters of this year, after recording growth rates of 6.9 percent in 1996 and 6.8 percent in 1995. According to official numbers, real GDP has practically regained its pre-transition level of 1991. However, this may understate the actual improvement in living standards. GDP numbers before transition include goods that had little market value, and the variety of available goods has increased dramatically.

6. Initially, a surge in foreign demand pulled the Slovak economy out of the transition-linked recession. This led to sizeable trade surpluses in both 1994 and 1995. However, from 1996 onwards, **investment** replaced exports as the principal engine of output growth (Figure 2). Fixed investment increased by 33 percent in real terms in 1996, and by more than 8 percent during the first three quarters of 1997. Its share in GDP jumped from 28 percent in 1995 to 38 percent in 1996, and stabilized at around 36 percent during the first three quarters of 1997.[1]

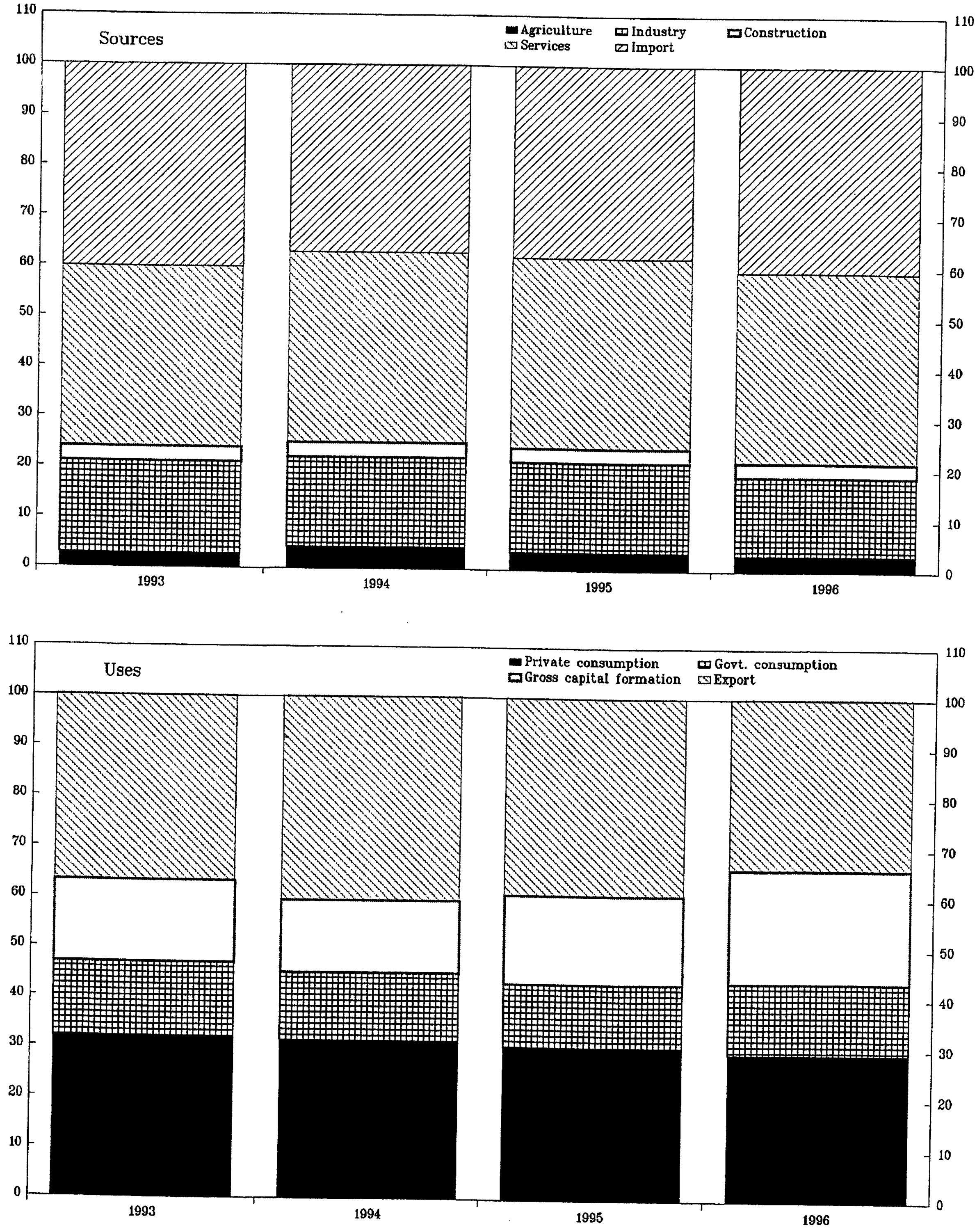
7. In absolute numbers, the leading investor in 1996 was the electricity, water and gas sector (20 percent of total investment), followed by manufacturing (18 percent) and transport (12 percent). The electricity sector also recorded the largest increase in investment activity, due to construction activities at the nuclear power plant in Mochovce. Transport investment reflects an ambitious public infrastructure program. About 50 percent of total investment goes into machinery equipment, and 46 percent goes into buildings. These shares have remained approximately constant over the last five years.

8. The investment ratio of the Slovak Republic is unusually high by standards of other transition economies. One reason is the historical concentration of capital intensive industries in Slovakia, such as steel and armaments. These industries have high depreciation rates, and require large investments to maintain their capital stock. Conversion and modernization brought additional capital expenditures for these industries. Another reason for the high investment rate are fiscal incentives, e.g., buyers of privatized companies are allowed to deduct new investment from their purchase price. In principle, government agencies control which kind of expenditure can be declared as investment, but in practice, these controls were lax, especially in 1996. Export-oriented sectors tend to be the ones engaged most heavily in

---

[1]The data for 1997 are preliminary. Investment seems to have decreased in the second half of 1997.

FIGURE 2
SLOVAK REPUBLIC
SOURCES AND USES OF ECONOMIC RESOURCES
(In percent of total) 1/



Sources: Slovak authorities; and staff calculations.
1/ Total represents GDP plus imports.

new investment. Manufacturing and energy production make up around 80 percent of exports, growth potential, increased its share in total investment from 27 to 38 percent between 1992 and 1996.

9. **Private consumption** lagged GDP during the initial phase of the upturn. After hitting a bottom in 1994, private consumption grew by 3 percent in 1995 and by close to 7 percent in both 1996 and the first three quarters of 1997. In part, this reflects recent gains in real wages. However, because private consumption had contracted strongly during the recession and was slow to pick up during the recovery, it remained some 25 percent below its 1990 level. **Public consumption** continued to decline in 1994 and reached a minimum in 1995. Then, it set out for a swift expansion, growing by 24 percent in 1996 and by another 4 percent in the first three quarters of 1997.

10. The pattern of the Slovak recovery left clear marks on the **external accounts**. The surge in domestic demand rapidly reversed the trade surplus registered in 1995 and produced massive deficits thereafter. The balance of goods and services swung from a surplus of 1.8 percent of GDP to deficits of 11.1 percent in 1996 and 7.8 percent in the first three quarters of 1997. The boom in investment led to rapidly increasing imports, which expanded (in real terms) at a rate of 9.6 percent in 1995, 18.5 percent in 1996 and 6.7 percent during the first half of 1997. At the same time, exports slowed because of a cyclical downturn in Western Europe, declining by 1.6 percent in 1996 following real growth of 3.5 percent in 1995. Preliminary trade data suggest a significant deceleration of imports in 1997 leading to a decline in real terms of -0.4 percent, while exports increased by an estimated 3.2 percent in real terms.

Sectoral developments

11. Based on data on the sectoral composition of GDP, which are frequently revised and only date back to 1993, the Slovak Republic emerges as a predominantly service-oriented economy. The share of services—at 64 percent of GDP—still shows a tendency to rise. Industry contributes about 26 percent to GDP, but its share is declining. The decline is strongest in the sectors producing basic chemicals and in "other" manufacturing, which includes the armaments industry. The output of machinery and vehicles, however, is increasing. Construction and agriculture both make up about a stable 5 percent of GDP.

12. Sectoral productivity performance was highly uneven during the last four years. Between 1993 and 1996, labor productivity in the economy as a whole grew by an average of 4.6 percent per year. This is very close to the average real GDP growth of 5 percent, because only few new jobs were created. However, both the service sector and construction had much higher rates of productivity growth with 9.3 and 11.9 percent, respectively. Industry increased its productivity by an average of only 2.4 percent during 1993–96. The poor performance of industry in Slovakia contrasts with other transition economies, such as Poland or Hungary. It can be partly attributed to the expensive process of converting the armaments industry into

other types of production. As the end of this process draws near, higher rates of productivity growth can be expected. Also, the recent high rates of investment could accelerate industrial productivity growth in the future.[2]

13. Construction output began to pick up relatively late during the Slovak recovery, recording the first positive growth rates only in 1995. However, the sector gained momentum in 1996, growing by 9 percent in real terms, and is estimated to have accelerated even more in 1997. About two-thirds of the sectoral output is new construction, of which a rapidly increasing part consists of "engineering" construction. This category includes power generation plants and roads, and reflects in part an ambitious public infrastructure program. In contrast, the share of housing in new construction dropped from 40 percent in 1994 to 32 percent in 1996.

Prices

14. After falling from 10 percent in 1995 to 5.8 percent in 1996, CPI inflation picked up slightly to 6.1 percent in 1997,[3] largely due to increases in indirect taxes (Figure 3). The period of large relative price adjustment during transition was comparatively short. Since 1994, the major categories of the CPI have been moving in a roughly parallel fashion, making the slowdown in inflation broad-based. Inflation as measured by the GDP deflator slowed from 9.3 percent in 1995 to 5.5 percent in 1996 and to 3.4 percent during the first half of 1997.

15. Industrial producer prices have moved in line with the CPI. Their inflation rate declined from 9 percent in 1995 to 4.2 percent in 1996 and to 3.2 percent in the first three quarters of 1997. Construction works prices increased somewhat faster, namely by 12.1 percent in 1995, 15 percent in 1996, and 9.2 percent in the first three quarters of 1997. This sector is running into capacity constraints as the large public infrastructure programs gather speed. Agricultural prices increased by 2.3 percent in 1995, 5.4 percent in 1996, and 7.2 percent during the first three quarters of 1997.

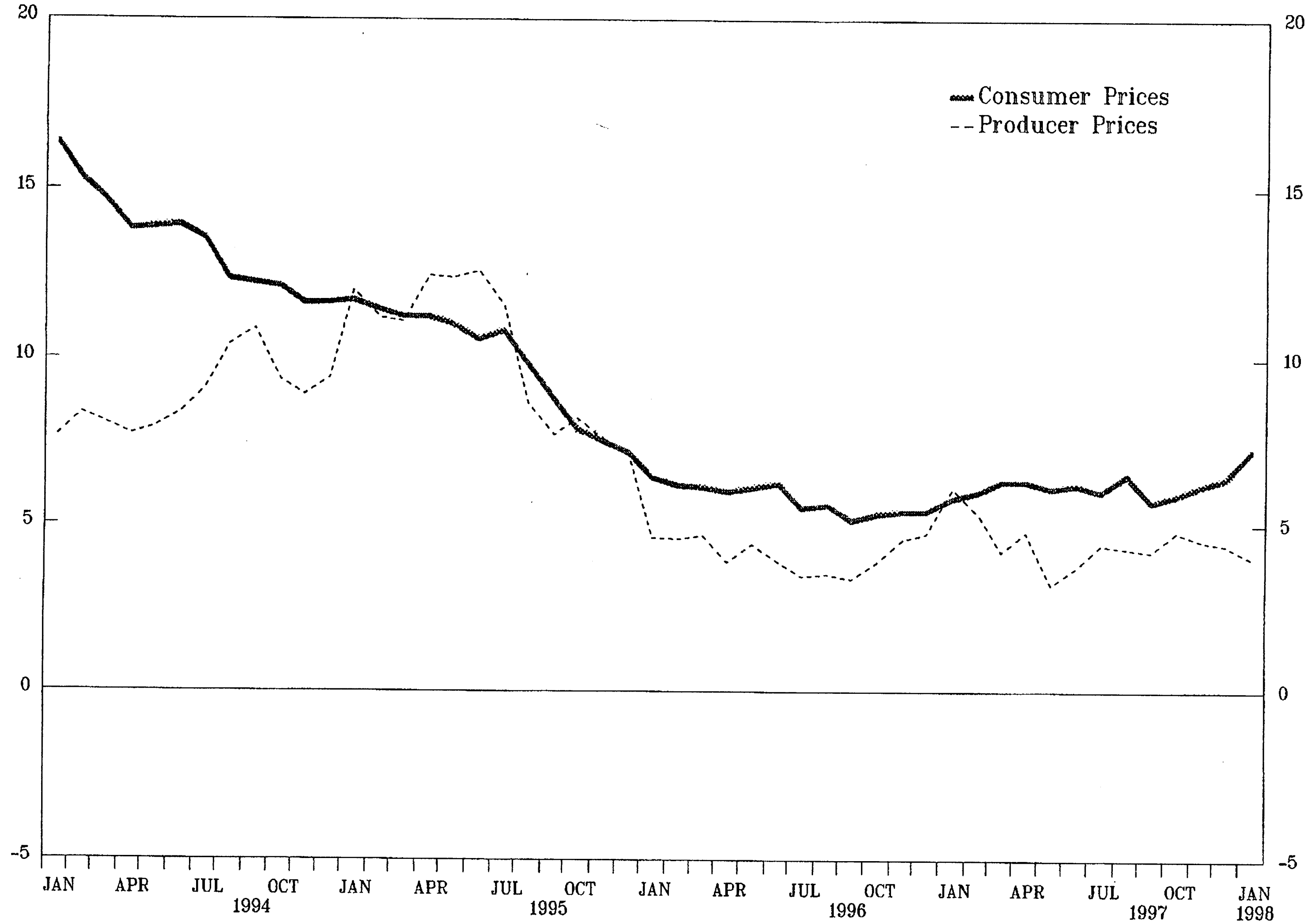
16. Government price regulations affect up to 13 percent of GDP (the share of utilities, transport and communications) and up to 27 percent of the CPI (the sum of utilities, housing and transport). The actual numbers might be somewhat lower as not all goods in those sectors are subject to price regulations. Most importantly, price regulations are applied to electricity, natural gas and heating. After remaining constant for three years, electricity rates were

---

[2]In "Privatization and Restructuring in Central and Eastern Europe", World Bank Technical Paper No. 368., Pohl et al. (1997) argue that in light of its difficult starting position, Slovak industry has restructured remarkably well.

[3]In fact, end of period inflation increased from 5.4 percent in December 1996 to 6.4 percent in 1997.

FIGURE 3
SLOVAK REPUBLIC
PRICE INDICES
(year-to-year percent change)



Sources: Slovak authorities; and staff calculations.

increased by 5.8 percent in 1996, while the price for heating remained constant. The price for natural gas has remained unchanged since 1993.

Wages, employment and unemployment

17. Real wages increased by 3.9 percent in 1995, 7.8 percent in 1996, and 5.3 percent during the first half of 1997 (Figure 4).[4] Over this period, the average growth of real wages was 5.7 percent per year compared to an average growth in productivity of 5.5 percent. Like real output, real wages regained their pre-transitional level during the course of 1997. Comparing among sectors, real wages grew faster than average in services and in construction. In services, the initial wage level was very low, but rapid productivity growth allowed a gradual catching-up. In construction, capacity constraints and the reduction of overstaffing led to comparatively fast real wage growth. An increase in minimum wages from Sk 2,450 to Sk 2,700 a month during 1996 was equivalent to 4.2 percent in real terms, the first increase since the beginning of transition in 1990. As few workers are paid minimum wages and they still remain 25 percent below their 1991 level in real terms, the effects of this increase were minor.

18. The upturn of the Slovak economy did so far not produce many new jobs. Total employment grew by 2.2 percent in 1995, by 0.8 percent in 1996 and declined by 0.9 percent during the first half of 1997. Output growth was therefore mostly the result of capital accumulation and higher factor productivity. Employment in large enterprises is on a general declining trend, as remnants of the overstaffing inherited from the past are eliminated. This is especially the case in construction, where strong increases in output coincided with significant cuts in employment. Agriculture has shed about half its employees since 1991, and even industry is still losing labor. Some new jobs, however, were created by small enterprises and self-employed entrepreneurs. The share of small enterprises (1–24 employees) in employment has risen from 0.3 percent of total employment in 1991 to 8.2 percent in 1996. Entrepreneurs have increased their share from 9.2 percent to 18.7 percent over the same period of time. The official numbers most likely underestimate job creation as they do not cover the informal economy.

19. Despite strong growth, unemployment has remained practically unchanged. The official unemployment rate declined from 13.1 percent in 1995 to 12.8 percent in 1996 and to 12.7 percent in the second quarter of 1997. A labor force sample survey along ILO guidelines suggests that the official numbers overstate actual unemployment. It finds a rate of 11.2 percent for the second quarter of 1997. Most of the Slovak unemployment is structural. First, there are strong regional disparities with virtually full employment in Bratislava, but high jobless rates in central Slovakia at the sites of the former armaments industry. Regional mobility of labor is very low. Second, the rate of capacity utilization in industry stands at 83 percent in mid-1997, implying almost full capacity by international standards. The factor

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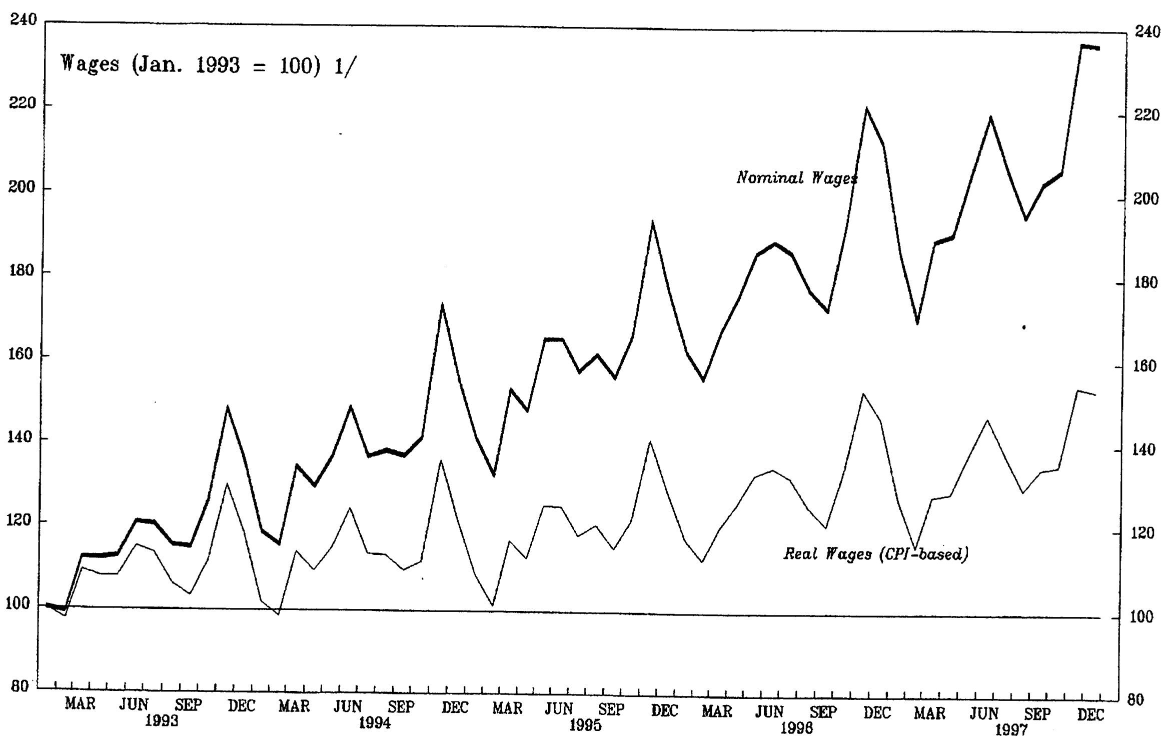
[4]Nominal wages deflated by the CPI.

FIGURE 4
SLOVAK REPUBLIC
WAGES AND UNEMPLOYMENT RATE



Sources: Slovak authorities; and staff calculations.
1/ For enterprises employing 25 or more workers.

capital is therefore almost fully employed, which means that few additional jobs could be created with the present capital stock. Third, the distribution of the unemployed is highly skewed towards longer durations and low skills. Over 70 percent of the unemployed have been out of a job for more than a year, with 32 percent for more than two years. In the latter group, 76 percent have no more than primary education or some apprenticeship experience. At the same time, the vacancy rate more than doubled between 1996 and mid-1997, suggesting that the job creation process has started. Privatization, governance and profits

20. Privatization of state-owned companies has virtually been completed within the current legal framework by mid-1997. In the past, privatization was conducted by two different methods, or "waves". The first was a voucher-based "mass privatization" scheme, initiated by the CSFR and completed shortly after independence in 1993. The second "wave" started in a similar manner by distributing vouchers to the public, but was canceled in 1995. Privatization then continued in the form of direct sales, mainly as management-buyouts, until July 1997. The government has issued a list of companies that are not going to be privatized, including most so-called "strategic enterprises". These companies operate mainly in the armaments, electricity, telecommunications and agricultural sector. Originally, the three largest banks and the largest insurance company were included in the list as well. In March 1997, however, the Parliament decided that the largest (VUB) and the third largest (IRB) banks could be privatized, but that the Savings Bank, which holds the lion's share of household deposits, and the State Insurance Company would remain state-controlled until at least the year 2003. In October, the Slovak and Czech governments agreed to initiate the exchange of shares of VUB and of Komerčni Banka, a Czech bank—which are cross-owned by the corresponding National Property Funds. The privatization of VUB could take place after the exchange of shares is concluded. Several plans for the privatization of IRB were being considered, but new approaches may be needed now that it has been placed under NBS forced administration.

21. Privatization and the restructuring of firms have taken place practically without foreign capital and know-how. Foreign direct investment amounted to less than 1 percent of GDP in 1996, which is one of the lowest rates in central Europe in terms of U.S. dollars per capita. In 1997, the Parliament adopted a **revitalization act** which would permit a government-controlled commission to grant debt relief to selected enterprises on their liabilities to the state, banks, and other creditors. The purported aim of the revitalization is to improve enterprise profitability and support employment, particularly in those regions and industries which have experienced high unemployment and falling demand for their products. No revitalization plan has yet been approved, but over 1,000 enterprises are reported to have applied for consideration and there are signs that the expectation of being eligible for revitalization is weakening financial discipline. Bankruptcy legislation continues to be ineffective, and few companies have gone bust. The exit of inefficient companies would be important in improving the functioning of the market and corporate governance.

22. The creation of firms continues at a high pace. The total number of firms in Slovakia increased by 25 percent in 1994, by 21 percent in 1995, and by 22 percent in 1996. Entry in

services has consistently been higher than in industry, partly due to lower fixed costs in setting up a business. In 1996, 79 percent of all companies operated in services. Net economy-wide profits, in nominal terms, decreased by 22 percent in 1995, increased by 23 percent in 1996 and remained practically stable in the first half of 1997. These swings were mainly caused by the finance sector, which had a poor performance in 1995, but recovered in 1996 during a period of high liquidity. In 1996 manufacturing recorded net losses, which may in part be due to high investment, and in part to a slowdown in exports. During the first half of 1997, manufacturing performed stronger, while profits in the financial sector were lower in response to a monetary tightening by the National Bank. Profit margins vary strongly among industries. Taking as a proxy the ratio of net profits to sectoral GDP, the economy-wide average was 10.7 percent in 1994, 7.2 percent in 1995 and 7.8 percent in 1996. In general, profitability was higher in industry (with an average of 19 percent) than in services (with an average of 6 percent). Electricity, water and gas operated with the highest profit ratios, while agriculture continuously made losses.

B. Public Finance

23. The government's main objectives in the 1997 budget were to accelerate the ambitious highway investment program, which they viewed as an important step toward the integration of Slovakia's economy into Europe; to adjust wages in the public sector in the context of their fast growth in the private sector; and to increase the level of social benefits. To fulfill these goals without raising the level of taxation, the government accepted a general government deficit target of 3.5 percent of GDP, 1 percentage point of GDP more than the target for 1996.[5] The fiscal relaxation was not considered inconsistent with the expected adjustment in the external account, as the large import boom in 1996 was attributed to one-time factors, including the temporary removal of import duties on cars.

24. The 1997 budget did not include new revenue measures, except for the correction in specific excise taxes. The tax-to-GDP ratio was expected to remain constant, with better collection of the value-added tax compensating for the elimination of the import surcharge. Moreover, the budget included optimistic assumptions on the improvement in the efficiency of collecting social security taxes. On the expenditure side, the government approved an increase in the budget sector wage bill by 13 percent, increased subsidies to agriculture, and raised expenditure on social benefits by 4 percent in real terms. Subsides for heating, equivalent to almost 0.7 percent of GDP were, however, to be cut. The state budget transfer to the Pension Fund, which compensates the Pension Fund for the accruing pension rights of selected categories of the population, was reduced in nominal terms, reflecting the fact that the Pension

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[5]The general government deficit in 1996 turned out to be only 1.3 percent of GDP, owing to the unexpected overperformance of social security revenue at the end of the year.

Fund had realized a large surplus in 1996.[6] The much larger state budget transfer to the public health funds for a similar purpose, equivalent to 1.8 percent of GDP in 1996, was left constant in nominal terms, which affected the outcome of these funds.[7] Substantial expenditure on highway construction and support for housing construction, equivalent to about 2.1 percent of GDP, were to be financed outside of the budget. As a result, the projected state budget deficit was only 1.8 percent of GDP. The extrabudgetary funds and the social security funds were expected to realize a surplus of 0.4 percent of GDP, while the local governments were projected to have a balanced budget.[8]

25. Tax collection in 1997 was, however, disappointing (Figure 5). The largest shortfall appeared in the collection of the corporate profit tax, which was only about half of the budgeted amount. This was the result of several factors, the individual contributions of which are, however, difficult to estimate.[9] The original target to increase collections by 20 percent over the outcome in 1996 was probably overoptimistic, most likely because the refunds for overpayments in 1996 were underestimated. The large investment boom in 1996 increased the depreciation charges in 1997, particularly because many enterprises opted for the accelerated depreciation schedule. Owing to weaker profitability, it appears also that a number of corporations obtained approval from the tax authorities to reduce their advance payments.[10] Collections were also affected by changes in the taxation of banks. The uncollected penalty interest was no longer taxable, as the corresponding by-law had been changed. Moreover, commercial banks had stopped accruing interest on large amounts of loans in serious arrears, which reduced the tax base.

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[6]The budget pays pension contributions for students, women on maternity leave, and some other categories of population. The level of these contributions is, however, frequently changed.

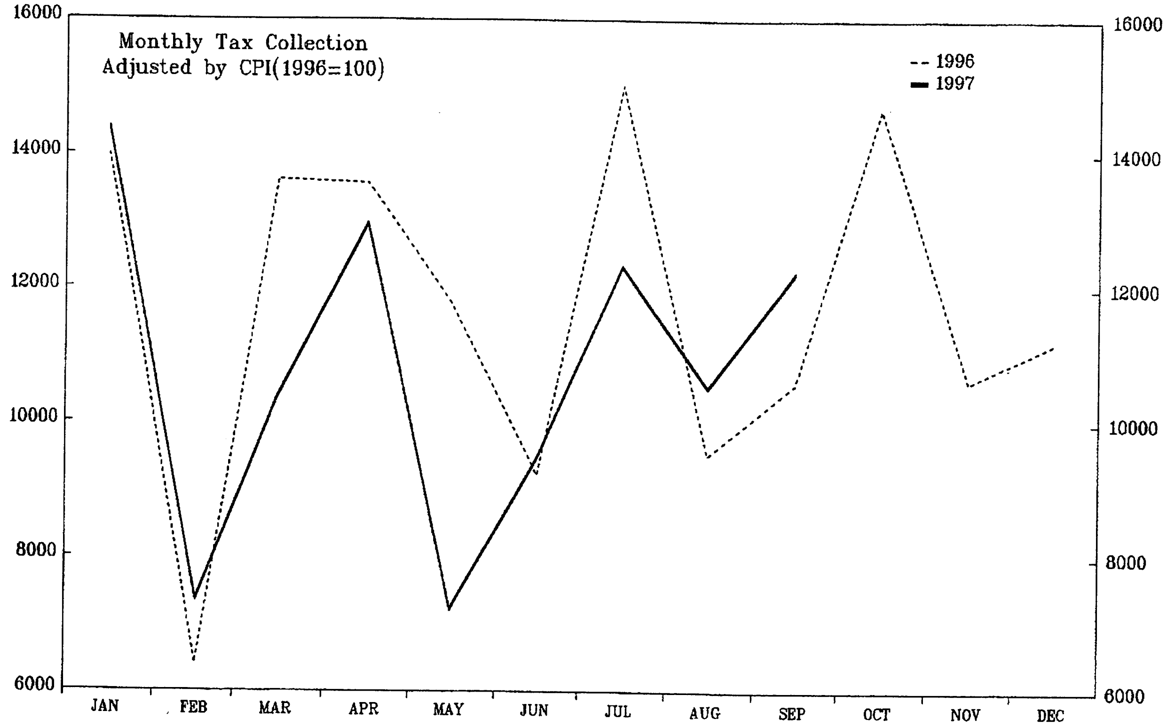
[7]The budget transfer covers health costs for children and students, women on maternity leave, the disabled, and pensioners.

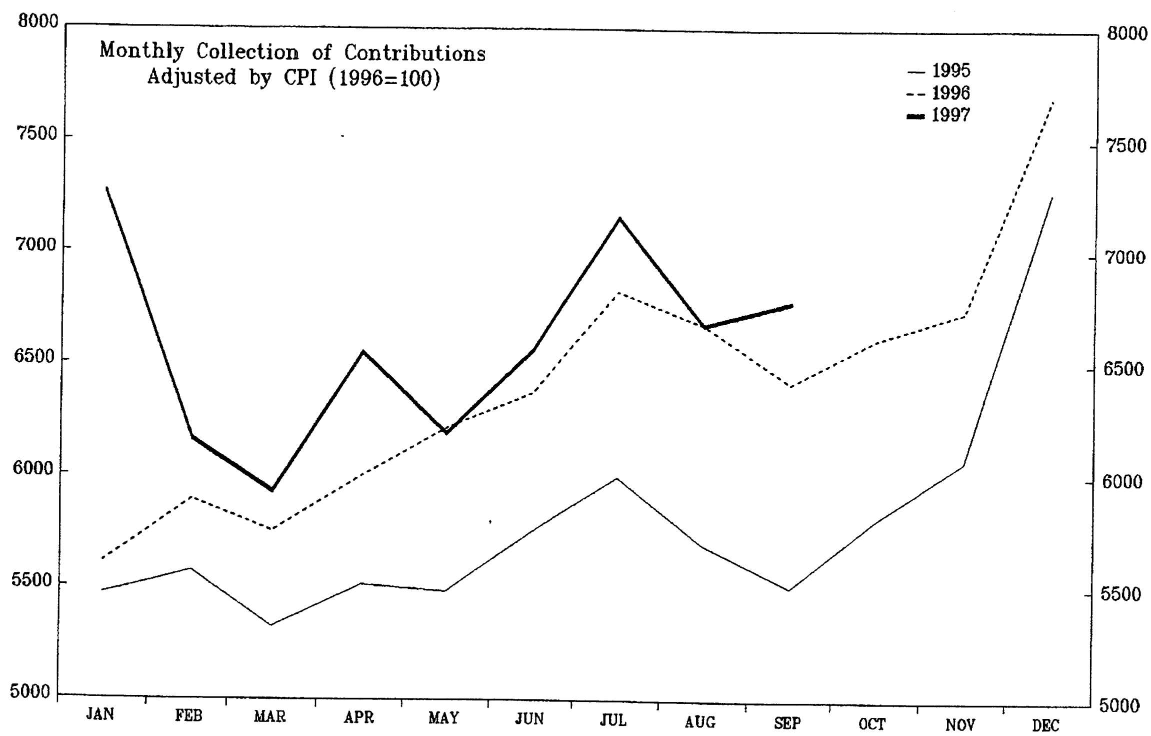
[8]Discussions about the budget balance in the Slovak Republic are complicated by the fact that the government often uses the definition of the deficit that includes long term borrowing on the revenue side and repayments of long term debts on the expenditure side. Comparison of revenue and expenditure developments during the fiscal year with the budget figures is also complicated by the practice that some intra-government transfers between various ministries are reported in the monthly reports on both revenue and expenditure side.

[9]All data on collection of taxes are for the first 9 months.

[10]On the other hand, the government also tried to encourage some companies to accelerate their payments.

FIGURE 5
SLOVAK REPUBLIC
MONTHLY COLLECTION OF TAX REVENUES AND SOCIAL SECURITY CONTRIBUTIONS





Sources: Slovak authorities

26. The personal income tax, on the other hand, performed very well. The collection in the first nine months was 26 percent higher than in the same period of 1996, which reflected faster-than-expected wage growth in the economy and strong effects of bracket creep, as the personal allowances and the brackets had not been adjusted for inflation since 1994. The collection of social security taxes in the same period was, however, only 10 percent higher than in 1996, less than the estimated growth in the wage bill. Confirming that the efficiency of collection had weakened, the social security funds reported larger-than-expected increases in revenue arrears. It is likely that the deterioration in compliance was partly caused by the new law on the revitalization of enterprises, which has opened the possibility for social security contribution arrears to be canceled.

27. By midyear, the weaker revenue prospects became obvious. Moreover, much higher interest rates on domestic borrowing had put pressure on the expenditure side. Interest rates on government borrowing instruments, in the single digits until November 1996, moved in the first half of 1997 to a range of 13–15 percent for Treasury bills, and to 15–17 percent for bonds. It also turned out that the cut in the heating subsidies had to be postponed. In the health sector, the 11 public health funds came under severe expenditure pressures, as they were not able to control costs in the context of the growing number of new private providers and the increased demand.

28. To correct the deterioration in the fiscal performance, in June and July the government increased excise taxes and introduced a 7 percent import surcharge, this time for a much broader range of imported goods.[11] The purpose of the latter measure was also to reduce the external current account deficit. The allocations for discretionary spending of line ministries were cut by about 0.6 percent of GDP. In the health sector, the government introduced restrictions on entry of new providers into the system, and tried to impose a ceiling on total expenditure of the health funds.

29. These measures, however, proved to be insufficient. By end-September, the cash deficit of the general government had reached 2.7 percent of GDP, and the outstanding obligations of the health funds had increased since the beginning of the year by about 0.4 percent of GDP.[12] Interest rates on Treasury bills surged to a 20–30 percent range, and for

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[11]The newly introduced surcharge was expected to cover almost 75 percent of imports. The monthly collection in the second half of 1997 was indeed almost four times larger than in 1996.

[12]On several occasions in the past, the budget had had to clear these arrears in the following year.

bonds to 20–26 percent (Figure 6).[13] Moreover, whereas in 1995 the government had succeeded in placing bonds with a maturity of 3–5 years, and 18 months in 1996, in 1997 the market accepted only instruments with a maturity of up to one year. The placement of a Eurobond had to be postponed as a result of the turbulence in the financial markets after the Asian crises.

30. Despite the difficulties in financing, the expenditure plans were not cut sufficiently, and the deficit surged. Preliminary results indicate that total net financing of the general government on an accrual basis by end-December reached 5.1 percent of GDP, and on a cash basis, 4.5 percent of GDP.[14] The cash deficit of the state budget, combined with the extrabudgetary highway projects and the support for housing construction, reached 4.3 percent of GDP. The social security funds incurred a deficit of 0.7 percent of GDP, most of which was in the form of the health fund arrears, whereas the local governments ran a deficit of about 0.1 percent of GDP.

C. Monetary Policy and Banking Sector Issues

Overview

31. Monetary conditions changed markedly between 1996 and 1997. In the first half of 1996, monetary policy was effectively accommodative, with accelerating growth in credits to enterprises and households. By the third quarter of 1996, the National Bank of Slovakia (NBS) became concerned with the strong growth in domestic demand and the widening external imbalances, and the central bank tightened the monetary stance. The commercial banks, however, countered the tightening by increased bank borrowing abroad and through reducing their holdings of NBS paper. In response, the NBS adopted measures in an effort to regain control of liquidity. The external imbalances persisted, and, in May 1997, the Slovak koruna came under speculative attack. The NBS managed to fend off the attack, but subsequently maintained very tight reins over liquidity, pushing interbank rates above 20 percent (Figure 7). The government increasingly experienced difficulties in its financing and refinancing operations, as government debt commanded interest rates in excess of 25 percent. The high real interest rate environment also contributed to a deterioration in the loan portfolios of the banking sector and, ultimately, to the collapse of the third largest bank in December 1997.

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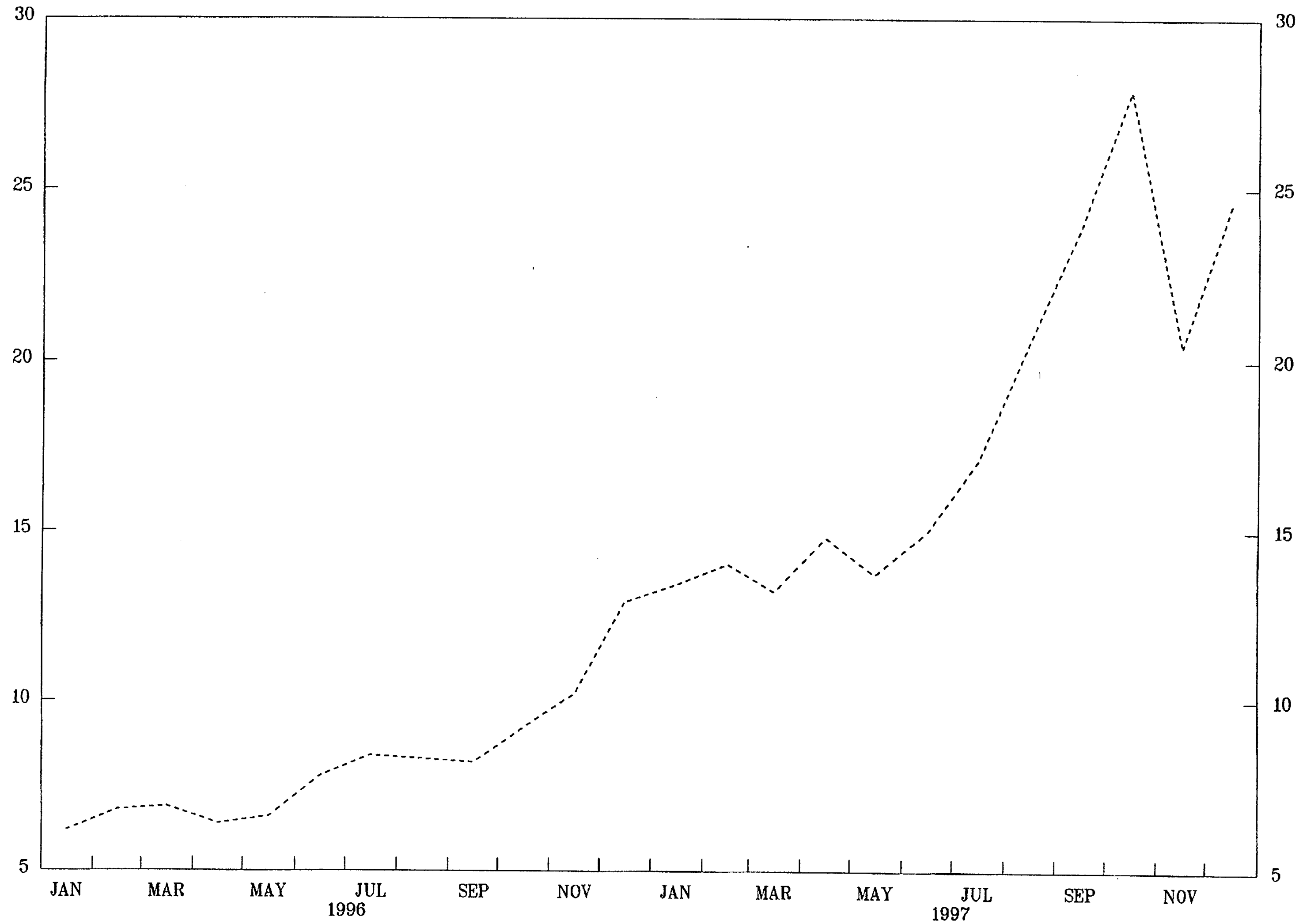
[13]According to the law on execution of the budget, the government in the Slovak Republic can issue bonds to refinance its debts only after the final budget accounts for the previous year have been approved by the parliament. Financing of the deficit in the current year is limited to Treasury bills.

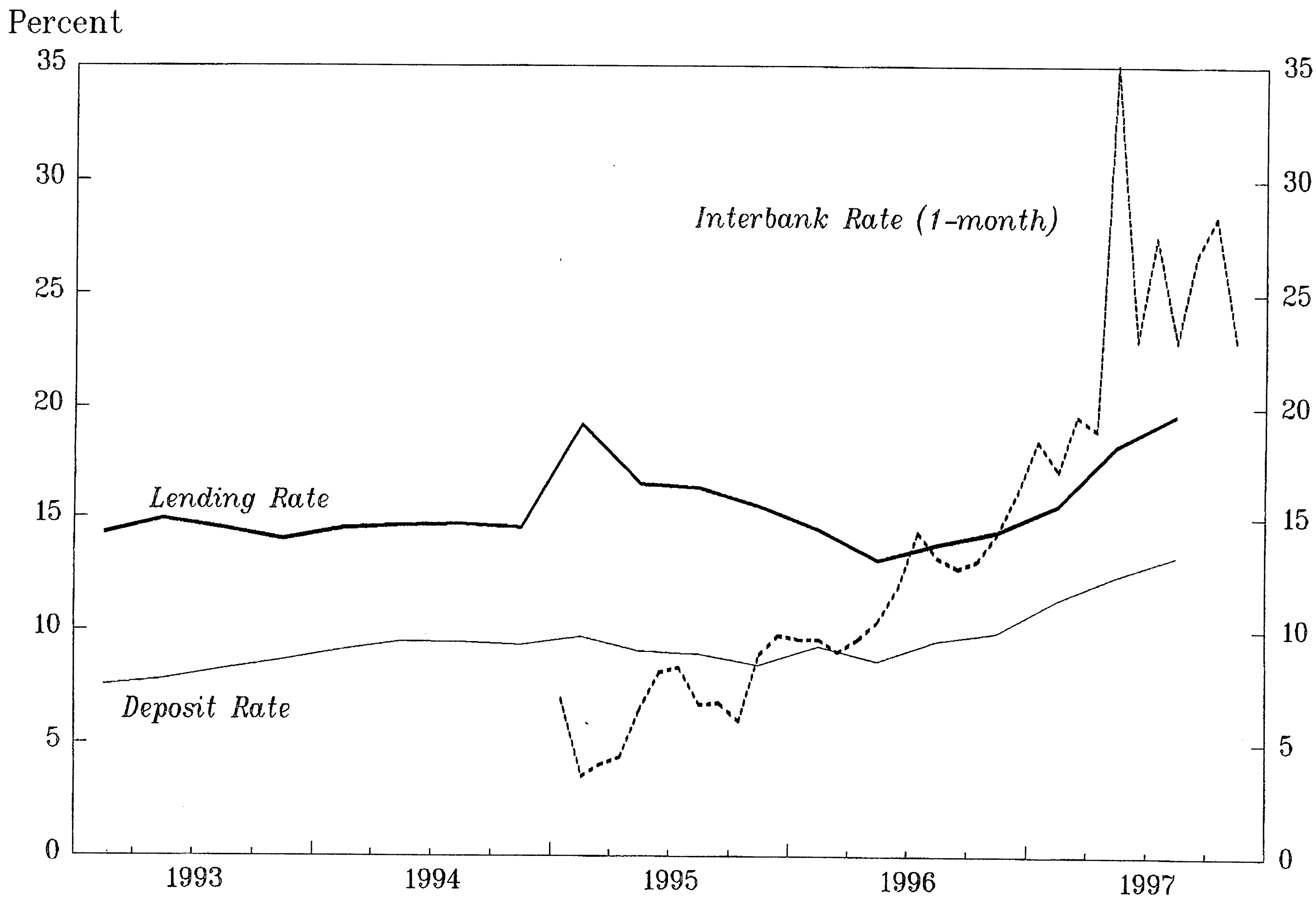
[14]The effective 1997 fiscal year stretches into January 1998, which may result in discrepancies between financing data, and data on revenue and expenditure.

FIGURE 6
SLOVAK REPUBLIC
INTEREST RATES ON TREASURY BILLS
(In percent)



Sources: Slovak authorities.

FIGURE 7
SLOVAK REPUBLIC
SELECTED INTEREST RATES



Sources: International Financial Statistics, Bloomberg and Slovak authorities.

Monetary developments in 1997

32. In reaction to signs of overheating in the Slovak economy, the NBS adopted a package of liquidity tightening measures in the second half of 1996 and early 1997. Thus, in July 1996, the NBS unified its reserve requirements for term and sight deposits in both domestic and foreign currencies at 9 percent. At the same time, the NBS introduced its regulation on foreign currency exposure of commercial banks for monetary purposes. According to this regulation, banks' ratios of foreign exchange assets to liabilities[15] had to be at least 65 percent by December 31, 1996. This floor remained in effect during the first quarter of 1997, rose to 70 percent during the second quarter, and to 80 percent since July 1. This regulation is in addition to the prudential foreign currency exposure limit and was intended to restrict short-term foreign currency loans intermediated by the banks. Indeed, the share of foreign currency credit in total bank credit to the private sector fell from 11 percent in July 1996 to 8 percent by January 1997 and then edged back up to around 9 percent during the latter part of 1997.

33. The NBS relied on open market operations for its liquidity management, conducting repos and reverse repos using NBS bills, treasury bills, and government bonds. In January 1997, the NBS changed its liquidity management framework, switching from interest rate targeting to the targeting of excess reserves. The excess reserves operating targets are adjusted in response to developments with respect to broad money and NDA. Under the new framework, interest rates are determined by market forces, with a consequent increase in the volatility of interbank rates. However, the move enabled the NBS to gain better control of the money supply, and along with the liquidity tightening measures, has contributed to a slowdown in the growth of broad money and domestic credit in 1997.

34. The discount rate was held at 8.8 percent throughout 1997, unchanged since January 1996. Meanwhile, required reserves are remunerated at an annual rate of 1.5 percent, and the penalty rate—for those banks which fail to meet the reserve requirements—is set at three times the discount rate, or about 26 percent. The Lombard rate has stood at 15 percent since July 1996, significantly below the interbank rate during most of 1997, but the NBS has decided not to grant Lombard credit to banks while it has been engaged in liquidity tightening.

35. In 1997, the NBS tightened further its already restrictive stance in response to ambitious government spending plans. To this effect, the 1997 monetary program targeted broad money and NDA growth at 11 percent (approximately the projected growth rate for nominal GDP) and 13 percent, respectively, down from 16.5 percent and 20.5 percent growth rates (year-on-year) at end-1996 for the respective monetary aggregates. Most critically, credit to enterprises and households was planned to grow by only 5 percent in 1997, almost

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[15]In the numerator, only foreign exchange assets against non-residents are included, while the denominator includes foreign exchange liabilities against non-residents and residents as well as crown liabilities against non-residents.

13 percentage points slower than by end-1996. In contrast, the expansionary fiscal plans implied growth in net credit to government in excess of 30 percent compared with only about 4 percent in 1996.

36. There was a clear turnaround in monetary conditions during the course of the year as the NBS successfully brought down the rate of growth of the monetary aggregates in line with the monetary program. By October 1997, the rate of growth of M2 money supply had decelerated to 12.9 percent, less than 2 percentage points above the targeted growth rate of 11 percent by end-December and compared with 17.9 percent in the same month of the previous year. Preliminary data for December 1997, however, indicate that the monetary outcome proved tighter than programmed, with broad money and NDA both growing at less than 9 percent (year-on-year). In particular, growth in credit to enterprises and households was much slower than envisioned—at 2.2 percent, less than half the targeted growth rate—largely owing to the worse-than-expected fiscal performance. Net credit to government peaked in December at Sk 125.6 billion, up 32 percent since end-December 1996. Net foreign assets, on the other hand, grew by almost 9 percent against an expected small decline relative to end-1996.

37. In late May 1997, the Slovak koruna came under speculative attack, triggered by contagion effects from turmoil on the Czech exchange market, but also against a background of fundamental problems with the external and fiscal imbalances. Following the floating of the Czech koruna, the Slovak currency was briefly quoted in the interbank market at the lower bound of its fluctuation band,[16] but pressures on the exchange rate subsided after the NBS choked off liquidity on the money market and maintained its fixing close to parity (Figure 8).[17] The NBS also used moral suasion to convince the banks not to lend domestic currency to non-residents in an effort to limit the taking of speculative positions. The foreign exposure regulations on commercial banks also played a key role in limiting the available speculative capital. The acute liquidity shortage caused several banks to fail their minimum reserve requirements. Interest rates rose to record levels as the NBS struggled to preserve the crown's stability; short-term interbank rates exceeded 30 percent in the wake of the speculative attack, and, in the face of the growing financing needs of the government, rates have generally remained above 20–25 percent since then.

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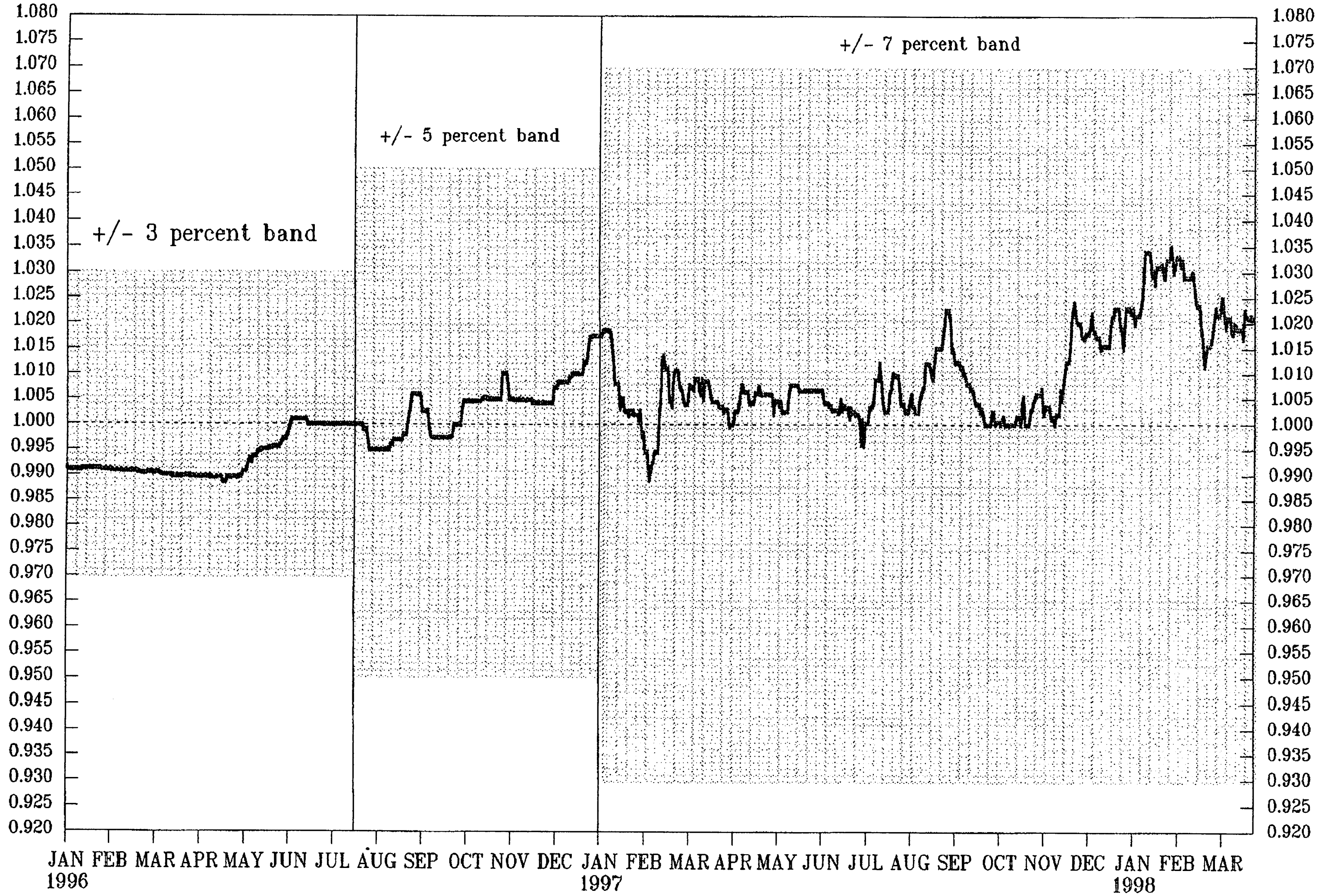
[16]The Slovak koruna is pegged to a basket comprised of the Deutsche mark and the U.S. dollar (with weights of 60 and 40 percent, respectively) with a fluctuation band of ±7 percent around the parity; the band was successively widened during 1996 from ±1.5 percent to the present ±7 percent in order to deter speculative capital flows.

[17]Effective April 1, 1996, the NBS introduced a spread of ±0.25 percent at the foreign exchange fixing. In response, most of the foreign exchange transactions moved to the interbank market, and the fixing rate largely took on the role of a representative rate, except in those instances where the NBS' fixing served as a signal and deviated significantly from the interbank rate.

FIGURE 8
SLOVAK REPUBLIC
EXCHANGE RATE OF THE SLOVAK REPUBLIC AGAINST THE BASKET (1996-98) 1/



Sources: Bloomberg and NewsEDGE services.
1/ Decline indicates nominal appreciation. The Slovak koruna is pegged to a basket comprised of the deutsch mark and the US dollar (with weights of 60 and 40 percent, respectively) with a fluctuation band of +/- 7 percent around the parity; the band was successively widened during 1996 from +/- 1.5 percent to the present band width in order to deter speculative capital flows. This figure presents movements of the koruna at the NBS fixing, but not on the interbank market.

38. The Slovak crown remained largely immune to any serious contagion from the Asian financial turmoil, owing mostly to the relative absence of "hot money" in the Slovak economy. Nevertheless, nervousness continued to occasionally plague the foreign exchange market, and the koruna came under downward pressure again in early September as well as in early December in the wake of political uncertainty in the Czech Republic.

39. In the course of two weeks in May, the NBS lost US$700 million (about 18 percent of official reserves) during its defense of the crown. The central bank subsequently recovered some of its reserves, but official reserves ended the month almost US$400 million lower—a level covering less than 3 months of imports compared with coverage of 3.4 months at end-1996. By end-October, however, official reserves had almost risen to end-1996 levels, and reserves in the banking sector as a whole exceeded end-1996 levels by almost US$2 billion. During the mild run on the currency in December, the NBS sold only a negligible amount of reserves (about US$60 million) and, in contrast to the earlier runs on the currency, allowed the crown to depreciate at the fixing to more than 2 percent below the central parity, in line with the movements in the interbank market.

40. Despite pressures from the government and the embattled banking and enterprise sectors for lower interest rates, the NBS vowed to maintain a neutral to tight monetary stance, claiming that it would ease monetary policy only when the government ran a budget surplus. The parameters of the NBS 1998 monetary program were submitted to Parliament in November 1997. The 1998 program again targets broad money growth in line with nominal GDP growth (about 9.4 percent), and although there is some expected relaxation in credit to the private sector (with growth targeted at 8 percent), this still implies a decline relative to GDP.

Banking sector developments

41. In 1997, the Slovak banking system comprised 11 domestically-owned banks, 14 banks with foreign capital participation, 4 branch offices of foreign banks, and 10 representative offices of foreign banks. The banking sector remained dominated by the three largest banks—Slovenská Sporitel'ňa (the Savings Bank), Všeobecná Úverová Banka (VUB), and Investičná a Rozvojová Banka (IRB)—with the state having controlling interests in the Savings Bank and VUB and a 35 percent share in IRB. The Savings Bank continued to be the largest net lender on the interbank market and to hold the vast majority of household deposits. On a risk-weighted basis, the share of assets of the three largest banks comprised about 68 percent of the banking system's assets. In March 1997, new legislation was passed which allowed the privatization of VUB and IRB to proceed, but the Savings Bank must remain in state hands until 2003. Further progress toward the eventual privatization of VUB was made in October 1997, when the Czech and Slovak governments agreed to initiate the swap of their stakes in VUB and Komerční Banka, a Czech bank, which could clear the way for VUB's sale.

42. Weak financial conditions continued to characterize the largest banks. Their plight worsened by late 1997, as the tight monetary policy and large government financing needs led to an extended period of very high interest rates, creating serious strains on the banking sector and particularly on those banks which relied heavily on the interbank market for their funding. As lending rates rose in line with interbank rates, enterprises faced increasing difficulties in servicing their debt. As a result, insufficiently provisioned expected losses in banks increased by Sk 2.1 billion to Sk 12.6 billion during the first half of 1997. Moreover, extending credit at such high rates may have induced an adverse selection problem, which could lead to further problems in the future. The most creditworthy firms avoided the high domestic interest rates by borrowing abroad, while banks' most important clients were offered preferential, but unprofitable, lending rates. The remaining clients, willing to borrow at the high rates, could encounter problems in servicing their loans.

43. By end-1996, the percentage of classified loans for the banking sector as a whole stood at 29.7 percent, a sharp improvement over the 40 percent share at the end of 1995. However, the loan portfolios of the banking sector deteriorated during the first half of 1997, with the share of classified loans edging up to 30.5 percent by June 1997. The problems are concentrated in the three largest banks, in which the share of classified loans fell from 48.1 percent in 1995 to 35.3 percent by end-1996, but then reversed the downward movement during the first half of 1997, with the share rising to 36.9 percent.

44. For the three largest banks, the capital adequacy ratio increased from 4.72 percent at end-1996 to 5.24 percent as of June 1997, reflecting progress with bank restructuring. However, there were indications that in the latter half of 1997, the largest banks were having an increasingly difficult time meeting their quarterly targets (as set by the NBS) for capital adequacy. On the other hand, the smaller banks appeared to be sufficiently capitalized, with capital adequacy ratios often substantially above the prescribed minimum of 8 percent.[18]

45. The difficulties faced by the banking sector were highlighted in December when IRB faced a severe liquidity crisis against a background of mounting losses and a heavy burden of non-performing loans. Following an after-tax profit of almost Sk 200 million in 1995, IRB incurred losses of more than Sk 1 billion in 1996 after heavy loan provisioning. Meanwhile, its capital adequacy ratio plummeted from 7.25 percent at end-1995 to 2.93 percent by end-1996. Toward the end of 1997, IRB's difficulties intensified, as several commercial banks froze their credit lines to IRB in the interbank market amid doubts about IRB's financial viability. The crisis came to the fore in mid-December when IRB suspended payment orders, which subsequently prompted depositors to queue outside the bank's branches as they waited to withdraw their savings. On December 19, in an effort to defuse the crisis, the NBS placed IRB under its forced administration and provided credits to the bank to enable it to pay its

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[18]This is illustrated by the fact that the banking sector as a whole had a capital adequacy ratio of 8.4 percent in June 1997, despite the smaller banks having a risk-weighted share of assets of only 32 percent.

depositors. In the immediate aftermath of the IRB crisis, short-term interest rates jumped to over 30 percent, but the rates later dropped sharply after the NBS managed to prevent the crisis from spreading to the rest of the banking system. IRB is expected to be sold to new strategic investors in 1998.

46. In November, the government submitted to Parliament a controversial amendment to the NBS law which would curtail the central bank's independence and double the permissible amount of monetary financing of the budget. The proposed amendment would make three key changes in the current law. First, the amount of government securities that the NBS could hold would be doubled from the current 5 percent of the previous year's budgetary revenue, thus increasing the permissible monetary financing of the budget deficit up to about 4 percent of GDP. Second, the number of members of the NBS Board would be increased to ten from the current eight, and the government, rather than the NBS Governor, would nominate half of the members of the Board, thereby increasing the government's influence and raising doubts about the ability of the NBS to make independent decisions on monetary policy. Finally, the amendment would make the NBS' budget subject to Parliamentary approval.[19] Parliament has repeatedly postponed discussion of this amendment.

D. External Sector Developments

47. The Slovak Republic's current account is estimated to have a deficit of US$1,611 million in 1997 (about 8.4 percent of GDP). While still high, this is substantially below the estimated US$2,098 (11.1 percent of GDP) for 1996 (Figure 9). The major factor explaining the current account deficit in both 1996 and 1997 was the merchandise trade deficit, which stood at US$2,293 in 1996 and an estimated US$1,658 in 1997. As in 1996, the net financing of this deficit largely took the form of medium- and long-term external loans to Slovak enterprises. Government borrowing, direct and portfolio investment, and net borrowing by commercial banks made only minor contributions to the financing of the current account. The overall balance in the first ten months of 1997 recorded a surplus of US$21 million, down from US$362 million in 1996 and US$1,771 million in 1995.

48. The Slovak authorities maintained an announced exchange rate policy of allowing the exchange rate to fluctuate up to 7 percent in either direction from a basket with 40 percent U.S. dollar and 60 percent Deutsche mark weights.[20] The authorities maintained their exchange rate policy in spite of three attacks on the exchange rate, the most substantial of which came in May 1997 and resulted in the loss of more than US$400 million in official

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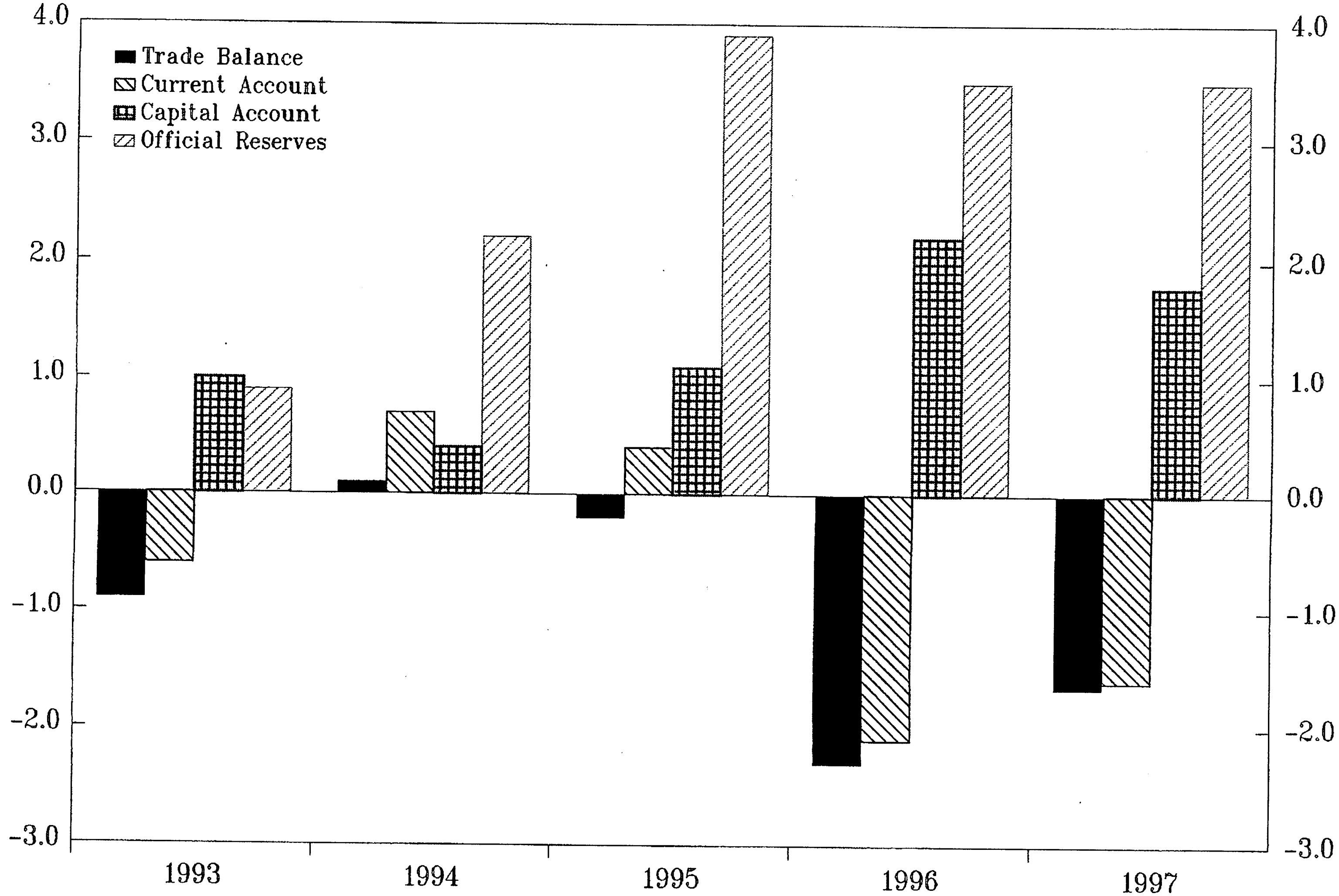
[19] According to the government, the Parliament would only approve the administrative budget, not the operational budget.

[20] In practice, the exchange rate has been generally maintained well within 3 percent on either side of the central parity.

FIGURE 9
SLOVAK REPUBLIC
BALANCE OF PAYMENTS
IN MILLIONS OF U.S. DOLLARS



Sources: Slovak authorities, and staff projections.

reserves during the month. Following each attack, the pressures on the rate subsided, and the authorities were able to rebuild lost reserves without changing the exchange rate policy.

Current account developments

49. The merchandise trade deficit fell by 9 percent between the first ten months of 1996 and the same ten months of 1997 (Figure 10). Within 1997, the trade deficit narrowed from May through October in response to monetary tightening, the effect of trade restrictions introduced in May 1997, and seasonal factors (the Slovak trade balance is generally more favorable in the third quarter). Preliminary data suggest that the improvement in the trade balance continued into November 1997. Slovak imports and exports in the first ten months of 1997 were only slightly changed in dollar value from the corresponding figures in the first ten months of 1996; imports were down 1.0 percent and exports were up 0.5 percent over these ten months compared to the same period in 1996.[21] These growth rates represent a shift from 1995, when both imports and exports grew at rates in excess of 25 percent, and also 1996, when imports grew by 26 percent while export growth slowed to only 3 percent.

50. The direction of trade in 1996 and the first three quarters of 1997 continued trends evident in earlier periods. Exports to advanced market economies continued to increase in importance, rising from 44.4 percent in 1996 to 49.8 percent in the first three quarters of 1997. Exports to the EU continued to account for all but three to five percentage points of the advanced market economy total. Imports from advanced market economies increased in share from 45.2 percent of imports in 1996 to 47.8 percent in the first three quarters of 1997. The share of transition economies continued to fall for both imports and exports, with imports from and exports to the Czech Republic accounting for all of the decline in transition economy share while trade with other CEFTA countries (in particular, Poland and Hungary) continued to increase as a share of the total. The most notable difference between exports and imports in terms of the direction of trade is the much more prominent role of Russia in imports than exports (15.6 percent of imports but only 2.9 percent of exports in the first three quarters of 1997).

51. The commodity composition of imports and exports changed little in 1996 and the first three quarters of 1997. For both imports and exports, modest declines in the shares of chemicals and intermediate manufactures were offset by increases in machinery and equipment. These categories together continued to account for nearly three-quarters of exports and more than three-fifths of imports.

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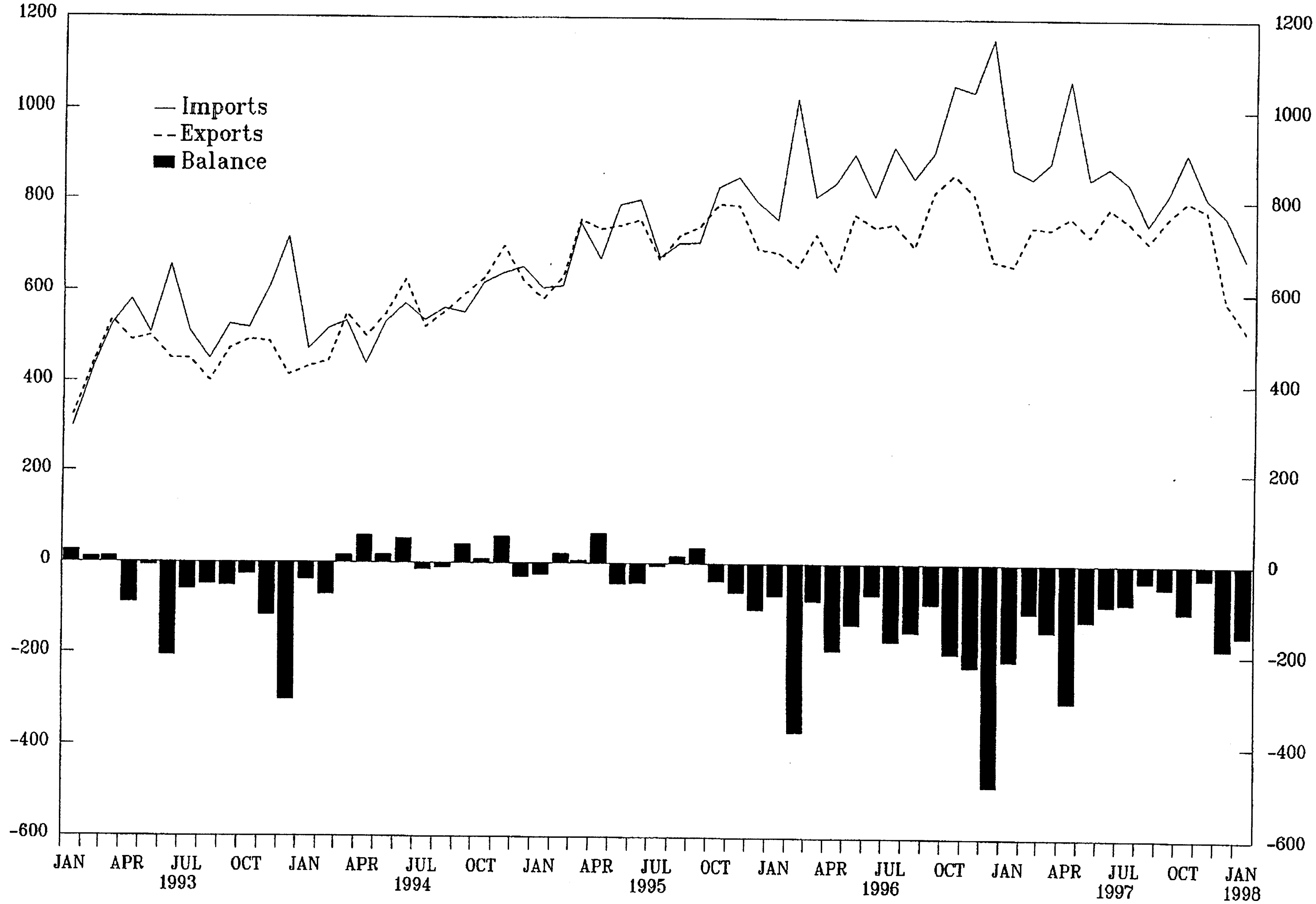
[21]Part of this slowdown in imports and exports and diminution of the trade deficit may be attributable to the 10 percent average appreciation of the US dollar relative to the Slovak koruna between the two periods; in nominal koruna terms, imports were up by 9.0 percent, exports were up by 10.7 percent, and the trade deficit rose by only 0.1 percent for the first ten months of 1997 compared to the same ten months of 1996.

FIGURE 10
SLOVAK REPUBLIC
TRADE BALANCE
IN MILLIONS OF U.S. DOLLARS



Source: Slovak authorities.

52. The services and income balance moved from a deficit of US$8 million in 1996 to a deficit of US$183 million in the first ten months of 1997. The principal factors behind the shift were the increase in interest payments associated with the rising external debt and a narrowing of the surplus on travel receipts and expenditures. The other substantial items in the services balance—the surplus on transportation services and the deficit on a diverse group of other services—were largely unchanged between 1996 and 1997. The balance on transfers continued to be in surplus with receipts of private transfers as the main component.

Capital account developments

53. The current account deficit was financed primarily by medium- and long-term borrowing, mostly by Slovak enterprises rather than commercial banks or the government. Net short-term borrowing accounted for only a modest share of net financing, although gross inflows and outflows of commercial banks were large. Direct and portfolio investment continued to decline further from the low levels experienced in 1996. International reserves were almost unchanged over the first 10 months of 1997.

54. Net medium- and long-term credit received by Slovak enterprises totaled US$893 million out of an overall capital account balance of US$1,093 million through October 1997. There was little net medium or long-term borrowing by other sectors during this period; net credit to government was only US$22 million while commercial banks reduced net debt for these maturities by US$58 million. Notwithstanding the disruption in financial markets since late October 1997, Slovak enterprises appear to have retained access to private capital markets, at least through syndicated loans; the value of syndicated loans signed in late November and December 1997 was approximately US$350 million, slightly more than had been raised in the previous ten months.

55. Net short-term borrowing by the Slovak Republic was only US$127 million over the first ten months of 1997, although the small net balance obscures large gross flows. Commercial banks operating in Slovakia secured very large increases in gross, short-term external liabilities in the first ten months of 1997 (US$1,795 million) offset almost exactly by large increases in short-term assets of commercial banks (US$1,868 million) over the same period. This pattern appears to be the result of some—mostly foreign—banks exploiting a loophole in regulations designed to limit capital inflows by simultaneously borrowing and redepositing the same funds abroad in order to increase their permitted amount of net lending to the Slovak economy. In addition to this, the government received US$195 million in short-term bridge financing from a foreign investment bank seeking to secure medium- or long-term financing for the Slovak government when financial market conditions for emerging market debt stabilize. Other short-term borrowing was limited; short-term liabilities of Slovak enterprises increased by only US$63 million which was offset almost completely by increases in foreign assets of Slovak enterprises of US$58 million.

56. Non-loan capital flows remain minor sources of external financing. Net foreign direct and portfolio investment in 1997 is running at an annual rate in 1997 below the already low

rates seen in 1996. Net foreign direct investment was US$22 million in the first 10 months of 1997 compared to US$129 million for the full year of 1996. Net portfolio investment is running at approximately the same rate as in 1996, with an inflow of US$77 million in the first ten months of 1997 compared to US$96 million for 1996. These amounts are equivalent to 0.1 percent of GDP for direct investment and 0.5 percent of GDP for portfolio investment.

Debt

57. Related to the large inflows of external loans, external debt of the Slovak Republic continued to rise at a rapid rate. Total external debt rose by approximately US$2.0 billion in 1996 and by a further US$2.9 billion in the first ten months of 1997. The two main factors contributing to the 1997 increase in gross external debt were medium and long-term borrowing by Slovak enterprises (US$0.8 billion), a large part of which is used to finance the capital investment programs of large enterprises, and short-term borrowing by commercial banks (US$1.8 billion). The short-term borrowing by commercial banks was slightly more than offset by the accumulation of short-term external assets.

Exchange and Trade Regime

58. The basic legal instruments that define the exchange control regime for the Slovak Republic are the Foreign Exchange Act that went into effect on October 1, 1995, and a decree further liberalizing the exchange control regime that went into effect on December 1, 1996. There are no general restrictions on inward direct investment, and transfer of proceeds from investment and the repatriation of capital upon liquidation are also unrestricted. A license is generally needed for outward investments by residents. However, in the case of a conflict between international agreements and domestic legislation in this regard, the international provisions prevail. As a result, Slovak residents may make direct investments abroad under those circumstances covered by the EU Association Agreement, and residents may also engage in outward direct investment in OECD countries. Slovak residents may also borrow from abroad for any purpose without restriction in the form of credits of more than three-year maturity. Notwithstanding the three-year limit, loans from OECD countries for the purposes of purchasing goods or services abroad are not restricted in terms of maturity. However, purchases of goods abroad in excess of Sk 150,000 (US$4,500) need to be reported through Customs to the NBS.

59. The Slovak Republic trade regime is characterized by a relatively low MFN tariff schedule, extensive participation in regional trade arrangements, and frequent recourse to import surcharges. The unweighted average MFN tariff for the Slovak Republic was 8.0 percent in 1995 and is unlikely to have changed significantly in 1996 or 1997. However, more than 80 percent of foreign trade is now conducted under preferential trade agreements, the most important of which are with the EU and CEFTA (the latter comprising Poland, Hungary, the Czech Republic, the Slovak Republic, Slovenia, and Romania). These agreements provide for zero tariffs for non-agricultural products, although in some cases, the elimination of tariffs is not yet completely phased in. The principal developments in trade

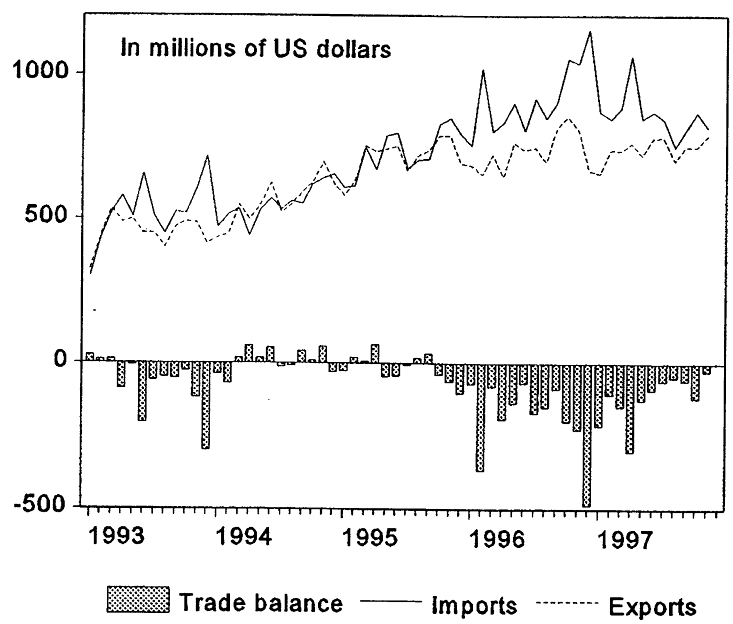
policy in late 1996 and 1997 were the signing of a free trade agreement with Lithuania on December 4, 1996 with implementation beginning July 1, 1997 and the start of implementation of a free trade agreement signed previously with Israel on January 1997. These countries join the EU, EFTA, CEFTA, Bulgaria, and Estonia on the list of countries with which Slovakia now has free trade agreements. The key trade policy issue facing the Slovak Republic at this time is the import surcharge. Import surcharges in place from 1994 through the end of 1996 expired, but new restrictions on imports were imposed on May 1, 1997 in the form of an import deposit scheme requiring a six month, non-interest bearing deposit equal to 20 percent of the value of imports. This was replaced on July 21, 1997 by a new import surcharge at the rate of 7 percent; the surcharge covers about 75 percent of imports, the principal exceptions being basic raw materials and medical and health care equipment. The surcharge was reduced to 5 percent effective January 1, 1998 and is scheduled to be reduced to 3 percent on April 1, 1998 before being eliminated on October 1, 1998.

III. COMPETITIVENESS AND THE TRADE DEFICIT IN SLOVAKIA[22]

A. Introduction

60. As imports expanded rapidly and exports stagnated, Slovakia's trade deficit increased to more than 11 percent of GDP in 1996 (see Figure 11) from about balance in 1995. This chapter analyzes whether a loss in competitiveness played a major role in this large deterioration in the trade balance. An inspection of different measures of competitiveness and econometric tests suggest that this was not the case, and that the Slovak crown remained fairly close to its equilibrium through 1996.

Figure 11. Foreign trade in the Slovak Republic, 1993–97



61. One possible explanation for the deficit, which could be termed a "disequilibrium" model, runs along Keynesian lines. To explain the deficit within this model, assume that the Slovak economy operated close to its potential output in 1995. At this time, lax monetary and fiscal policies caused a surge in domestic demand and pushed the economy above its long-run potential. Nominal wage growth and inflation picked up. Having pegged its currency to the DM and the U.S. dollar, Slovakia experienced an appreciation of the real exchange rate. The competitiveness of its exports declined and the trade balance turned negative. Domestic

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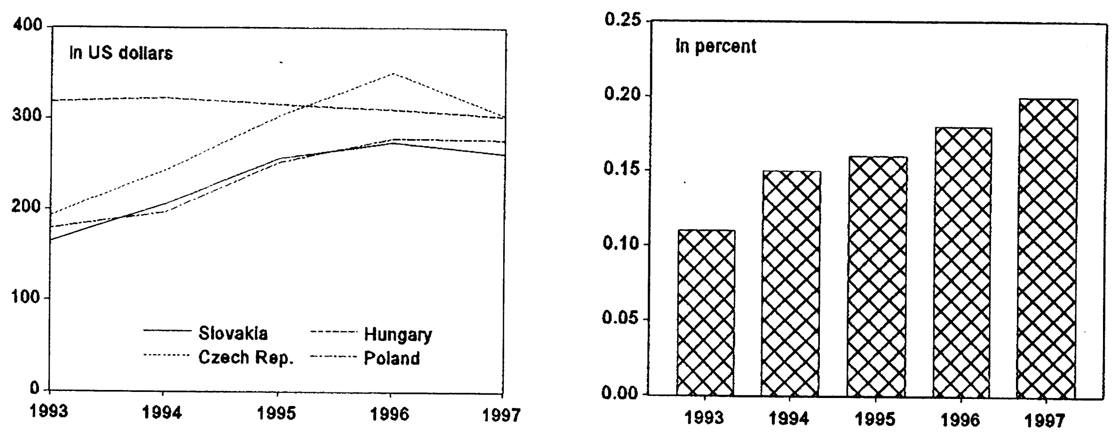
[22]Prepared by Benedikt Braumann.

demand crowded out foreign demand. However, a situation with a trade deficit of around 10 percent of GDP cannot last, since it implies a build-up of foreign debt that is not sustainable. Within this model, at some point the real exchange rate would return to its equilibrium, either gradually by disinflation or suddenly by a devaluation.

62. There are, of course, other possible explanations for the current account deficit in Slovakia. For instance, it could have resulted from intertemporal forces such as consumption smoothing or the emergence of new investment opportunities. Also, distortionary fiscal incentives could have boosted domestic demand during the last few years (see Chapter 2).

63. The purpose of this chapter is to assess the validity of the "disequilibrium" hypothesis in the context of Slovakia's recent experience. It tries to ascertain whether a serious misalignment of the Slovak crown occurred which would support this hypothesis. The second section examines several measures of competitiveness for the Slovak Republic. This allows for a first, informal analysis of the issue of overvaluation. Section three runs formal econometric tests to detect possible exchange rate misalignments, and section four concludes.

Figure 12. Competitiveness indicators for Slovakia:
Dollar wages in industry compared with other transition economies (left),
and market share in EU imports (right).



Sources: PlanEcon and IFS.

B. Measuring Competitiveness

64. The term 'competitiveness' has many dimensions and eschews a precise macroeconomic definition. Figure 12 shows two commonly used indicators of competitiveness, dollar wages in industry and the market share of Slovak exports in the EU. The left figure indicates that industrial wages continue to be low in Slovakia relative to other

central European transition economies, despite some catching-up during the mid-1990s. Judging from the right figure, Slovakia actually has been gaining competitiveness over the last years as it was making headway in penetrating western European markets.

65. However, the prime indicator of competitiveness is the *real exchange rate*. The rest of the chapter will focus on this variable and its possible misalignment. In practice, measuring real exchange rate misalignments faces two difficulties: First, the appropriate concept of the real exchange rate has to be chosen, and second, an equilibrium has to be defined against which to measure the misalignment.

66. There is no unique definition of the real exchange rate. Rather, a multitude of empirical concepts are used, each one with different logical drawbacks. To obtain a broader perspective, this section will investigate four different measures for the real exchange rate.

67. One can distinguish two general concepts, *external* real exchange rates and *internal* real exchange rates.[23] *External* real exchange rates are based on the purchasing power parity doctrine and compare relative prices in different countries. A generalized notation would be

$$e = EP^*/P$$

where e represents the real exchange rate, E the nominal exchange rate, P the domestic price level and P* the foreign price level. The measures analyzed below differ in the variables used for P and P*.

- The *CPI-based real effective exchange rate* compares consumer prices across different countries. It is probably the most widely published measure of the real exchange rate, although it has serious drawbacks. First, the CPI always includes non-traded goods, especially in large and rather closed economies. And second, the representative basket of the CPI can vary considerably among countries, so the measure might be comparing very different goods.

- The *PPI-based real effective exchange rate* uses producer prices in industry rather than consumer prices. Since industrial goods tend to be predominantly tradables, this measure avoids one of the main drawbacks of the CPI-based measure. However, its base is more narrow and the international differences in basket composition can be large.

- The *ULC-based real effective exchange rate* compares unit labor costs across countries. The main argument for using this measure is that competitiveness is essentially a microeconomic concept relating to marginal costs. However, if raw materials, intermediate goods and capital make up a large fraction of total costs, this measure will be imprecise.

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[23]See, e.g., De Gregorio, Giovannini and Krueger (1994), "Behavior of Nontradable Goods in Europe: Evidence and Interpretation," *Journal of International Economics*, 2, 284–305.

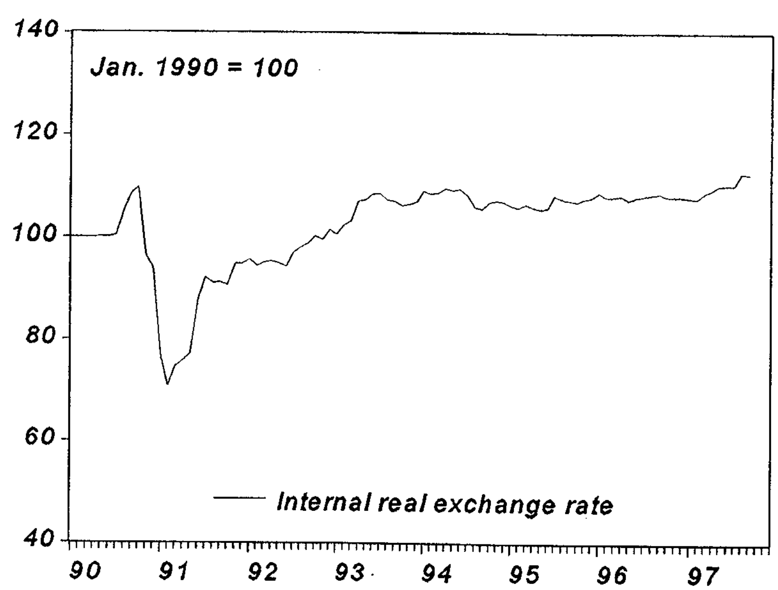
68. The concept of the *internal* real exchange rate is usually favored in the empirical literature on misalignments. It has sound theoretical foundations and follows naturally from the utility maximization of households. Basically, the internal real exchange rate is defined as the relative price of tradables vs. non-tradables:

$$e = P_T/P_N$$

where P_T denotes tradable prices and P_N denotes non-tradable prices. Apart from its theoretical appeal, the internal real exchange rate has the attraction of low data requirements: it is constructed from only two domestic price indices. Usually, the PPI is taken as a proxy for tradable prices, and an appropriate subset of the CPI for non-tradable prices.

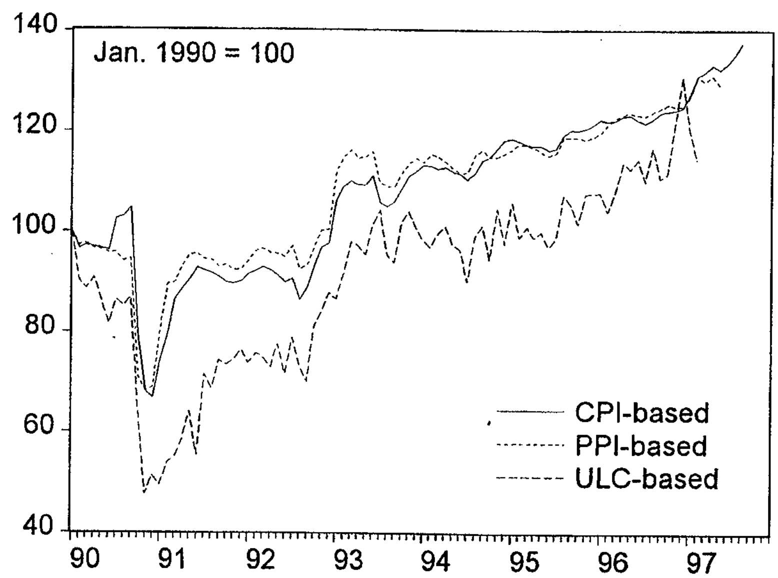
69. Figure 13 shows the internal real exchange rate for Slovakia since January 1990. As in all charts of this chapter, an increase means a real appreciation. An initial decline in late 1990 coincided with a jump in the price level that eliminated the monetary overhang inherited from socialism. This is similar to the experience in many other transition economies, where price liberalization resulted in both an inflationary bout and a short-lived real depreciation. After this initial dip, the internal real exchange rate appreciated and at present stands about 12 percent above its pre-transition level. There is little evidence, however, that the trade deficits in 1996 and 1997 were caused by an overvalued real exchange rate. Since 1993, the internal real exchange rate has practically remained constant.

Figure 13. Internal real exchange rate.



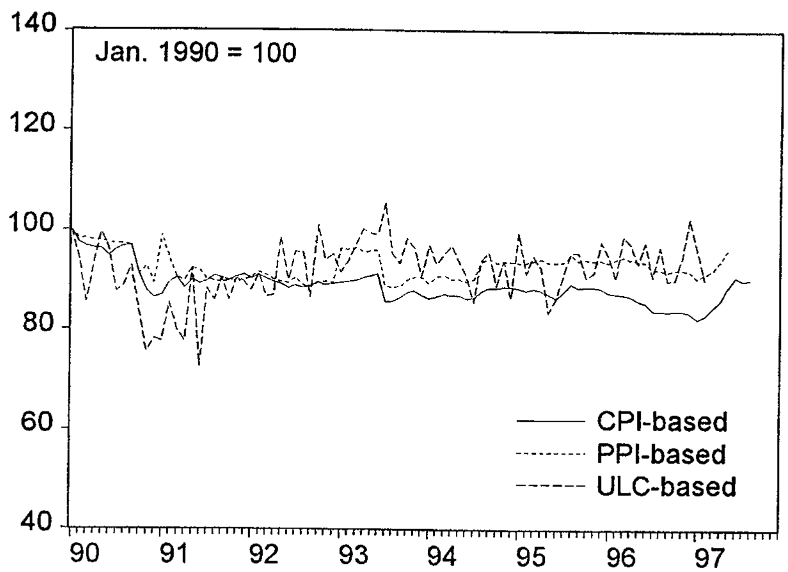
70. In calculating different measures of the external real exchange rate, one has to make a choice about which trading partners to include. All major trading partners of Slovakia are European countries. However, an interesting pattern emerges if trading partners are split between Western and transition economies. Figure 14 shows the real exchange rate vis-à-vis Western European countries only. In this setting, the Slovak Koruna *appreciated* significantly. Depending on the concept of competitiveness, the Slovak real exchange rate is now between 25 and 37 percent more appreciated than before transition.

Figure 14. External real exchange rates of Slovakia I. Only western countries with a trade share of more than 3 percent are included as competitors (Germany, Austria, Italy, France).



71. The picture changes strikingly if the choice of the relevant trading partners is reversed. Figure 15 shows the external real exchange rates against Eastern European countries only, i.e., in a pure transition economy setting. The Koruna has *depreciated* by roughly 10 percent in real terms against those currencies over the last seven years. The pattern can perhaps be explained by differentials in productivity growth, the so-called Balassa-Samuelson effect. Productivity in Slovakia grew faster than in Western Europe, but slower than in other transition economies.

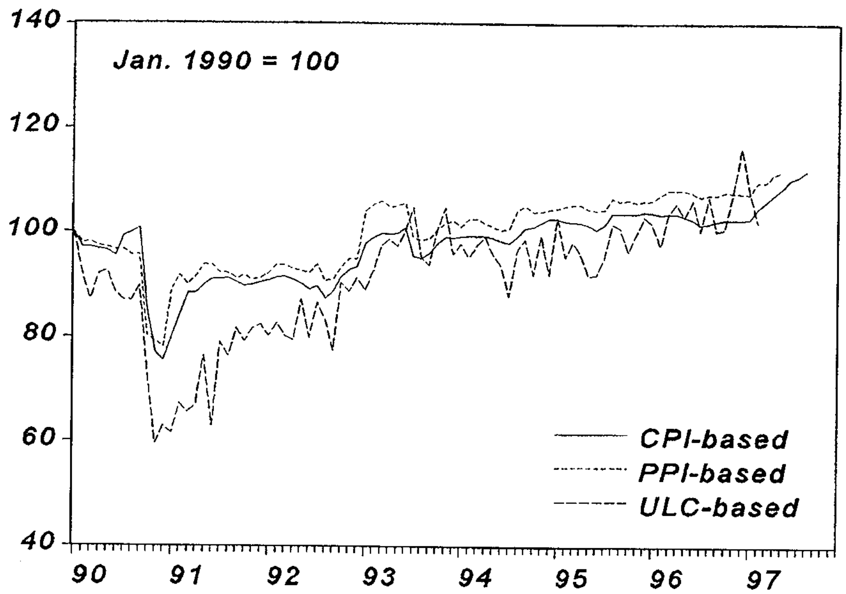
Figure 15. External real exchange rates of Slovakia II. Only transition economies with a trade share of more than 3 percent are included as competitors (Czech Republic, Poland, Hungary).



72. A third approach is to include all trading partners in the calculations that have a weight of more than 3 percent in the sum of exports and imports of Slovakia (Figure 16).[24] The appreciation vis-à-vis western countries is dampened by the depreciation vis-à-vis eastern countries. Compared to its pre-transformation level, the current real exchange rate is appreciated between 2 and 10 percent, depending on the concept used. Also, it shows little variation over the last four years, which is essential to explain the appearance of a large trade deficit. These results closely resemble the ones obtained from inspecting the internal real exchange rate in Figure 12.

[24]Russia was excluded from the calculation, since its trade with Slovakia is mostly in raw materials which do not substitute for any Slovak products.

Figure 16. External real exchange rates of Slovakia III. All countries with a trade share of more than 3 percent are included as competitors.



C. Equilibrium Real Exchange Rates

73. Comparing different proxies for the real exchange rate gives a first and informal answer to the question about a misalignment. The underlying assumption in these charts is that the equilibrium real exchange rate should be constant, or in other words, that purchasing power parity applies. However, certain factors are known to move the equilibrium real exchange rate itself. Owing to a relatively faster productivity growth, the Slovak real exchange rate could be expected to appreciate vis-à-vis western Europe. This is sometimes called the Balassa-Samuelson effect.

74. Similarly, productivity growth in Slovakia was not as fast as in Poland, the Czech Republic or Hungary.[25] This could have been responsible for the real depreciation vis-à-vis other transition economies. To take into account these and other "fundamental" factors that move the real exchange rate, a more formal econometric approach is needed. This section will use a method that has been applied frequently in assessing currency misalignments in Latin American economies with fixed exchange rates. The approach consists in estimating a "fundamental" or equilibrium real exchange rate, which can be compared to the actual real exchange rate. A large deviation would indicate a need for adjustment.

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[25]One reason was the costly conversion process of the large Slovak armaments industry.

Method

75. The approach followed in this section is often described as the "Edwards method" after the author of an influential book on exchange rate misalignments.[26] Its structure is simple and rests on a basic distinction between long-run "fundamental" and short-run monetary influences on the real exchange rate. Long-run fundamental or supply-side factors are those variables that lead to a shift in the equilibrium real exchange rate. One example would be the Balassa-Samuelson effect of productivity growth.

76. In contrast, short-run demand or monetary factors can push the exchange rate away from its equilibrium. In a fixed exchange rate regime, domestic money growth should follow the monetary policy of the anchor countries, which in the case of Slovakia are Germany and the U.S.. If the central bank decides to increase money supply at a faster rate, inflation will result and the real exchange rate becomes overvalued. Exports are made increasingly uncompetitive and the trade balance turns negative.

77. In a nutshell, the methodology proposed by Edwards (1991) goes as follows: (1) run a regression of the real exchange rate using both fundamental and monetary factors as explanatory variables; (2) set the short-run monetary variables to zero and calculate the equilibrium real exchange rate, which is only driven by fundamental variables; and (3) compare equilibrium and actual real exchange rates.

In equation form, the regression would read as

$$e_t = \alpha Z_t + \beta(M_t - M_t^*) + \gamma \Delta E_t$$

where the dependent variable e is the real exchange rate. On the right-hand side, Z is a vector of "fundamental" variables that shift the long-run equilibrium. The two following terms are short-run monetary variables. First, deviations of monetary policy M from a "sustainable" or non-inflationary path M* cause price increases and a real appreciation. Second, nominal devaluations ΔE have short-run impact effects on the real exchange rate as the system of relative prices is slow to respond. An unanticipated nominal devaluation will cause a short-run real depreciation until price-setters react.

Data and regressions

78. Before proceeding to describe the data, it has to be noted that the time frame of the analysis is very short. Usually, studies assessing exchange rate misalignments cover periods of

[26]Edwards, S. (1991): *Real Exchange Rates, Devaluations and Adjustment.* Cambridge, Mass: MIT Press.

15 to 30 years. In Slovakia, which began transforming to a market economy around 1990 and became independent in 1993, only a little more than 6 years of data are available. This is a drawback, despite the fact that most variables are reported on a monthly basis.

79. The following variables were used for the vector of fundamentals Z: The share of public consumption in GDP (GOV) proxies for the effects of public expenditure. Whether its coefficient has a positive or a negative sign depends on the composition of public expenditures. A bias towards non-tradable goods would lead to a positive sign, a bias towards tradables to a negative sign. The share of investment in GDP (INV) was used as a proxy for capital accumulation. As long as some of the investment goes into the non-traded sector, the effect on the real exchange rate would be negative because of capacity effects on non-traded goods supply. The sum of exports and imports as percentage of GDP (TRADE) was used to measure openness and trade liberalization. Trade liberalization can have opposing effects on the real exchange rate, depending on whether the reaction of tradable supply or demand is stronger. In the case that tradable supply rises faster than demand, the real exchange rate appreciates, and vice versa. Unfortunately, the only sectoral data on productivity that are available for Slovakia are for industry. There is strong reason to assume that productivity growth in services was significant, too, because this sector was very underdeveloped during socialism. Especially during the first years of transition, industry was lagging behind the productivity increases in the service sector, because of an expensive conversion process in the armaments industry. To avoid a downward bias, it seemed necessary to construct an economy-wide measure for productivity increases. Real wages (RWAGE) were chosen as a proxy, since they displayed essentially the same rates of growth as average productivity over the last three years (as enough sectoral information was available).

80. The variable MON proxies for the short-run effect of demand policies. It measures the excess growth of money (M2) over nominal GDP. A positive value of MON implies inflationary pressures in Slovakia and should lead to a real appreciation. The sign of the coefficient is therefore expected to be positive.

81. The dummy variable NOMDEV catches two episodes of major nominal devaluations in October 1990 and in July 1993. It is set to one during the two months following the devaluation and zero otherwise. The variable is expected to show a negative sign if the devaluations had a short-run impact on the real exchange rate.

82. As a consequence of the short data horizon, no dynamics were imposed on the equations. Edwards' (1991) original method includes a lagged dependent variable to account for self-correcting mechanisms in the presence of misalignments. The preliminary nature of the estimations on Slovakia seem to call for a limitation to the structural core of the model.

83. Table 1 presents the results of OLS regressions along the lines of equation (1) on three measures of the external real exchange rate and one measure of the internal real exchange rate. The external measures include the CPI-based real exchange rate (RECPI), the

PPI-based real exchange rate (REPPI) and the ULC-based real exchange rate (REULC). The global measures of Figure 15 were used which include both western and transition economies. For the internal real exchange rate, the measure presented in Figure 12 was used (REINT). The estimation periods run from January 1990 to the latest available data for 1997. T-values are in parentheses below the coefficients.

Table 1. Slovak Republic: Regression Results

	RECPI	REPPI	REULC	REINT
Constant	64.35	68.16	13.93	38.49
	(14.07)	(11.95)	(1.68)	(7.80)
GOV	-0.35	-0.54	-0.23	0.22
	(2.16)	(2.62)	(0.78)	(1.24)
INV	-0.31	-0.22	-0.44	-0.64
	(3.84)	(2.24)	(3.10)	(7.40)
TRADE	0.08	0.12	0.20	0.13
	(4.18)	(5.09)	(5.91)	(6.52)
RWAGE	0.51	0.46	0.90	0.77
	(12.28)	(8.83)	(12.17)	(17.07)
MON	0.10	0.04	0.21	0.07
	(2.83)	(2.00)	(3.31)	(1.74)
NOMDEV	-5.68	-6.68	0.22	6.92
	(2.92)	(2.78)	(0.06)	(3.30)
adj. R^2	0.74	0.65	0.74	0.80
No. of observations	89	88	85	89
Sample: 1/1990 to	6/1997	5/1997	2/1997	6/1997

Sources: Statistical Offices of Slovakia, Poland, Hungary and Czech Republic, IMF.

84. The coefficient on government purchases has a negative sign in all four regressions, indicating a high percentage of tradable goods. It is statistically significant in two cases. Investment has the expected negative coefficient, which is significant in all four regressions. The variable TRADE for openness has a positive sign in all regressions, indicating stronger effects of trade liberalization on supply than on demand. The variable is significant in all regressions. Average productivity—proxied by the real wage—has a positive and significant coefficient throughout. The variable MON for monetary policies has a positive coefficient, which is significant in all equations except the last one. Finally, the dummy NOMDEV has a statistically significant negative sign in the first two equations, is insignificant in the third and shows a wrong positive sign in the fourth equation.

85. The fit of the equations ranges from 65 to 80 percent (as measured by the adjusted R^2) and can be regarded as quite satisfactory for a simple structural model without dynamics. Also, the model does a good job in tracing major turning points, such as the sharp dip of the real exchange rate during 1991.

Estimated equilibrium real exchange rates

86. The regressions in Table 1 can be used to generate estimates of the equilibrium real exchange rate. The long-run equilibrium is characterized by a situation where monetary policy is stable and consistent with the exchange rate peg. This means that monetary growth equals nominal GDP growth (the variable MON is zero) and that there are no devaluations (the variable NOMDEV is zero). In equilibrium, the real exchange rate is influenced only by "fundamental" variables.

87. Figures 17 through 20 show the results of the calculations. To filter out short-term noise in the fundamental variables, a centered 7-month moving average was applied to the equilibrium real exchange rate. During the earliest stage of transition, a pronounced V-shaped pattern is visible in the equilibrium real exchange rate. Also, the actual real exchange rate significantly undershoots its equilibrium during this period. This observation is consistent with a more general stylized fact of transition economies reported by Halpern and Wyplosz (1996).[27] However, none of the estimates seem to suggest a significant misalignment. The slight real appreciation of the exchange rate between 1990 and 1997 is largely due to fundamental factors. It therefore seems fair to conclude that the rapid deterioration of the trade balance in 1996 was not caused by an overvalued exchange rate.

[27]Halpern, L., Wyplosz, C. (1996): Equilibrium Exchange Rates in Transition Economies, *IMF Working Paper WP/96/125.*

Figure 17. CPI-based real exchange rate, actual and equilibrium. Smoothing results in loss of first few months of data.

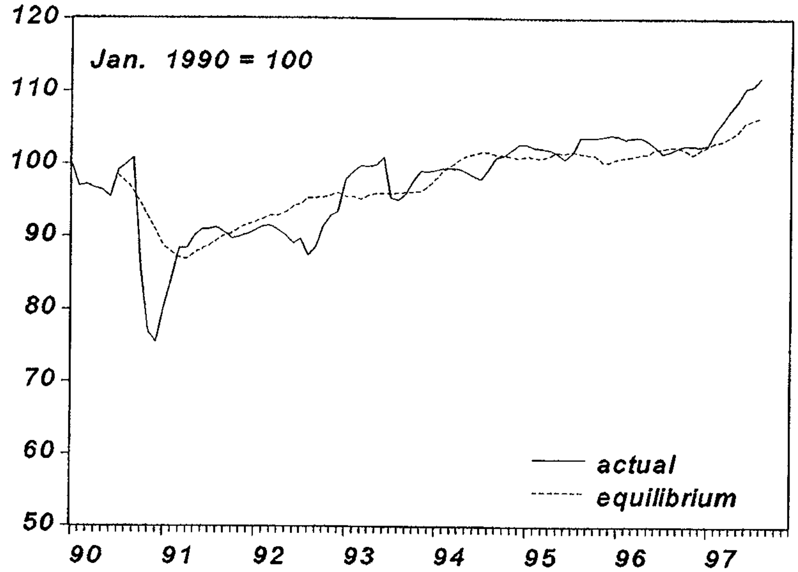


Figure 18. PPI-based real exchange rate, actual and equilibrium.

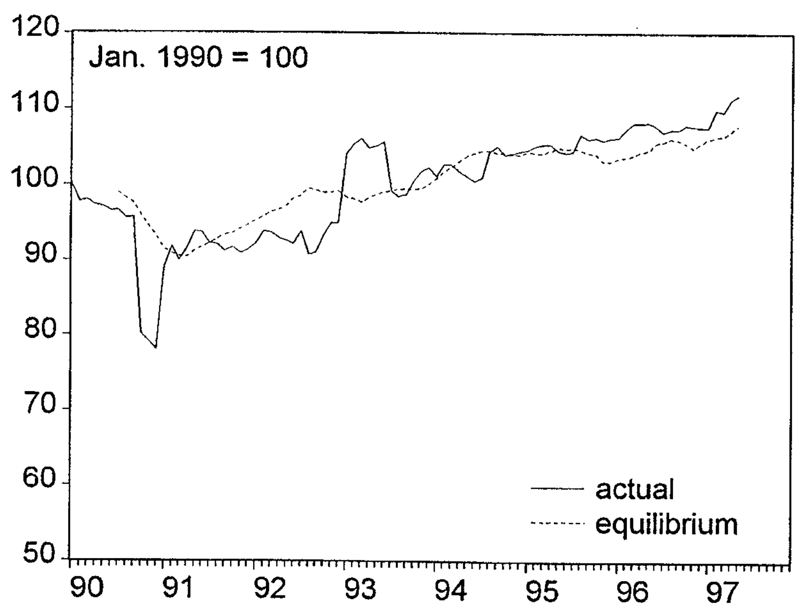


Figure 19. ULC-based real exchange rate, actual and equilibrium. Time series of explanatory variables are longer than of endogenous, resulting in forecast for months in 1997.

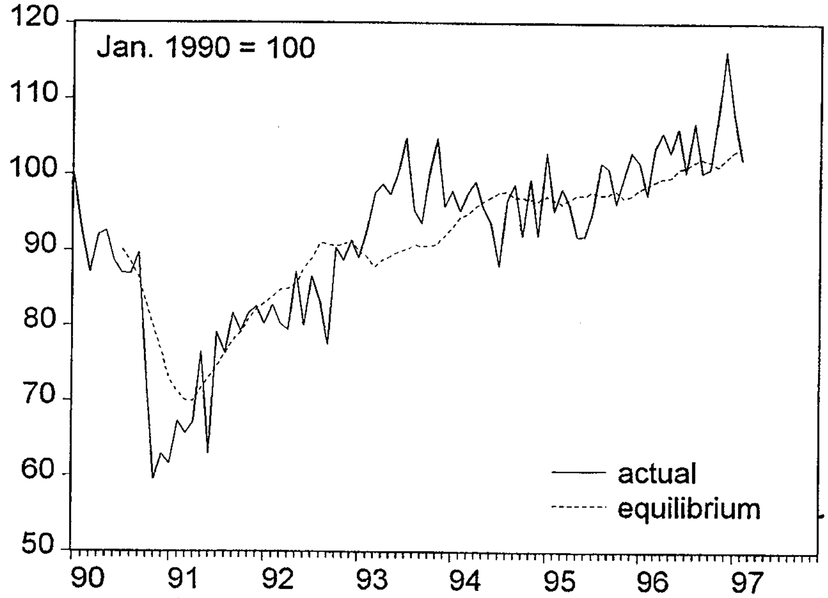
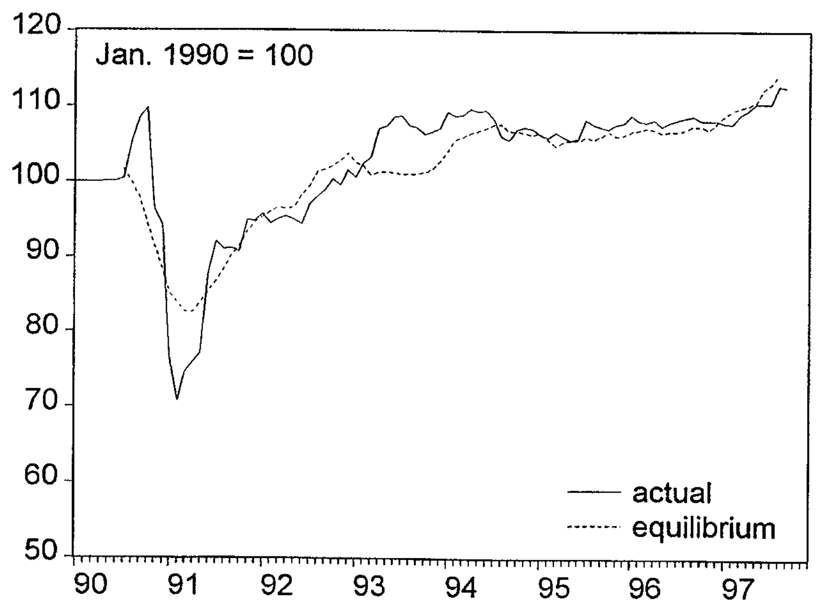


Figure 20. Internal real exchange rate, actual and equilibrium.



IV. A Medium-Term View of Fiscal Performance and Prospects [28]

88. After the dissolution of the former federation, the Slovak Republic achieved an impressive fiscal consolidation by cutting the deficit of 7 percent of GDP in 1993 to 1.5 percent in 1994, running a small surplus in 1995, and a modest deficit of 1.4 percent of GDP in 1996. The adjustment was based on measures that preserved a high revenue ratio and substantially cut expenditure. In 1997, however, the country's fiscal performance deteriorated and the deficit reached about 5 percent of GDP. This paper tries to explain how the Slovak Republic has managed to preserve the high level of revenue collection during transition; it also outlines the deterioration of the fiscal performance in 1997, and the fiscal prospects over the medium term.

A. A Modern Tax System with Few Exemptions Provides A High Revenue Level

89. With the comprehensive tax reform in 1992, when the parliament approved the new laws on income taxes and the value-added tax (VAT), the Slovak Republic established a new tax system that has served the country well. The tax-to-GDP ratio has been one of the highest among all transition economies, and much higher than in other economies with a similar GDP per capita level (Figure 21).[29] The tax effort in the Slovak Republic is also stronger than on average in the much more developed OECD countries (Table 2). While such comparisons are subject to considerable errors in GDP estimates, there are no indications that output in the Slovak Republic is underestimated more than in other transition economies.

90. The good revenue performance has been the result of many factors, but it appears that the main one has been the absence of substantial tax exemptions and incentives combined with relatively high tax rates. High collection has also been an indicator that the tax administration has been efficient, although this may reflect the fact that the enterprise structure has only moderately changed during the transition and that problems of collecting taxes from the small-scale private sector have not yet become pervasive. Finally, the stable macroeconomic environment, in particular low inflation and fast growth, has supported the buoyancy of revenue.

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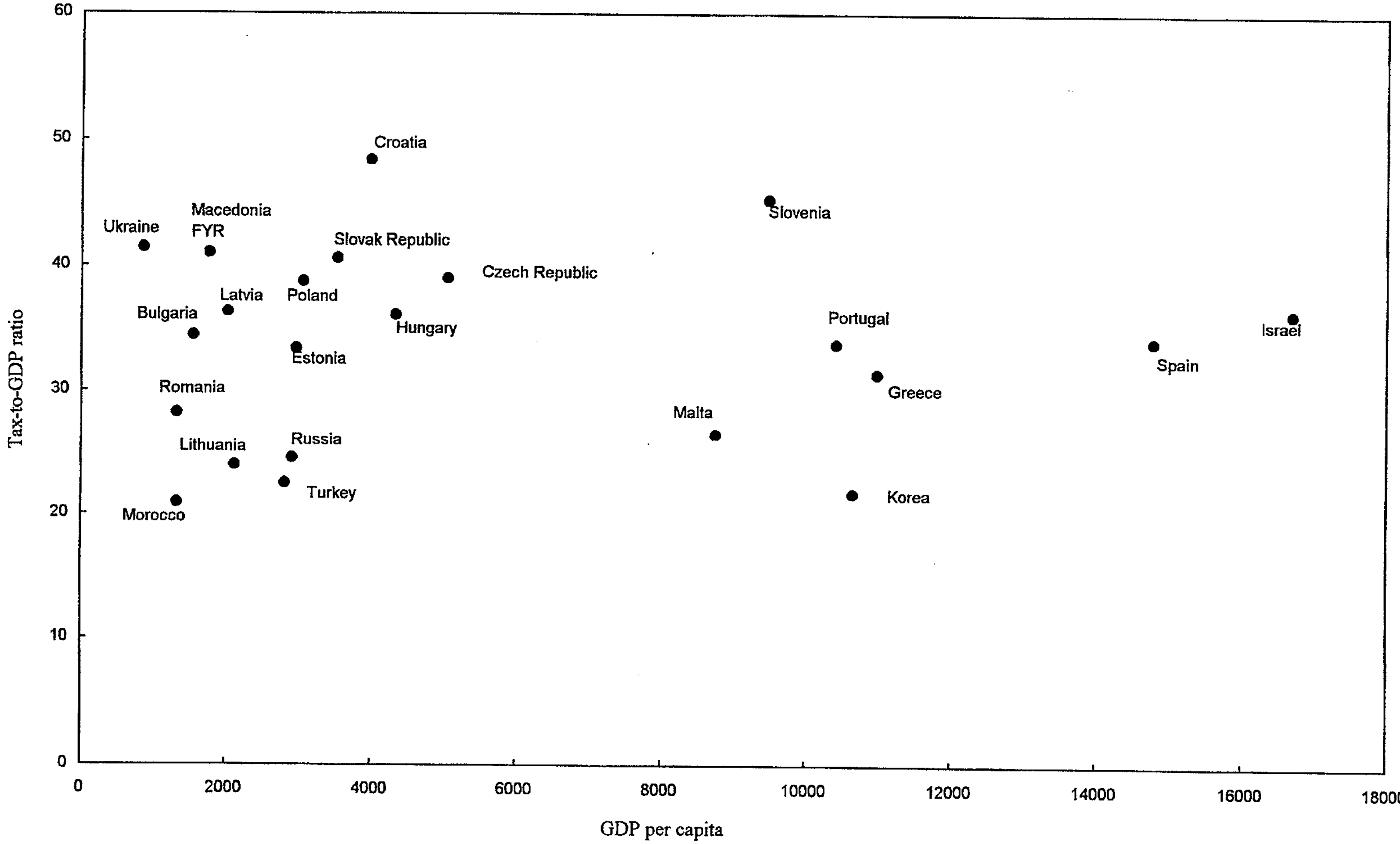
[28] Prepared by Neven Mates.

[29] Cross-country comparisons of tax revenue are more reliable than comparisons of total revenue for several reasons. The treatment of nontax proceeds on a net or gross basis varies across countries, especially in sectors of the general government other than the central budget. Moreover, the tax-to-GDP ratio is also a better indicator of the governments' capacity to collect revenue. Nontax revenue, such as profit transfers from the central bank and interest receipts, is sensitive to inflation, while privatization proceeds and dividends receipts in transition economies include transitory effects.

Figure 21. SLOVAK REPUBLIC: TAX-TO-GDP RATIO AND GDP PER CAPITA IN SELECTED MIDDLE INCOME COUNTRIES IN 1996



Sources: International Financial Statistics, and staff estimates.

Table 2. Slovak Republic: Tax to GDP Ratios in Central European Transition Economies for 1993-96 1/

(In percent of GDP)

	1993	1994	1995	1996
Czech Republic	41.2	40.5	40.0	39.0
Poland	39.1	39.3	38.9	38.7
Hungary	42.4	39.7	37.2	36.1
Slovak Republic	36.4	39.9	42.0	40.6
Slovenia	47.0	45.9	45.7	45.2
OECD	37.0	38.4	37.0	n.a.
EU 15	42.1	42.0	42.0	n.a.

Source: For transition economies, staff estimates.
For OECD and EU countries, Revenue Statistics 1965-1996, OECD, Paris, 1997.

1/ General government tax collection, including social security taxes paid by government as employer.

91. The personal income tax introduced in 1992 is a combination of a global tax for most income sources and schedular taxation of interest and dividends, which reduces the number of taxpayers who have to file returns. Under the global component, there are six tax rates in a range of 15–42 percent, which are combined with a substantial personal allowance and an allowance for dependents. The relatively low rates for the first two brackets and the allowances substantially reduce the average effective tax rates for incomes up to two average annual wages, compared, for example, with taxation in Hungary or Poland. The marginal rates are much lower than in Hungary and, up to incomes close to two average wages, than in Poland (Table 3). The highest marginal rate becomes effective at a much higher level of income than in Hungary or Poland. On the other hand, Slovakia's personal income tax does not have exemptions or incentives for either housing expenditure or investments. Under the scheduler component, interest income and dividends of individuals are subject to a final withholding tax of 15 percent. The absence of major exemptions under both the global and the schedular components has ensured that, in spite of the generous personal allowances and statutory tax rates that are not excessively high, revenue collection has still been equivalent to about 5 percent of GDP, close to the level in other central European transition economies.

92. The corporate profit tax rate of 40 percent is on the high side compared with other European countries, and in particular with other transition economies. While the authorities had originally granted substantial tax incentives to foreign investors and to investors in specific regions, these incentives were withdrawn at the beginning of 1996, and today there are no substantial tax incentives except for the accelerated depreciation. The tax produced an astonishing 6 percent of GDP in revenue in 1996, partly due to taxation of paper profits in commercial banks. In 1997, however, revenue dropped to about 3 percent of GDP, close to the average in the OECD and the EU countries.

93. Social security tax rates in the Slovak Republic are among the highest in the world, with the employers' aggregate rate of 38 percent and the employees' rate of 12 percent. Taken together, this is only slightly below the combined rates in the Netherlands, France, Hungary, and Italy, and much higher than in the majority of the other EU countries.[30] While some reductions are allowed for the self-employed, exemptions are modest, which contributed to high revenue collection, equivalent to 14.5 percent of GDP.[31] The collection is now under the authority of the social security and the health funds.

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[30]As the employers' rates are in practice given as tax-exclusive rates, while the employees' rates are tax-inclusive, the comparison should be based on the combined equivalent, not on the simple sum.

[31]This includes social security taxes paid by the government as employer, following the OECD practice. Otherwise, the staff's fiscal tables for Slovakia follow the GFS convention that requires consolidation of government contributions.

Table 3. Main Parameters of Income, Profit and Social Security Taxes in Selected Transition Economies in 1997

	Slovak Republic				Czech Republic				Hungary				Poland			
	Income Measured in Average Wage		Marginal Tax Rate	Average Tax Rate 1/	Income Measured in Average Wage		Marginal Tax Rate	Average Tax Rate 1/	Income Measured in Average Wage		Marginal Tax Rate	Average Tax Rate 1/	Income Measured in Average Wage		Marginal Tax Rate	Average Tax Rate 1/
	From	To			From	To			From	To			From	To		
Personal income tax																
	0	30	0	0	0	37	0	0	0	36	20	3	0	156	20	18
	30	84	15	7	37	106	15	7	36	44	22	4	156	313	32	23
	84	139	20	12	106	174	20	12	44	73	31	12	313	and above	44	28
	139	193	25	16	174	243	25	16	73	102	35	19				
	193	520	32	24	243	654	32	24	102	160	39	25				
	520	1,010	40	31	654	and above	40	31	160	and above	42	31				
	1,010	and above	42	34												
Personal exemptions and credits 2/																
Personal exemption			19				23				No				5	
Exemption for child			8				12				No				No	
Exemption for spouse			11				14				No				No	
Personal credit			No				No				6				2	
Substantial tax incentives and exemptions																
Housing			No				No				Yes				Yes	
Investment			No				No				Yes				Yes	
Tax on interest 3/			15				15				0				0	
Tax on dividends			15				25				20				20	
Social security taxes																
Employees rate			12				13				12				0	
Employers rate			38				35				45				48	
Equivalent total tax exclusive rate			57				54				64				48	
Profit tax																
Tax rate			40				39				18				38	
Substantial tax incentives																
Accelerated depreciation			Yes				Yes				Yes				Yes	
Investment			No				No				Yes				Yes	
Regional			No				No				Yes				Yes	
Employment			No				No				Yes				Yes	

Sources: International Bureau of Fiscal Documentation, 1997; and staff calculations.

1/ Calculated with the assumption that the taxpayer claims exemption for spouse, or 1.3 children on average.
2/ In percent of average annual wage.
3/ Tax on interest on bank deposits.

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The VAT has been designed following the EU directives and it appears to be efficient. The current regular rate of 23 percent is high relative to other European countries, while the lower rate of 6 percent is limited to food, electricity, heating, and some minor items. Exemptions are limited to financial services, health care, and education. Collection has recently been about 8½ percent of GDP, almost 2 percentage points above the OECD average for general consumption taxes and 1 percentage point above the average in the EU countries. This is even more remarkable given the high level of investment in Slovakia, equivalent recently to about 35 percent of GDP, a large part of which is not taxed. The VAT in the Slovak Republic also appears to be efficient relative to other central European transition economies (Table 4), which have similar tax rates, but lower collection rates. Interestingly enough, the collection rate does not appear to have been adversely affected by the relatively high annual turnover threshold, equivalent to about US$85,000. Regarding equity issues, a recent research paper concluded that the two-tier VAT rate structure in Slovakia had substantial positive redistributive effects.[32]

94. Slovakia has a very open economy, and taxation of imports is low (Table 5). The average statutory duty rate is about 8 percent, but numerous trade agreements have effectively exempted most imports. As a result, in 1996 the average effective tax rate on imports, including the surcharge, was only 2.5 percent, much lower than the 9–10 percent in Hungary or Poland, and revenue from import taxes has been only about 1.5 percent of GDP, although the share of imports in GDP is about two-thirds. While the new more comprehensive import surcharge imposed in mid-1997 has increased the taxation of imports, the surcharge is scheduled to be eliminated by October 1998.

B. The Structure of Expenditure is Dominated by Social Transfers, Large Expenditures on Health, and General Government Administration

95. The structure of expenditure in Slovakia is characterized by large social transfers, but relatively moderate pension expenditure compared with other central European transition economies, increasingly large expenditure on public health, substantial expenditure on general administration, and a sizable investment program. Interest expenditure and public debt have so far remained moderate.

96. The relatively low expenditure on pensions of less than 8½ percent of GDP is explained by the low ratio of the average pension to the average wage (Table 6). This ratio has been declining steadily and now amounts to only 42 percent, much below the levels in

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[32]See Christopher Heady and Stephen Smith, "Tax and Benefit Reform in the Czech and Slovak Republics," in *Tax and Benefit Reform in Central and Eastern Europe*, edited by David M.G. Newbery, CEPR, London, 1995, pp.19–48.

Table 4. Slovak Republic: Value Added Tax in Central European Economies in 1996

(In percent)

	Czech	Hungary	Poland	Slovakia
Revenue to GDP	7.2	7.7	7.7	8.4
Revenue to consumption	10.1	10.1	9.3	11.5
Tax rate				
Standard	22.0	25.0	22.0	23.0
Lower	5.0	12.0	7.0	6.0
Other			12.0	
Threshold 1/				
In thousand US$	91.0	6.3	27.8	90.9
Memo item:				
Revenue from general consumption taxes in GDP:				
In OECD countries	6.7			
In 15 EU countries	7.6			

Sources: International Bureau of Fiscal Documentation, 1997; and staff estimates.

1/ The turnover threshold for the mandatory registration of taxpayers.

Table 5. Slovak Republic: Main Items in the Budget Structure in Central European Transition Economies in 1996

(In percent of GDP)

	Slovak Republic	Czech Republic	Hungary	Poland	Slovenia
Tax revenue	40.6	39.0	36.1	38.7	45.2
Personal income tax	5.2	5.3	5.9	8.9	6.8
Corporate profit tax	6.0	4.1	1.9	3.0	0.9
Social security taxes 1/	14.6	15.9	13.6	10.3	16.6
VAT/Sales tax	8.4	7.2	7.7	7.7	13.2
Excise taxes	3.7	4.0	3.3	4.4	3.5
Import taxes					
Expenditure					
Social security transfers	14.5	12.2	14.4	20.8	20.2
of which pensions	8.3	n.a.	9.7	14.4	13.4
Subsidies	3.5	2.3	3.9	1.7	3.2
Interest expenditure	2.2	1.0	8.5	4.2	1.2
Capital expenditure	7.3	6.5	n.a.	2.8	2.5
Balance	-1.3	-1.0	0.1	-2.1	0.3
Memorandum items:					
Public debt	24.6	10.2	74.1	43.4	23.2
Effective taxation of imports, in percent 2/	2.5	2.1	9.1	9.8	n.a.

Source: Staff estimates.

1/ Including taxes paid by government as employer.
2/ Revenue from taxes on imports divided by value of imports.

Table 6. Slovak Republic: Pensioners, Contributors, Average Replacement and Support Rates in 1991-96

	1991	1992	1993	1994	1995	1996 Est.
Number of pensioners, in thousands	1,124.0	1,156.0	1,172.0	1,178.0	1,173.0	1,175.0
Of which:						
Old age 1/	689.0	712.0	724.0	733.0	741.0	n.a.
Disability	200.0	212.0	219.0	223.0	223.0	n.a.
Number of retirees working, in thousand	239.0	93.0	n.a.	91.0	n.a.	75.0
Number of insured, in thousand	2,332.0	2,128.0	2,060.0	1,999.0	2,048.0	n.a.
Population aged 60+, in thousand	918.0	923.0	928.0	935.0	941.0	n.a.
Replacement rate for old age pensions	55.8	50.1	44.0	45.3	43.1	42.1
Support ratio	48.2	54.3	56.9	58.9	57.3	n.a.

Sources: Social Statistics, Statistical Office of the Slovak Republic, Bratislava, 1996, and Statistical Yearbook of the Slovak Republic, Bratislava, 1996.

1/ Excludes survivors.

Poland and Hungary.[33] Two facts explain this. First, old-age and disability pension benefits are linked to wage history, but the benefits progressively decline for higher wages. For example, only one-third of an individual's wage income above a very low threshold counts toward the pension base.[34] Second, there is no automatic indexation formula, with the effect that in the early 1990s the pensions were substantially cut in real terms. The number of pensioners since 1991 has also grown by only 1 percent a year, reflecting a gradual decline in various special pensions inherited from the pre-transition period. The number of old-age retirees, however, has been increasing at a rate of almost 2 percent, and of the disability retirees, by close to 3 percent a year. The total number of pensions has been almost 25 percent higher than the senior population (60 years and above for men and 55 years and above for women), indicating a large number of disability and early retirement pensions.

97. Despite the very high unemployment rate of about 13 percent, expenditure on unemployment benefits has been contained at about 1 percent of GDP, mainly because of the relatively short duration of benefits, which is linked to service history and cannot be longer than six months for those with less than 15 years of service, and 12 months for those with a longer service history. About a third of this expenditure is spent on active labor market policies, including education of job-seekers, and public works.

98. The Slovak Republic has, however, an extensive social assistance net, on which it spends almost 3½ percent of GDP. The most important programs are for child benefits, support of single parents, and social assistance to the poor. The benefits are not targeted to those most needy, but provide support for a very broad segment of the population. While some of the benefits have recently been rationalized, they have remained more comprehensive and generous than in other transition economies. Expenditure on sickness benefits, equivalent to 1.3 percent of GDP, appears also to be on the high side, probably reflecting effects of hidden unemployment in the enterprise sector.

99. The fastest growing component of general government expenditure has been in the sector of public health, which increased in two years from 5.3 percent of GDP to 6.7 percent. The decentralized scheme—with 11 public health insurance funds that collect mandatory contributions and provide a mandatory set of services—has failed so far to foster competition and reduce operational costs, as was originally intended. As more and more providers of health services have been privatized and new private providers have been included in the system, the funds have not been able to cope with the rising demand for services, and expenditure controls have weakened. The health funds are currently running a deficit of about a half percent of GDP, mostly financed by arrears. The authorities have recently restricted entry of new private providers into the system and are considering more far-reaching reforms.

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[33]In Poland, the average replacement rate for nonfarmers is about 78 percent, and for farmers, 48 percent. In Hungary, the average replacement rate in 1996 was 58 percent.

[34]See *Slovakia, Country Economic Memorandum*, The World Bank, 1997, p.92.

100. The largest producer subsidies are provided to agriculture, while the most important consumer subsidies are for heating and transportation. The total level of subsidies, equivalent to 3.5 percent of GDP, is higher than in other central European transition economies. In 1997, the authorities tried to substantially reduce the heating subsidy, but due to its political sensitivity, this had to be postponed to 1998.

101. Other current noninterest expenditure of the general government, primarily on general administration, amounts to about 15 percent of GDP, which appears to be high compared with that of other countries. The efficiency of such expenditures is, however, difficult to assess. Wages in administration (i.e., excluding public education and health) have been above the average, and the gap has in fact been growing since 1992 (Table 7). In education and health, however, the relative wages have been below the average in the economy, and declining.

102. Interest expenditure has so far remained at about only 2 percent of GDP, reflecting the fact that the public debt, equivalent to about 25 percent of GDP, has remained relatively low, but also the fact that part of the debt was issued or assumed at nonmarket interest rates. The government is also providing guarantees to support investments by various enterprises, the outstanding stock of which has recently been equivalent to 15 percent of GDP. In 1996, called guarantees created costs to the budget of about ¾ percent of GDP. The government is also facing potential obligations for bonds issued by the National Property Fund to compensate the holders of privatization vouchers after the mass privatization program was canceled.

103. Capital expenditure, at a level of 6½ percent of GDP, is the highest among transition economies. This has resulted from an ambitious government program of public investment after independence, in particular in the road sector, as the government has been trying to improve transportation infrastructure, but also to provide jobs in the construction sector.

C. Fiscal Performance in 1997 and in the 1998 Budget

104. In 1997 the fiscal performance deteriorated, as the deficit of the general government, based on preliminary data, reached 5 percent of GDP. Originally, the authorities based their budget on the deficit target of about 3.5 percent of GDP. This reflected their decisions to accelerate the public investment program and increase social expenditure, while revenue was expected to decline.

105. Several adverse developments during the year, however, caused further deterioration in the fiscal performance, the most important of which was a large loss in corporate profit tax revenues. The revenue shortfall, about 2.8 percent of GDP or almost half of the budgeted amount, reflected weaker profitability in the corporate sector, larger-than-expected refunds for 1996 final returns, and changes in the practice of taxing banks. As the National Bank tightened credit to defend the exchange rate, the cost of domestic financing turned out much higher than expected, with real interest rates on new domestic borrowing reaching more than 15 percent in real terms. Moreover, changes in the external environment precluded foreign

Table 7. Slovak Republic: Relative Wages in the Budget Sector in 1992-95

	1992	1993	1994	1995
Government administration, including military	113.1	119.9	118.4	118.3
Education	98.4	88.8	83.7	87.6
Health	101.9	91.4	89.5	88.3
Other budget sector	96.1	93.0	89.9	79.0
Average wage in the economy	100.0	100.0	100.0	100.0

Source: Statistical Yearbook of the Slovak Republic, Bratislava, 1996, p.180

financing in the expected amount. In the course of the year, the authorities responded by adjusting several excise taxes and deciding to cut expenditure by ⅔ percent of GDP. Preliminary financing data indicate that, despite these measures, the annual deficit finally deteriorated to 5 percent of GDP.

106. In the context of their macroeconomic goals to reduce domestic demand, but also facing high financing costs, the authorities decided to target a smaller deficit in 1998, at about 2 percent of GDP. The budget would be supported by increases in excise taxes and by applying the higher VAT rate on some services, while capital expenditure would be cut by 1.5 percent of GDP and growth in social benefits would be contained below GDP growth. Reflecting reforms in the civil service laws, wages in the government sector would, however, be substantially increased.

D. Fiscal Prospects over the Medium Term

107. Over the medium term, the crucial issue will be whether the current high level of revenue can be sustained. The two main factors most likely to affect revenue capacity are further restructuring in the enterprise sector and the growth performance of the economy. There are several indications that restructuring in the enterprise sector has not been completed. First, enterprise losses continue to be very high. In 1996, they were equivalent to 11 percent of GDP, and data for the first half of 1997 did not show an improvement. Second, the banks have in their portfolios large amounts of impaired loans to enterprises. The largest bank, for example, has put a third of its loans in non-accrual status.[35] Third, the number of bankruptcies has so far been negligible, as the legal framework has provided extensive protection to debtors. Once the restructuring of enterprises is accelerated, tax collection will be affected in two ways. Additional labor shedding would reduce the base of social security and personal income taxes. Second, as the small private sector becomes more important, tax collection may become more difficult. The decline in profit tax revenue and weaker compliance by social security taxpayers in 1997 provide indications of the problems ahead.

108. Growth performance will affect revenue prospects directly, through revenue buoyancy, but also indirectly, through the effects of the high tax rates on growth. Over the last three years, it appears that the high level of taxation has not been an obstacle to growth. This can be partly explained, however, by the fact that growth was driven by investments of large corporations, including those in public ownership. Moreover, the high investment rate has also been a result of very strong incentives provided under management buy-out programs, which have allowed for a substantial reduction in privatization payments if the companies invest in fixed assets. Once these effects dissipate, and the enterprises become more profit-conscious, investment decisions will become more sensitive to the level of taxation. Unemployment may also become an even more pressing issue.

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[35]Všeobecná Úverová Banka, *1996 Annual Report*, p.25.

109. Several recent empirical research papers have tried to establish to what extent high levels of taxation adversely affect employment and growth.[36] While the results do not appear to be conclusive, as no strong connection between unemployment and level of taxation could be established in the analyzed countries, the evidence seems to support the conclusion that high payroll taxes do adversely affect employment. Facing higher unemployment and slower growth, the Slovak authorities may therefore in the future become more tempted to use either specific tax incentives or general tax cuts to stimulate growth, both of which would adversely affect revenue. The fact that in the preparation of the 1998 budget, they already considered cutting the profit tax and the social security tax rates, and adjusting the personal allowances, which have remained unchanged in nominal terms since 1994, indicates their awareness that the economy might be overtaxed. In the end, these plans had to be scrapped, and expenditure pressures convinced the authorities to increase indirect taxes.

110. Fiscal performance in the next cyclical downturn will also be affected from the expenditure side. In addition to the usual effects of higher unemployment on benefits expenditure, weaker output may cause remaining problems in the banking sector to come to the surface. The total stock of bank claims on the enterprise sector is equivalent to 56 percent of GDP, of which the share of impaired loans is sizable. The recent case, in which the third largest bank was put under the National Bank's administration and had to receive exceptional liquidity support, indicates that the government is potentially facing contingent liabilities that may substantially increase its debt.

111. Since the prospects are that the current very high revenue ratio will not be sustainable, this suggests that fiscal performance over the medium term will depend to a large extent on the government's ability to continue gradually reducing the level of public expenditure and shrinking the government sector to a size more consistent with the country's per capita income level and with the need to reduce the tax burden imposed on the economy. Moreover, given that the restructuring of the enterprise and banking sectors has not been completed, additional reduction in expenditure on regular government functions may be needed to make the resources available for this purpose.

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[36]For an overview, see, for example, *The OECD Jobs Study, Taxation, Employment and Unemployment*, OECD, Paris, 1995, p.68, and Howell Zee, Taxation and Unemployment, *IMF Working Paper*, WP/96/45.

Table A1. Slovak Republic: Gross Domestic Product - Current Prices

	1992	1993	1994	1995	1996	1997 Est.
			(In billions of koruny)			
Domestic demand	342.9	389.3	421.6	503.4	646.7	697.6
Consumption	249.6	288.3	319.0	356.6	424.9	471.1
Private	164.6	196.0	222.6	252.6	286.1	324.1
Public	85.0	92.3	96.4	104.0	138.8	147.0
Investment	93.3	101.0	102.6	146.8	221.8	226.4
Fixed investment	109.3	120.7	130.0	150.6	212.7	226.4
Change in stocks	-16.0	-19.7	-27.4	-3.8	9.1	0.0
Private	...	86.7	86.6	126.8	181.8	183.4
Public	...	14.3	16.0	20.0	40.0	43.0
Net exports of goods and nfs	-13.1	-20.4	24.4	9.4	-64.3	-50.6
Exports of goods and nfs	233.7	227.8	287.8	325.8	334.0	373.8
Imports of goods and nfs	-246.8	-248.2	-263.4	-316.4	-398.3	-424.4
Statistical discrepancy	2.5	1.0	-4.7	2.3	-1.1	0.0
Gross domestic product at market prices	332.3	369.9	441.3	515.1	581.3	647.0
			(In percent of GDP)			
Domestic demand	103.2	105.2	95.5	97.7	111.3	107.8
Consumption	75.1	77.9	72.3	69.2	73.1	72.8
Private	49.5	53.0	50.4	49.0	49.2	50.1
Public	25.6	25.0	21.8	20.2	23.9	22.7
Investment	28.1	27.3	23.2	28.5	38.2	35.0
Fixed investment	32.9	32.6	29.5	29.2	36.6	35.0
Change in stocks	-4.8	-5.3	-6.2	-0.7	1.6	0.0
Private	...	23.4	19.6	24.6	31.3	28.4
Public	...	3.9	3.6	3.9	6.9	6.6
Net exports of goods and nfs	-3.9	-5.5	5.5	1.8	-11.1	-7.8
Exports of goods and nfs	70.3	61.6	65.2	63.2	57.5	57.8
Imports of goods and nfs	-74.3	-67.1	-59.7	-61.4	-68.5	-65.6
Statistical discrepancy	0.8	0.3	-1.1	0.4	-0.2	0.0

Sources: Slovak Statistical Office; and staff estimates.

Table A2. Slovak Republic: Gross Domestic Product - Constant Prices

	1992	1993	1994	1995	1996	1997 Est.
			(In billions of 1993 koruny)			
Domestic demand	402.5	389.3	367.1	404.3	489.5	504.6
Consumption	293.5	288.3	278.6	286.6	321.4	335.8
Private	199.1	196.0	196.0	202.7	217.2	231.0
Public	94.4	92.3	82.6	83.9	104.2	104.8
Investment	109.0	101.0	88.5	117.7	168.1	168.8
Fixed investment	126.0	120.7	114.6	121.2	161.6	168.8
Change in stocks	-17.0	-19.7	-26.1	-3.5	6.5	0.0
Private	...	86.7	74.7	101.7	137.8	136.8
Public	...	14.3	13.8	16.0	30.3	32.1
Net exports of goods and nfs	-21.9	-20.4	20.5	6.8	-45.9	-36.0
Exports of goods and nfs	228.2	227.8	260.0	269.2	265.0	273.5
Imports of goods and nfs	-250.1	-248.2	-239.5	-262.4	-310.9	-309.5
Statistical discrepancy	3.5	1.0	0.5	3.4	-0.3	0.0
Gross domestic product at market prices	384.1	369.9	388.1	414.5	443.3	468.6
			(Annual percentage change)			
Domestic demand	-12.4	-3.3	-5.7	10.1	21.1	3.1
Consumption	-1.7	-1.8	-3.4	2.9	12.1	4.5
Private	-6.4	-1.6	0.0	3.4	7.2	6.4
Public	9.9	-2.2	-10.5	1.6	24.2	0.5
Investment	-32.3	-7.3	-12.4	33.0	42.8	0.4
Fixed investment	-4.5	-4.2	-5.1	5.8	33.3	4.5
Change in stocks	-158.6	15.9	32.5	-86.6	-285.7	...
Private	...	...	-13.8	36.1	35.5	-0.8
Public	...	...	-3.8	16.2	89.4	5.7
Exports of goods and nfs	47.4	-0.2	14.1	3.5	-1.6	3.2
Imports of goods and nfs	47.1	-0.8	-3.5	9.6	18.5	-0.4
GDP at market prices	-6.5	-3.7	4.9	6.8	6.9	5.7

Sources: Slovak Statistical Office; and staff estimates.

Table A3. Slovak Republic: Gross Domestic Product by Sectors

	1993	1994	1995	1996
	(In billions of koruny)			
Gross domestic product	369.9	441.3	515.1	581.3
Agriculture	17.3	29.3	29.1	30.1
Industry	113.1	125.8	147.7	152.7
Mining and quarrying	4.6	3.8	5.1	6.0
Manufacturing	72.7	106.4	120.6	123.7
Food	8.4	12.6	15.0	16.6
Chemicals and plastics	14.2	18.6	22.8	21.8
Metal products	12.4	14.7	19.3	20.2
Machinery and vehicles	15.7	19.2	25.8	28.8
Other manufacturing	22.0	41.3	37.7	36.3
Electricity, water and gas	35.8	15.6	22.0	23.0
Construction	17.5	20.1	23.9	27.5
Services	222.0	266.1	314.4	371.0
Market services	156.6	191.2	211.7	240.9
Transportation	22.5	29.9	32.4	34.0
Communications	7.2	8.3	11.0	14.6
Wholesale and retail trade	96.1	115.7	142.0	167.5
Other market services	30.8	37.3	26.3	24.8
Non-market services	49.0	53.1	63.8	77.9
Other 1/	16.4	21.8	38.9	52.2
	(In percent of GDP)			
Agriculture	4.7	6.6	5.6	5.2
Industry	30.6	28.5	28.7	26.3
Mining and quarrying	1.2	0.9	1.0	1.0
Manufacturing	19.7	24.1	23.4	21.3
Food	2.3	2.9	2.9	2.9
Chemicals and plastics	3.8	4.2	4.4	3.8
Metal products	3.4	3.3	3.7	3.5
Machinery and vehicles	4.2	4.4	5.0	5.0
Other manufacturing	5.9	9.4	7.3	6.2
Electricity, water and gas	9.7	3.5	4.3	4.0
Construction	4.7	4.6	4.6	4.7
Services	60.0	60.3	61.0	63.8
Market services	42.3	43.3	41.1	41.4
Transportation	6.1	6.8	6.3	5.8
Communications	1.9	1.9	2.1	2.5
Wholesale and retail trade	26.0	26.2	27.6	28.8
Other market services	8.3	8.5	5.1	4.3
Non-market services	13.2	12.0	12.4	13.4
Other 1/	4.4	4.9	7.5	9.0

Sources: Slovak Statistical Office; and staff estimates.

1/ Imputed banking services charges, indirect taxes, and own supplies.

Table A4. Slovak Republic: Investment by Sector

	1992	1993	1994	1995	1996
	(In billions of koruny)				
Total investment, national accounts	93.3	101.0	102.6	146.8	221.8
Total	105.6	132.1	135.7	162.8	242.3
Agriculture	5.5	4.9	6.1	6.4	8.4
Industry	54.0	57.0	57.1	70.6	100.2
Mining and quarrying	3.0	2.1	2.4	5.2	8.8
Manufacturing	34.2	37.8	28.0	34.7	44.2
Electricity, water and gas	16.8	17.1	26.7	30.7	47.2
Construction	3.6	4.1	5.0	5.1	7.2
Services	29.1	47.5	49.8	58.8	92.4
Financial services and insurance	5.7	16.0	13.4	13.7	23.2
Real estate	10.8	14.1	13.5	14.7	20.3
Trade and repairs	3.3	4.5	6.3	8.7	14.9
Hotels and restaurants	1.8	1.1	1.0	1.5	1.9
Transport and communications	7.5	11.8	15.6	20.2	32.1
State administration	13.4	18.6	17.7	21.9	34.1
Administration	2.7	5.6	6.4	6.8	12.2
Education	3.0	2.2	2.3	4.1	6.0
Health	2.8	3.4	3.5	5.0	7.5
Other social services	4.9	7.4	5.5	6.0	8.4
(In percent of total)					
Buildings	46.2	45.9	44.7	46.6	46.3
Machinery	48.9	46.8	47.1	50.0	49.9
Other	4.9	7.3	8.2	3.4	3.8

Source: Statistical Office of the Slovak Republic.

Table A5. Slovak Republic: Employment by Sector

	1991	1992	1993	1994	1995	1996
			(In thousands)			
Total economy	2,008	2,013	2,012	1,977	2,020	2,036
Enterprises with more than 25 employees	1,818	1,646	1,606	1,515	1,503	1,488
Agriculture	297	245	209	183	171	157
Industry	656	576	547	517	522	514
Mining and quarrying	34	30	24	21	20	21
Manufacturing	583	508	478	451	458	449
Electricity, water and gas	39	38	45	45	44	44
Construction	151	128	106	93	88	86
Services	328	292	330	312	300	307
Financial services and insurance	12	15	20	25	27	31
Real estate	84	77	69	62	60	63
Trade and repairs	131	101	88	78	69	72
Hotels and restaurants	15	14	12	11	11	11
Transport and communications	86	85	141	136	133	130
State administration	386	405	414	410	422	424
Administration	47	59	77	71	78	81
Education	184	184	169	172	174	175
Health	117	126	129	127	122	114
Other social services	38	36	39	40	48	54
Enterprises with 1 to 24 employees	6	47	83	107	157	167
Private enterpreneurs	184	320	323	355	360	381
			(In percent of total employment)			
Total economy	100.0	100.0	100.0	100.0	100.0	100.0
Enterprises with more than 25 employees	90.5	81.8	79.8	76.6	74.4	73.1
Agriculture	14.8	12.2	10.4	9.3	8.5	7.7
Industry	32.7	28.6	27.2	26.2	25.8	25.2
Mining and quarrying	1.7	1.5	1.2	1.1	1.0	1.0
Manufacturing	29.0	25.2	23.8	22.8	22.7	22.1
Electricity, water and gas	1.9	1.9	2.2	2.3	2.2	2.2
Construction	7.5	6.4	5.3	4.7	4.4	4.2
Services	16.3	14.5	16.4	15.8	14.9	15.1
Financial services and insurance	0.6	0.7	1.0	1.3	1.3	1.5
Real estate	4.2	3.8	3.4	3.1	3.0	3.1
Trade and repairs	6.5	5.0	4.4	3.9	3.4	3.5
Hotels and restaurants	0.7	0.7	0.6	0.6	0.5	0.5
Transport and communications	4.3	4.2	7.0	6.9	6.6	6.4
State administration	19.2	20.1	20.6	20.7	20.9	20.8
Administration	2.3	2.9	3.8	3.6	3.9	4.0
Education	9.2	9.1	8.4	8.7	8.6	8.6
Health	5.8	6.3	6.4	6.4	6.0	5.6
Other social services	1.9	1.8	1.9	2.0	2.4	2.7
Enterprises with 1 to 24 employees	0.3	2.3	4.1	5.4	7.8	8.2
Private enterpreneurs	9.2	15.9	16.1	18.0	17.8	18.7

Sources: Slovak Statistical Office; and staff estimates.

Table A6. Slovak Republic: Average Monthly Wages

	1991	1992	1993	1994	1995	1996
			(In koruny)			
Total economy	3,770	4,543	5,379	6,294	7,195	8,154
Enterprises with more than 25 employees	3,776	4,483	5,275	6,160	7,144	8,221
Agriculture	3,771	4,149	4,556	5,191	5,835	6,579
Industry	3,836	4,535	5,496	6,464	7,477	8,508
Mining and quarrying	4,445	5,458	6,482	7,383	8,621	9,382
Manufacturing	3,757	4,370	5,234	6,193	7,194	8,230
Electricity, water and gas	4,480	6,006	7,767	8,766	9,905	10,902
Construction	3,845	4,617	5,533	6,502	7,489	8,722
Services						
Financial services and insurance	5,260	7,667	10,386	11,770	13,529	15,328
Real estate	3,733	4,516	5,559	6,642	7,883	9,648
Trade and repairs	3,386	4,049	4,848	5,748	6,848	8,600
Hotels and restaurants	3,169	3,843	4,474	5,192	5,746	6,958
Transport and communications	3,840	4,427	5,467	6,634	7,742	8,810
State administration						
Administration	4,189	5,110	6,179	7,350	8,350	9,818
Education	3,547	4,448	4,706	5,157	6,205	7,005
Health	3,942	4,605	4,813	5,443	6,274	6,947
Other social services	3,683	4,342	4,933	5,626	5,805	6,337
Enterprises with 1 to 24 employees	2,844	5,118	6,675	9,039	9,074	9,722
Private entrepreneurs	4,000	4,950	5,850	5,900	6,300	6,773
Memorandum:						
Minimum wage	2,000	2,200	2,450	2,450	2,450	2,700

Source: Statistical Office of the Slovak Republic.

Table A7. Slovak Republic: Unemployment and Vacancies

	1990	1991	1992	1993	1994	1995	1996
			(In thousands, end of period)				
Population	5,309.0	5,289.0	5,308.0	5,336.0	5,356.0	5,375.0	5,381.0
Labor force	2,533.0	2,559.0	2,503.0	2,556.0	2,510.0	2,544.0	2,576.0
Employment	2,495.0	2,257.0	2,064.0	1,950.0	1,976.0	2,022.0	2,049.0
Unemployment	38.0	302.0	260.0	368.0	371.0	333.0	330.0
Receiving benefits	25.0	246.0	87.0	123.0	85.0	90.0	94.0
Receiving social allowances	0.0	0.0	121.0	140.0	172.0	147.0	135.0
Vacancies	0.0	0.0	16.0	8.0	13.0	15.0	14.0
			(In percent)				
Participation rate	47.7	48.4	47.2	47.9	46.9	47.3	47.9
Unemployment rate	1.5	11.8	10.4	14.4	14.8	13.1	12.8
Vacancy rate	0.0	0.0	0.6	0.3	0.5	0.6	0.5

Source: Statistical Office of the Slovak Republic.

Table A8. Slovak Republic: Profits and Losses of Firms

	1994			1995			1996			1997 H1		
	Profits	Losses	Net	Profits	Losses	Net	Profits	Losses	Net	Profits	Losses	Net
Total economy	85.5	-38.2	47.3	87.4	-50.4	37.0	110.7	-65.2	45.5	52.4	-29.5	22.9
Agriculture	1.3	-5.5	-4.2	1.5	-4.1	-2.6	5.0	-7.5	-2.5	1.2	-4.2	-3.0
Industry	42.0	-16.6	25.4	48.0	-15.0	33.0	48.0	-27.9	20.1	24.4	-11.1	13.3
Mining and quarrying	0.9	-0.1	0.8	1.2	-0.1	1.1	1.2	-0.4	0.8	0.9	-0.5	0.4
Manufacturing	17.7	-16.4	1.3	22.9	-14.9	8.0	22.9	-26.5	-3.6	15.1	-9.9	5.2
Electricity, water and gas	23.4	-0.1	23.3	23.9	0.0	23.9	23.9	-1.0	22.9	8.4	-0.7	7.7
Construction	1.8	-1.6	0.2	2.3	-1.3	1.0	5.3	-2.9	2.4	3.0	-1.2	1.8
Services	40.4	-14.5	25.9	35.6	-30.0	5.6	52.4	-26.9	25.5	23.8	-13.0	10.8
Financial services and insurance	4.2	-3.2	1.0	7.6	-2.9	4.7	10.4	-4.3	6.1	6.0	-2.4	3.6
Real estate	0.2	-0.4	-0.2	0.4	-0.4	0.0	0.7	-0.5	0.2	0.2	-0.2	0.0
Trade and repairs	7.8	-1.1	6.7	5.6	-1.2	4.4	7.6	-3.9	3.7	4.9	-3.6	1.3
Hotels and restaurants	23.7	-6.3	17.4	15.5	-21.3	-5.8	25.5	-13.6	11.9	8.3	-5.1	3.2
Transport and communications	3.2	-0.7	2.5	5.0	-1.4	3.6	6.7	-2.7	4.0	3.4	-1.0	2.4
Other services	1.3	-2.8	-1.5	1.5	-2.8	-1.3	1.5	-1.9	-0.4	1.0	-0.7	0.3

Source: Statistical Office of the Slovak Republic.

Table A9. Slovak Republic: Number of Firms

	1992	1993	1994	1995	1996
Total economy	21,498	28,978	36,187	43,636	53,260
Agriculture	...	1,527	1,684	1,918	2,347
Industry	...	5,112	6,314	7,476	8,751
Mining and quarrying	...	67	69	80	101
Manufacturing	...	4,960	6,183	7,318	8,557
Electricity, water and gas	...	85	62	78	93
Services	...	22,339	28,189	34,242	42,162
Financial services and insurance	...	380	515	674	749
Real estate	...	4,146	5,046	6,060	7,554
Trade and repairs	...	12,518	16,320	20,266	24,771
Hotels and restaurants	...	745	965	1,101	1,345
Transport and communications	...	1,266	1,414	1,613	1,845
Other	...	3,284	3,929	4,528	5,898
Private enterprises	18,485	25,714	34,546	42,055	50,992
Public enterprises	3,013	3,264	1,641	1,581	2,268
			(In percent of total)		
Private enterprises	86.0	88.7	95.5	96.4	95.7
Public enterprises	14.0	11.3	4.5	3.6	4.3

Source: Statistical Office of the Slovak Republic.

Table A10. Slovak Republic: Electricity Production and Consumption

	1990	1991	1992	1993	1994	1995	1996
			(In millions of kilowatt hours)				
Production	24,067	22,746	23,002	23,881	25,200	26,306	25,278
Thermal	9,466	9,111	9,496	8,879	8,369	9,561	9,396
Hydro	2,515	1,894	2,361	3,891	4,609	5,226	4,533
Nuclear	12,036	11,689	11,049	11,022	12,135	11,437	11,261
Other	50	52	96	89	87	82	88
Exports	2,059	1,723	1,710	2,880	402	2,065	698
Imports	3,446	2,888	2,404	4,297	830	3,448	4,220
Losses	1,827	1,823	1,807	1,486	1,611	1,715	1,627
Domestic consumption	23,414	22,527	22,300	20,221	20,324	21,730	23,774
Agriculture	1,152	973	1,196	1,592	957	904	853
Industry	14,412	11,040	10,105	7,831	9,931	8,940	10,629
Households	3,678	3,936	3,701	4,137	4,489	4,998	5,451
Other	4,172	6,578	7,298	6,661	4,947	6,888	6,841
			(In percent of production)				
Production	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Thermal	39.3	40.1	41.3	37.2	33.2	36.3	37.2
Hydro	10.4	8.3	10.3	16.3	18.3	19.9	17.9
Nuclear	50.0	51.4	48.0	46.2	48.2	43.5	44.5
Other	0.2	0.2	0.4	0.4	0.3	0.3	0.3
Exports	8.6	7.6	7.4	12.1	1.6	7.8	2.8
Imports	14.3	12.7	10.5	18.0	3.3	13.1	16.7
Losses	7.6	8.0	7.9	6.2	6.4	6.5	6.4
Domestic consumption	97.3	99.0	96.9	84.7	80.7	82.6	94.1
Agriculture	4.8	4.3	5.2	6.7	3.8	3.4	3.4
Industry	59.9	48.5	43.9	32.8	39.4	34.0	42.0
Households	15.3	17.3	16.1	17.3	17.8	19.0	21.6
Other	17.3	28.9	31.7	27.9	19.6	26.2	27.1

Source: Statistical Office of the Slovak Republic.

Table A11. Slovak Republic: Agricultural Production

	1990	1991	1992	1993	1994	1995	1996
Vegetable products (in thousands of tons)							
Grain	3,617	4,004	3,552	3,152	3,700	3,490	3,322
Wheat	2,083	2,124	1,697	1,529	2,145	1,938	1,713
Rye	178	131	76	69	96	89	71
Barley	913	960	1,038	823	874	794	718
Corn	370	711	676	674	521	597	750
Sugar beets	1,581	1,501	1,338	1,128	1,112	1,176	1,713
Potatoes	779	669	658	857	399	441	777
Animal production							
Meat (in thousands of tons)	589	536	486	470	417	398	410
Beef	211	207	172	170	122	108	111
Veal	2	1	1	6	5	3	4
Pork	376	328	313	294	290	287	295
Milk (in millions of liters)	1,920	1,526	1,331	1,214	1,155	1,151	1,125
Eggs (in millions)	1,983	1,824	1,721	1,527	1,606	1,608	1,618

Source: Slovak Statistical Office.

Table A12. Slovak Republic: GDP Deflator

	1990	1991	1992	1993	1994	1995	1996
				(1993 = 100)			
Domestic demand	51.4	74.4	85.2	100.0	114.8	124.5	132.1
Consumption	52.5	76.8	85.0	100.0	114.5	124.4	132.2
Private	50.5	76.9	82.7	100.0	113.6	124.6	131.7
Public	58.3	76.6	90.0	100.0	116.7	124.0	133.2
Investment	49.1	69.8	85.6	100.0	115.9	124.7	131.9
Fixed investment	49.3	68.5	86.7	100.0	113.4	124.3	131.6
Change in stocks	46.9	75.5	94.1	100.0	105.0	108.6	140.0
Private	...	...	...	100.0	115.9	124.7	131.9
Public	...	...	...	100.0	115.9	124.7	131.9
Net exports of goods and nfs	30.0	62.5	59.8	100.0	119.0	138.2	140.1
Exports of goods and nfs	63.6	95.7	102.4	100.0	110.7	121.0	126.0
Imports of goods and nfs	49.6	92.7	98.7	100.0	110.0	120.6	128.1
Gross domestic product at market prices	57.8	77.8	86.5	100.0	113.7	124.3	131.1
				(Annual percentage change)			
Domestic demand	...	44.6	14.6	17.4	14.8	8.4	6.1
Consumption	...	46.3	10.7	17.6	14.5	8.7	6.3
Private	...	52.3	7.5	21.0	13.6	9.7	5.7
Public	...	31.4	17.5	11.1	16.7	6.2	7.5
Investment	...	42.1	22.6	16.8	15.9	7.6	5.8
Fixed investment	...	39.0	26.6	15.3	13.4	9.5	5.9
Change in stocks	...	60.9	24.6	6.3	5.0	3.4	28.9
Private	...	...	...	...	15.9	7.6	5.8
Public	...	...	...	...	15.9	7.6	5.8
Net exports of goods and nfs	...	108.3	-4.3	67.2	19.0	16.1	1.3
Exports of goods and nfs	...	50.4	7.0	-2.4	10.7	9.3	4.1
Imports of goods and nfs	...	87.0	6.4	1.3	10.0	9.6	6.2
Gross domestic product at market prices	...	34.6	11.2	15.6	13.7	9.3	5.5

Source: Fund staff estimates.

Table A13. Slovak Republic: Consumer Price Index

	Weights	1990	1991	1992	1993	1994	1995	1996
				(January 1990 = 100)				
Total	100.00	106.6	171.2	188.6	232.0	263.7	290.1	306.8
Food	29.97	110.5	163.4	174.5	212.0	246.8	275.9	287.1
Non-food	44.58	103.6	184.5	202.6	243.8	275.4	298.8	319.3
Services	11.45	103.8	146.7	176.8	226.5	251.4	273.9	289.7
Public catering	14.00	109.3	169.2	180.8	244.8	277.4	310.3	327.9
				(Annual percentage change)				
Total	...	...	60.6	10.2	23.0	13.7	10.0	5.8
Food	...	...	47.9	6.8	21.5	16.4	11.8	4.1
Non-food	...	...	78.1	9.8	20.3	13.0	8.5	6.9
Services	...	...	41.3	20.5	28.1	11.0	8.9	5.8
Public catering	...	...	54.8	6.9	35.4	13.3	11.9	5.7

Source: Statistical Office of the Slovak Republic.

Table A14. Slovak Republic: Producer Prices and Energy Prices

	1990	1991	1992	1993	1994	1995	1996
				(1995 = 100)			
Agriculture	69.5	71.9	77.5	88.3	97.7	100.0	105.4
Plant products	71.9	75.1	81.6	96.6	100.3	100.0	109.9
Animal products	68.1	70.7	75.6	83.2	96.1	100.0	102.1
				(December 1995 = 100)			
Industry	39.8	66.5	70.0	81.9	90.0	98.1	102.2
Mining and quarrying	...	76.3	80.2	91.5	96.5	106.4	103.2
Manufacturing	...	65.6	68.6	80.7	89.8	98.2	102.6
Electricity, gas and water	...	81.0	93.5	102.3	95.8	99.6	99.3
Construction							
Works	41.5	57.7	62.7	77.8	86.3	96.7	111.2
Materials	39.5	64.7	69.3	78.7	85.9	96.4	103.5
				(Annual percentage change)			
Agriculture	...	3.5	7.8	13.9	10.6	2.4	5.4
Industry	...	67.1	5.3	17.0	9.9	9.0	4.2
Construction works	...	39.0	8.7	24.1	10.9	12.1	15.0
				(In koruny per unit)			
Petroleum products							
Gasoline, 91 octane (liter)	10.47	16.00	16.22	18.68	18.68	18.35	19.76
Gasoline, 95 octane (liter)	11.78	18.00	18.22	19.55	19.50	19.45	20.86
Diesel (liter)	9.49	15.00	14.68	15.91	15.80	17.11	18.52
Electricity (MWh)							
Households	497.0	845.0	845.0	1,018.0	1,018.0	...	...
Enterprises	840.0	1,433.0	1,433.0	1,455.0	1,455.0	...	...
Natural gas (1000 m3)							
Households	900.0	2,075.0	2,075.0	2,190.0	2,190.0	...	...
Enterprises	2,530.0	3,350.0	3,350.0	3,550.0	3,550.0	...	...
Central Heating							
Households	21.0	89.0	89.0	120.0	140.0	...	...
Enterprises	140.0	180.0	197.0	200.0	200.0	...	...

Source: Statistical Office of the Slovak Republic.

Table A15. Slovak Republic: General Government Revenue in 1994–97

	In billions of koruny				In percent of GDP				In percent of total			
	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection
Total revenue	204.6	242.5	272.9	268.4	46.4	47.1	46.9	41.5	100.0	100.0	100.0	100.0
Tax revenue	170.9	205.3	227.9	235.3	38.7	39.9	39.2	36.4	83.5	84.7	83.5	87.7
Indirect taxes	58.3	72.3	70.3	77.7	13.2	14.0	12.1	12.0	28.5	29.8	25.8	28.9
VAT	37.1	52.3	48.7	55.5	8.4	10.2	8.4	8.6	18.1	21.6	17.8	20.7
Exercise taxes	21.1	20.0	21.6	22.2	4.8	3.9	3.7	3.4	10.3	8.2	7.9	8.3
Turnover taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct taxes	50.1	58.5	64.9	60.2	11.3	11.4	11.2	9.3	24.5	24.1	23.8	22.4
Corporate income tax	31.9	35.2	34.8	23.9	7.2	6.8	6.0	3.7	15.6	14.5	12.7	8.9
Personal income tax	18.1	23.2	30.1	36.3	4.1	4.5	5.2	5.6	8.9	9.6	11.0	13.5
Wage income	11.7	15.7	20.3	25.3	2.7	3.0	3.5	3.9	5.7	6.5	7.5	9.4
Entrepreneurial income	3.5	3.6	4.7	6.1	0.8	0.7	0.8	0.9	1.7	1.5	1.7	2.3
Capital income	3.0	3.9	5.1	5.0	0.7	0.8	0.9	0.8	1.4	1.6	1.9	1.9
Import duties and surcharge	7.2	8.8	9.9	12.2	1.6	1.7	1.7	1.9	3.5	3.6	3.6	4.5
Road tax	1.4	1.5	1.4	1.8	0.3	0.3	0.2	0.3	0.7	0.6	0.5	0.7
Other taxes	2.6	4.2	4.8	3.4	0.6	0.8	0.8	0.5	1.3	1.7	1.8	1.3
Social security contributions	51.4	60.1	76.6	80.0	11.6	11.7	13.2	12.4	25.1	24.8	28.1	29.8
Nontax revenue	33.7	37.2	45.0	33.1	7.6	7.2	7.7	5.1	16.5	15.3	16.5	12.3
Budgetary and subsidized organizations	6.5	11.9	1.3	6.2	1.5	2.3	0.2	1.0	3.2	4.9	0.5	2.3
Interest	0.8	0.9	1.2	0.5	0.2	0.2	0.2	0.1	0.4	0.4	0.4	0.2
Fees and fines	2.2	3.9	7.2	6.3	0.5	0.8	1.2	1.0	1.1	1.6	2.6	2.4
Repayment of loans	3.8	3.7	2.6	1.5	0.9	0.7	0.4	0.2	1.9	1.5	0.9	0.6
NBS profits	6.7	1.4	2.4	0.0	1.5	0.3	0.4	0.0	3.3	0.6	0.9	0.0
Other	13.7	15.3	30.4	18.6	3.1	3.0	5.2	2.9	6.7	6.3	11.1	6.9

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates.

Table A16. Slovak Republic: General Government Expenditure in 1994–97

	In billions of koruny				In percent of GDP				In percent of total			
	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection
Total expenditure	210.4	241.4	284.0	295.3	47.7	46.9	48.3	46.4	100.0	100.0	100.0	100.0
Current expenditures	190.5	216.6	243.1	257.3	43.2	42.0	41.8	39.8	90.6	89.7	86.6	85.7
Consumption	86.5	104.4	121.1	132.1	19.6	20.3	20.8	20.4	41.1	43.2	43.2	44.0
Wages	16.7	18.8	21.3	23.7	3.8	3.7	3.7	3.7	7.9	7.8	7.6	7.9
Health care	22.9	27.5	33.7	43.1	5.2	5.3	5.8	6.7	10.9	11.4	12.0	14.4
Education 1/	7.6	7.7	13.9	8.1	1.7	1.5	2.4	1.3	3.6	3.2	5.0	2.7
Other	39.3	50.4	52.1	57.2	8.9	9.8	9.0	8.8	18.7	20.9	18.6	19.0
Subsidies to enterprises	18.5	19.0	20.4	20.7	4.2	3.7	3.5	3.2	8.8	7.9	7.3	6.9
Agriculture	7.6	7.4	6.0	7.8	1.7	1.4	1.0	1.2	3.6	3.1	2.1	2.6
Industry	0.3	0.4	0.3	0.3	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Transportation	2.8	3.0	2.9	2.2	0.6	0.6	0.5	0.3	1.4	1.2	1.0	0.7
Heating	3.0	3.5	4.3	4.5	0.7	0.7	0.7	0.7	1.4	1.4	1.5	1.5
Other (including state funds)	4.8	4.8	6.9	6.0	1.1	0.9	1.2	0.9	2.3	2.0	2.4	2.0
Social expenditures	65.3	77.4	84.1	90.3	14.8	15.0	14.5	14.0	31.1	32.1	30.0	30.1
Pensions	39.3	46.6	48.5	53.2	8.9	9.1	8.3	8.2	18.7	19.3	17.3	17.7
Labor policies	3.6	5.5	7.7	5.7	0.8	1.1	1.3	0.9	1.7	2.3	2.7	1.9
Unemployment benefits	1.7	1.6	3.2	3.0	0.4	0.3	0.6	0.5	0.8	0.7	1.2	1.0
Active policies	1.9	3.9	4.5	2.7	0.4	0.8	0.8	0.4	0.9	1.6	1.6	0.9
Sickness benefits	5.2	6.1	8.2	8.4	1.2	1.2	1.4	1.3	2.5	2.5	2.9	2.8
Social assistance	5.2	5.5	5.5	6.6	1.2	1.1	1.0	1.0	2.5	2.3	2.0	2.2
General income support	2.5	0.0	0.0	0.0	0.6	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Other state benefits	9.5	13.6	14.2	16.4	2.2	2.6	2.4	2.5	4.5	5.6	5.0	5.5
Financial expenditures	20.2	15.8	17.5	14.2	4.6	3.1	3.0	2.2	9.6	6.5	6.2	4.7
Interest	17.2	12.4	12.7	12.4	3.9	2.4	2.2	1.9	8.2	5.1	4.5	4.1
Lending and guarantees called	3.0	3.4	4.9	1.8	0.7	0.7	0.8	0.3	1.4	1.4	1.7	0.6
Investment expenditures	19.9	24.8	41.0	37.9	4.5	4.8	6.5	6.6	9.4	10.3	13.4	14.3
Budgetary and subsidized organizations	14.0	19.2	29.0	25.9	3.6	3.4	5.1	4.1	7.6	7.4	10.5	8.7
Transfers to enterprises	3.9	4.8	5.2	5.3	0.9	0.9	0.9	0.8	1.9	2.0	1.8	1.8
Extrabudgetary projects	2.0	0.8	6.8	6.8	0.0	0.4	0.5	1.8	0.0	0.9	1.1	3.8

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates.

Table A17. Slovak Republic: Government Financial Assets in 1992-95

(In millions of koruny)

	1992 1/ End-Dec.	1993 End-Dec.	1994 End-Dec.	1995 End-Dec.
Assets				
Bank accounts of reserve character	473.6	473.6	473.6	473.6
Counterpart deposits on foreign loans	10,829.5	4,056.3	6,492.9	8,341.5
SAL from the IBRD	3,106.6	793.5	793.5	793.5
Borrowing from G-24	3,262.9	3,262.9	3,262.9	3,262.9
SAL from the IBRD	0.0	0.0	2,436.6	2,532.0
Borrowing from JEXIM BANK	0.0	0.0	0.0	1,753.1
Borrowing from the EU	4,460.0	0.0	0.0	0.0
Other bank accounts	632.7	644.1	556.6	534.3
Claims on foreign countries; other than	52,096.4	58,982.1	59,011.9	51,029.5
Civil; nonconvertible	23,881.8	28,393.3	24,683.0	23,320.9
Civil; convertible	8,602.6	10,133.6	9,307.2	8,771.8
Special; nonconvertible	108.4	112.0	118.7	117.9
Special; convertible	15,974.7	18,508.1	17,654.3	18,338.9
Claims on FSU; VIA	3,529.0	1,835.0	1,381.4	480.0
Clearing account: Czech Republic	0.0	0.0	5,867.3	0.0
Claims on foreign countries; CSOB 2/	31,813.0	34,134.7	29,775.7	28,556.9
Nonconvertible	30,516.8	32,601.4	28,805.2	27,555.9
Convertible	1,296.3	1,533.3	970.5	1,001.0
Participations in international banks	1,645.6	2,802.8	2,892.4	2,171.7
IBEC	300.2	883.2	831.7	324.1
IIB	363.1	764.7	720.1	391.9
EBRD	172.7	289.8	335.2	467.8
World Bank institutions	809.6	865.1	1,005.3	987.9
Deposits with domestic companies	163.4	221.1	792.3	919.1
Receivables from returnable assistance	523.5	1,029.0	643.3	1,389.0
Receivables from state guarantees	1,093.5	1,584.2	1,683.5	2,742.1
Securities held by the state	0.1	0.1	0.1	0.1
Other receivables	60.0	240.0	240.0	240.0
Total assets	99,331.3	104,167.9	102,562.3	96,397.7
(as a percentage of GDP)	29.9	28.2	23.2	18.6

Source: Data provided by the Slovak Ministry of Finance.

1/ Including assets taken over from the federation.
2/ CSOB - Ceskoslovenska Obchodni Banka.

Table A18. Slovak Republic: Government Financial Liabilities in 1992-96

(In millions of koruny)

	1992 1/ End-Dec.	1993 End-Dec.	1994 End-Dec.	1995 End-Dec.	1996 End-Dec.
Liabilities					
Credit from the NBS	39,382.9	54,461.2	46,475.2	31,443.1	30,067.0
Due to state lending abroad	13,053.2	13,053.2	13,053.2	13,053.2	13,053.0
Due to exchange rate changes	8,663.3	8,663.3	8,663.3	8,663.3	8,663.0
Direct credit	17,666.3	32,744.7	24,758.6	9,726.5	8,351.0
Slovak budget deficit of 1991	7,399.7	7,399.7	7,399.7	7,393.2	n.a.
Federal budget deficit of 1992	2,333.3	2,333.3	2,333.3	2,333.3	n.a.
Slovak budget deficit of 1992	7,933.3	0.0	0.0	0.0	n.a.
T-bills issued in 1992	4,920.0	0.0	0.0	0.0	n.a.
Direct credit in 1992	3,013.3	0.0	0.0	0.0	n.a.
Budget deficit of 1993	0.0	23,011.6	15,025.6	0.0	n.a.
Treasury bills issued in 1993	0.0	7,891.6	0.0	0.0	n.a.
Direct credit in 1993	0.0	15,120.0	15,025.6	0.0	n.a.
Budget deficit of 1994	0.0	0.0	0.0	0.0	n.a.
Treasury bills issued in 1994	0.0	0.0	0.0	0.0	n.a.
Direct credit in 1994	0.0	0.0	0.0	0.0	n.a.
Credit from commercial banks	8,832.9	6,451.1	4,846.0	3,464.2	2,168.5
Related to CSOB	5,218.7	3,198.3	1,954.7	934.3	0.0
Investment Bank/KTUK Dolinska	3,614.1	3,252.7	2,891.3	2,529.9	2,168.5
Balance of payments support loans	10,845.1	13,600.9	15,663.6	16,485.3	17,472.6
SAL/IBRD	3,138.2	4,877.0	4,691.6	4,457.6	4,784.3
EU	4,364.0	4,652.4	4,703.6	4,757.6	4,945.7
G-24	3,342.9	4,071.6	3,834.3	3,423.6	3,674.5
ERL/IBRD	0.0	0.0	2,434.0	2,377.4	2,551.6
JEXIM BANK	0.0	0.0	0.0	1,469.2	1,516.5
Clearing account debt: Czech Republic	0.0	5,801.0	0.0	0.0	0.0
Liabilities related to CSOB	24,794.3	25,742.2	22,874.1	14,339.2	11,531.6
Convertible currencies	20,122.2	21,259.5	18,387.0	9,921.3	7,113.0
Non-convertible currencies	4,672.1	4,482.6	4,487.1	4,417.9	4,418.6
Issued state bonds	7,278.7	9,230.8	17,692.2	54,325.7	53,894.9
KBV	4,200.0	4,851.6	5,205.6	4,200.0	4,200.0
Rehabilitation bonds	298.1	430.7	520.0	0.0	
Budget deficit of 1991	600.3	600.3	600.3	600.0	0.0
Bills of exchange; IBRD participation	230.2	230.2	230.2	230.2	230.2
Gabcikovo, Turcek, Malinec	1,950.0	3,118.0	3,150.1	3,150.0	
Bonds to refinance 1993 deficit	0.0	0.0	7,986.0	23,080.0	15,100.0
Bonds to refinance the 1994 deficit	0.0	0.0	0.0	23,065.5	23,065.5
Bonds to finance 1995 deficit					8,299.2
Bonds for roads					3,000.0
Treasury bills outside NBS	0.0	0.0	22,892.0	14,830.0	27,000.6
Foreign loans	...	...	...	...	801.7
Mochovce	...	...	...	...	801.7
Total liabilities	91,133.8	115,287.1	130,443.1	134,887.5	142,936.9
(As a percentage of GDP)	27.4	31.2	29.6	26.2	24.6
Net assets	8,197.4	-11,119.2	-27,880.9	-38,489.8	n.a.
(As a percentage of GDP)	2.5	-3.0	-6.3	-7.5	n.a.
Nominal GDP (In mill. Sk)	332,500.0	369,500.0	441,300.0	515,000.0	581,300.0

Source: Data provided by the Slovak Ministry of Finance.

Table A19. Slovak Republic: Fiscal Operations of the Central Government in 1992-97

	1992 Outcome	1993 Outcome	1994 Outcome	1995 Outcome	1996 Outcome	1997 Projection
			(In millions of koruny)			
Total revenue	139,500.0	142,733.4	135,938.0	158,366.8	159,405.1	158,310.0
Tax revenue	125,500.0	127,325.4	114,587.0	136,498.7	140,129.2	144,490.6
Personal income tax	18,000.0	8,852.0	14,195.0	19,721.8	25,455.0	30,493.2
Wage tax	16,100.0	5,085.7	7,753.0	12,179.6	15,688.6	19,458.4
Tax on entrepreneurial and capital income	1,900.0	3,766.3	6,442.0	7,542.2	9,766.4	11,034.8
Corporate income tax	31,000.0	21,991.4	30,282.0	33,666.6	33,560.2	23,146.7
Indirect taxes	40,300.0	47,032.0	58,263.0	72,266.1	70,320.2	77,660.7
VAT	0.0	27,467.0	37,138.0	52,300.0	48,679.3	55,456.8
Excise taxes	0.0	15,442.0	21,125.0	19,966.1	21,640.9	22,204.0
Turnover tax	40,300.0	4,123.0	0.0	0.0	0.0	0.0
Custom duties and import surcharge	5,300.0	4,453.0	7,164.0	8,753.9	9,893.5	12,208.2
Social security contributions	30,100.0	42,867.0	4,040.0	0.0	0.0	0.0
Other tax revenue	800.0	2,130.0	643.0	2,090.3	900.3	981.8
Nontax revenue	14,000.0	15,408.0	21,351.0	21,868.1	19,275.9	13,819.4
Total expenditure	170,400.3	167,548.2	140,567.0	160,745.8	168,978.5	174,700.0
Current expenditures	154,300.3	153,113.1	104,078.0	116,564.0	121,057.7	122,569.7
Wages	15,400.0	15,916.9	16,697.0	18,805.1	21,320.0	23,700.0
Health, education	23,300.0	23,739.6	8,172.0	8,306.0	14,419.5	8,900.0
Social expenditure 1/	49,500.0	54,286.6	15,269.0	20,929.1	21,241.3	24,823.3
Subsidies to enterprises	13,300.0	14,324.4	13,909.0	14,301.4	13,684.2	15,455.8
State equalization allowance	7,200.0	4,312.0	2,535.0	0.0	0.0	0.0
Debt service	4,733.3	12,277.6	19,200.0	15,011.0	15,026.6	13,168.1
Interest	3,633.3	11,178.0	16,683.0	12,000.0	12,101.4	11,772.2
Other	1,100.0	1,099.6	2,517.0	3,011.0	2,925.2	1,395.9
Other current expenditures	40,867.0	28,256.0	28,296.0	39,211.4	35,366.2	36,522.5
Capital expenditure	12,100.0	11,332.5	10,368.0	14,395.1	19,210.7	20,500.7
Investment projects	10,000.0	7,831.0	8,093.0	11,952.1	16,063.1	17,792.2
Transfers to enterprises	2,100.0	3,501.5	2,275.0	2,443.0	3,147.6	2,708.5
Intragovernmental transfers	4,000.0	3,102.6	26,121.0	29,786.8	28,710.1	31,629.6
To local authorities	2,400.0	1,521.0	1,080.0	1,190.3	1,265.9	1,746.8
To social security sector 2/	0.0	0.0	22,522.0	25,314.0	23,353.5	24,545.8
To state funds	1,600.0	1,581.6	2,519.0	3,282.4	4,090.8	5,337.0
Fiscal balance	-30,900.3	-24,814.8	-4,629.0	-2,379.0	-9,573.4	-16,390.0
Percent of GDP	-9.3	-6.7	-1.0	-0.5	-1.6	-2.5
GDP, current prices	332,500.0	369,500.0	441,300.0	515,100.0	581,300.0	647,000.0

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates.

1/ Includes social assistance and social benefits.

2/ Includes social security contributions paid by the state as an employer and on behalf of so-called "dependent" persons.

Table A20. Slovak Republic: Fiscal Operations of the Social Security Funds in 1994-97 1/

	1994	1995	1996	1997 Projection	1994	1995	1996	1997 Projection
	(In millions of koruny)				(As a percentage of GDP)			
Health Fund								
Revenue	20,805.5	28,010.7	36,200.9	38,522.6	5.6	5.4	6.2	6.0
SS contributions	17,712.9	26,002.4	34,448.8	37,410.7	4.8	5.0	5.9	5.8
Other	3,092.6	2,008.3	1,752.1	1,111.9	0.8	0.4	0.3	0.2
Expenditure	22,315.7	26,808.2	36,229.3	42,318.4	6.0	5.2	6.2	6.5
Balance	-1,510.2	1,202.5	-28.4	-3,795.8	-0.4	0.2	0.0	-0.6
Sickness Fund								
Revenue	8,428.4	7,942.5	7,945.9	9,921.3	2.3	1.5	1.4	1.5
SS contributions	7,033.6	7,693.1	7,309.6	9,515.8	1.9	1.5	1.3	1.5
Other	1,394.8	249.4	636.3	405.5	0.4	0.0	0.1	0.1
Expenditure	5,102.8	6,148.1	8,166.2	9,496.8	1.4	1.2	1.4	1.5
Balance	3,325.6	1,794.4	-220.4	424.5	0.9	0.3	0.0	0.1
Pension Fund								
Revenue	38,371.8	44,852.2	51,568.5	51,610.5	10.4	8.7	8.9	8.0
SS contributions	36,977.0	44,602.8	50,932.2	51,205.0	10.0	8.7	8.8	7.9
Other	1,394.8	249.4	636.3	405.5	0.4	0.0	0.1	0.1
Expenditure	38,009.7	44,737.6	46,866.4	52,459.6	10.3	8.7	8.1	8.1
Balance	362.1	114.6	4,702.1	-849.1	0.1	0.0	0.8	-0.1
Employment Fund								
Revenue	5,140.8	7,225.2	8,218.8	8,354.1	1.4	1.4	1.4	1.3
SS contributions	4,663.5	6,183.3	7,156.8	7,456.9	1.3	1.2	1.2	1.2
Other	477.3	1,041.9	1,062.0	897.2	0.1	0.2	0.2	0.1
Expenditure	4,459.4	6,203.2	7,695.1	8,866.5	1.2	1.2	1.3	1.4
o/w SS contributions 2/	0.0	580.0	1,125.0	1,045.3	0.0	0.1	0.2	0.2
Balance	681.4	1,022.0	523.7	-512.4	0.2	0.2	0.1	-0.1
Total								
Revenue	72,746.5	87,450.6	102,809.0	107,363.3	19.7	17.0	17.7	16.6
SS contributions	66,387.0	83,901.6	98,722.4	104,543.2	18.0	16.3	17.0	16.2
Other	6,359.5	3,549.0	4,086.6	2,820.1	1.7	0.7	0.7	0.4
Expenditures	69,887.6	83,317.1	97,832.0	112,096.0	18.9	16.2	16.8	17.3
Balance	2,858.9	4,133.5	4,977.0	-4,732.7	0.8	0.8	0.9	-0.7

Sources: Data provided by the Public Expenditure Department at the Slovak Ministry of Finance; and staff estimates.

1/ Social security funds includes twelve health insurance companies, the sickness fund, pension funds amd the employment fund.
2/ Contributions made by the Employment Fund to the Health, Sickness and Pension Funds on behalf of unemployed persons.

Table A21. Slovak Republic: Fiscal Operations of the Extrabudgetary Funds in 1994-97

(In millions of koruny)

	Own revenue	Transfers from Budget	Total Revenue	Current Expenditure	Capital Expenditure	Total Expenditure	Balance
1994 outcome							
Environment Fund	707.7	270.0	977.7	110.4	896.4	1006.9	-29.1
Fund for Culture "Pro Slovakia"	4.7	80.0	84.7	130.4	0.0	130.4	-45.7
Fund for Physical Culture	111.0	17.0	128.0	122.4	0.0	122.4	5.6
Health Fund	47.0	0.0	47.0	31.6	0.0	31.6	15.5
Fund for Market Regulation in Agriculture	535.5	650.0	1185.5	1933.0	0.0	1933.0	-747.5
Road Fund	953.8	1000.0	1953.8	1069.8	996.6	2066.4	-112.6
Forestry Fund	31.8	177.4	209.2	196.0	187.2	383.2	-174.0
Fund for Agricultural Land Protection	147.8	25.0	172.8	127.2	55.6	182.8	-10.0
Fund for Water Management	2.3	0.0	2.3	0.0	26.1	26.1	-23.8
Financial Support Fund for Agriculture	506.7	300.0	806.7	46.7	0.0	46.7	760.0
State funds, total	3048.4	2519.4	5567.8	3767.5	2161.9	5929.4	-361.6
1995 outcome							
Environment Fund	808.4	250.0	1058.4	154.7	868.3	1023.0	35.4
Fund for Culture "Pro Slovakia"	8.1	377.6	385.7	377.1	0.0	377.1	8.6
Fund for Physical Culture	126.1	18.0	144.1	108.6	28.8	137.4	6.7
Health Fund	114.0	0.0	114.1	14.5	18.4	32.9	81.2
Fund for Market Regulation in Agriculture	1889.0	650.0	2539.0	2092.9	0.0	2092.9	446.1
Road Fund	1112.8	1000.0	2112.8	1379.7	2201.6	3581.2	-1468.5
Forestry Fund	58.6	513.2	571.8	555.9	0.0	555.9	15.8
Fund for Agricultural Land Protection	261.0	25.0	286.0	112.9	42.8	155.8	130.2
Fund for Water Management	24.4	0.0	24.4	0.0	0.0	0.0	24.4
Financial Support Fund for Agriculture	736.8	100.0	836.8	16.3	810.2	826.5	10.4
Nuclear Waste Fund	803.8	348.6	1152.4	15.0	208.4	223.4	929.0
State funds, total	5943.0	3282.4	9225.4	4827.6	4178.5	9006.0	219.4
1996							
Environment Fund	934.9	297.0	1231.9	58.8	1194.3	1253.1	-21.2
Fund for Culture "Pro Slovakia"	15.4	116.7	132.1	153.9		153.9	-21.8
Fund for Physical Culture	462.8	18.3	481.1	311.6		311.6	169.5
Health Fund	499.1	0.6	499.7	62.9	441.2	504.1	-4.4
Fund for Market Regulation in Agriculture	1762.2	653.5	2415.7	4242.7		4242.7	-1827.0
Road Fund	1553.1	1174.0	2727.1	1628.8	2959.4	4588.2	-1861.1
Forestry Fund	139.9	571.1	711.0	647.9	0.2	648.1	62.9
Fund for Agricultural Land Protection	626.2	25.2	651.4	297.5	130.1	427.6	223.8
Fund for Water Management	63.3	200.2	263.5	139.2	87.5	226.7	36.8
Financial Support Fund for Agriculture	947.6	135.3	1082.9	74.8	1786.5	1861.3	-778.4
Nuclear Waste Fund	1518.6	139.3	1657.9	0.7	656.8	657.5	1000.4
Housing Fund	11.7	760.0	771.7	5.5	349.0	354.5	417.2
State funds, total	8534.8	4091.2	12626.0	7624.3	7605.0	15229.3	-2603.3
1997 Budget							
Environment Fund	766.7	250.0	1,016.7	49.1	967.6	1,016.7	0.0
Fund for Culture "Pro Slovakia"	47.5	100.0	147.5	147.5		147.5	0.0
Fund for Physical Culture	464.7	18.0	482.7	482.5	0.2	482.7	0.0
Health Fund	435.0		435.0	56.2	378.8	435.0	0.0
Fund for Market Regulation in Agriculture	4,517.0	1,250.0	5,767.0	5,717.0	50.0	5,767.0	0.0
Road Fund 1/	15,690.0	2,600.0	18,290.0	2,845.0	15,445.0	18,290.0	0.0
Forestry Fund	164.4	500.0	664.4	659.9	0.5	660.4	4.0
Fund for Agricultural Land Protection	1,198.5	135.0	1,333.5	224.0	1,109.5	1,333.5	0.0
Fund for Water Management	210.0	200.0	410.0	201.2	208.8	410.0	0.0
Financial Support Fund for Agriculture	677.3	25.0	702.3	651.4	50.9	702.3	0.0
Nuclear Waste Fund	2,919.6	99.0	3,018.6	101.8	960.1	1,061.9	1,956.7
Housing Fund	442.4	4,160.0	4,602.4	27.4	4,575.0	4,602.4	0.0
Funf for support of foreign trade	503.5	250.0	753.5	753.5		753.5	0.0
State funds, total	28,036.6	9,587.0	37,623.6	11,916.5	23,746.4	35,662.9	1,960.7

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates.

1/ Includes extrabudgteray road projects.

Table A22. Slovak Republic: Monetary Survey, 1993–97 1/

	1993	1994	1995	1996				1996	1997				1997
	Year	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4 3/	Year 3/
						(In billions of koruny, end of period)							
Net foreign assets 2/	-35.1	15.5	64.1	64.4	57.7	59.6	65.0	65.0	64.6	61.5	68.2	70.3	70.3
Foreign assets	46.6	101.9	153.5	150.6	145.5	151.6	187.8	187.8	201.8	216.3	237.4	233.1	233.1
Foreign liabilities	81.6	86.4	89.4	86.2	87.8	92.0	122.8	122.8	137.2	154.8	169.2	162.8	162.8
Net domestic assets	282.3	279.1	293.1	297.2	310.2	316.9	351.9	351.9	342.2	353.4	355.1	382.6	382.6
Domestic credit	362.8	369.1	397.4	410.2	423.9	434.3	455.2	455.2	458.1	469.0	478.4	493.5	493.5
Net credit to government 3/	96.2	100.9	93.2	88.8	86.5	86.3	96.2	96.2	97.7	105.8	113.7	126.8	126.8
Net credit to Property Fund	4.9	1.0	-2.3	-1.9	-1.4	-2.8	-3.2	-3.2	-2.1	-2.4	-2.4	-3.0	-3.0
Credit to enterprises and households	261.7	267.2	306.5	323.3	338.8	350.8	362.2	362.2	362.5	365.6	367.1	369.7	369.7
In domestic currency	253.6	252.8	283.8	293.4	303.8	311.7	331.4	331.4	331.9	333.4	333.2	334.2	334.2
In foreign currency	8.1	14.4	22.7	29.9	35.0	39.1	30.8	30.8	30.6	32.2	33.9	35.5	35.5
Other items, net	-80.5	-90.0	-104.3	-113.0	-113.7	-117.4	-103.3	-103.3	-115.9	-115.6	-123.3	-110.9	-110.9
Broad Money	247.2	294.6	357.2	361.6	367.9	376.5	416.9	416.9	406.8	414.9	423.4	452.5	452.5
Currency outside banks	19.1	28.1	34.5	36.3	39.0	41.6	43.5	43.5	44.7	45.2	46.4	48.5	48.5
Deposits	228.1	266.5	322.7	325.3	328.9	334.9	373.4	373.4	362.1	369.7	377.0	404.0	404.0
In domestic currency	199.6	228.1	283.0	285.4	290.5	296.2	331.6	331.6	321.0	325.2	331.5	357.0	357.0
In foreign currency	28.5	38.4	39.7	39.9	38.4	38.7	41.8	41.8	41.1	44.5	45.5	47.0	47.0
						(Change as a percentage of broad money at beginning of period)							
Memorandum items:													
Broad money	19.1	19.2	21.2	1.2	1.7	2.3	10.7	16.7	-2.4	2.0	2.0	6.9	8.5
Net foreign assets	-3.2	20.5	16.5	0.1	-1.9	0.5	1.4	0.3	-0.1	-0.8	1.6	0.5	1.3
Net domestic assets	22.3	-1.3	4.8	1.1	3.6	1.8	9.3	16.5	-2.3	2.8	0.4	6.5	7.4
Domestic credit	27.6	2.5	9.6	3.6	3.8	2.8	5.6	16.2	0.7	2.7	2.3	3.6	9.2
Credit to enterprises and households	12.3	2.2	13.3	4.7	4.3	3.3	3.0	15.6	0.1	0.8	0.4	0.6	1.8
Other items, net	-5.3	-3.8	-4.9	-2.4	-0.2	-1.0	3.7	0.3	-3.0	0.1	-1.9	2.9	-1.8
						(Percent changes, year-on-year)							
Net domestic assets	19.6	-1.1	5.0	10.2	16.4	19.3	20.1	20.1	15.1	13.9	12.1	8.7	8.7
Domestic credit	18.8	1.7	7.7	9.2	12.0	13.7	14.5	14.5	11.7	10.6	10.2	8.4	8.4
Credit to enterprises and households	10.8	2.1	14.7	16.2	19.3	19.6	18.2	18.2	12.1	7.9	4.6	2.1	2.1

Sources: National Bank of Slovakia; and staff estimates.

1/ At current exchange rates.

2/ NFA includes short- and long-term assets and liabilities of the banking system towards non-resident denominated in convertible currencies plus the balance in the clearing account with the Czech Republic.

3/ Preliminary data.

Table A23. Slovak Republic: Monetary Base, 1993–97 1/

(In billions of koruny, end of period)

	1993	1994	1995	1996				1997			
	Year	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Uses of the Monetary Base	34.2	47.6	72.5	77.4	80.1	87.9	88.4	90.3	84.0	91.8	94.3
Monetary Base (excluding NBS bills)	34.2	47.6	61.5	56.2	64.7	81.4	87.0	88.2	84.0	91.8	94.3
Currency	21.7	31.4	40.0	41.5	44.9	48.2	52.4	51.8	53.0	54.4	58.2
Reserves and other deposits of banks	12.5	16.2	21.5	14.7	19.8	33.2	34.5	36.4	31.0	37.3	36.1
Excess reserves 2/	-1.9	2.1	4.2	-3.6	0.8	0.1	0.9	0.2	-5.8	0.2	-0.2
Required reserves	10.5	14.1	17.3	18.3	19.0	33.1	33.6	36.2	36.8	37.1	36.3
Bills of NBS	...	...	11.0	21.2	15.3	6.5	1.5	2.1	0.0	0.0	0.0
Sources of the Monetary Base	34.2	47.6	72.5	77.4	80.1	87.9	88.4	90.3	84.0	91.8	94.3
Net foreign assets	-15.0	16.0	69.2	74.4	75.2	84.1	82.9	86.5	67.7	78.2	84.3
Foreign assets	26.1	65.2	111.8	115.1	115.3	124.5	123.5	126.9	110.6	119.2	127.2
Reserves	13.1	52.9	99.5	102.8	103.0	112.1	111.2	114.5	98.2	106.9	114.9
Gold	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
IMF	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Foreign liabilities	41.1	49.2	42.6	40.7	40.2	40.3	40.7	40.4	42.8	41.1	42.9
IMF	30.8	31.8	25.4	23.8	23.2	22.4	22.1	21.4	21.2	20.7	...
Bonds and other	9.9	17.4	17.2	16.9	17.0	18.0	18.6	19.0	21.6	20.3	...
Net credit to Government	40.8	35.2	13.6	11.4	17.1	17.6	21.6	17.8	28.7	28.9	22.0
Liabilities from past year	26.3	39.0	22.1	20.7	20.7	20.7	20.7	20.4	21.0	21.4	22.4
Direct credit for current budget 3/	14.5	-3.8	-8.5	-9.3	-4.3	-8.0	-4.8	-6.5	-5.7	-5.4	-4.1
T-bills and other government securities	0.0	0.0	0.0	0.0	0.7	4.9	5.7	3.8	13.4	13.0	3.6
Credit to nonbank sectors	0.4	0.3	0.1	0.2	0.2	0.3	0.2	0.3	0.3	0.3	...
Credit to banks	6.4	2.0	1.3	0.8	0.4	0.7	1.6	1.6	1.5	1.9	3.0
Other items net	1.7	-5.8	-11.8	-9.3	-12.8	-14.8	-17.8	-15.9	-14.2	-17.6	-15.0
Memorandum items:											
Actual average reserves	13.7	15.9	17.9	18.5	19.3	33.3	34.5	36.4	31.0	37.3	...
Ratio of actual average reserves to average required reserves	109.4	112.6	103.3	101.0	101.4	100.3	102.7	100.6	85.3	100.6	...
Average excess reserves	1.2	1.8	0.6	0.2	0.3	0.1	0.9	0.2	-5.8	0.2	...
Money multiplier 6/	7.2	6.2	5.8	6.4	5.7	4.6	4.8	4.6	4.9	4.6	4.8

Sources: National Bank of Slovakia; and staff estimates.

1/ The monetary base table data for NFA are in current exchange rate. The NFA of the NBS do not include credits on behalf of the government.

2/ This measure of excess reserves may be misleading since it reflects the situation only on the last day of the month. On that date, banks usually use their liquidity to purchase T-bills for a few days. The number therefore tends to understate the volume of reserves held on average by banks.

3/ It includes deposits of extrabudgetary funds with the NBS.

4/ Calculated as the ratio of end-of-period broad money and the monetary base (excluding NBS bills).

Table A24. Slovak Republic: Selected Interest Rates, 1993–97 Q3

(Average in each period, in percent per annum)

	1994				1995				1996				1997			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct.
Total deposits	9.09	9.45	9.44	9.30	9.46	8.39	8.13	7.48	7.12	6.50	6.68	6.55	7.20	7.72	8.27	8.82
Term deposits	14.33	14.35	14.22	14.00	13.70	12.27	12.04	11.03	9.59	8.80	9.00	8.91	9.50	10.14	10.89	11.54
Non-term deposits	2.33	2.51	2.80	2.80	3.10	2.69	2.58	2.49	3.10	3.05	2.98	2.92	3.00	3.10	3.44	3.50
Deposits by maturity 1/																
Short-term	13.69	13.81	13.62	13.43	13.19	11.17	10.72	9.77	9.28	8.39	8.74	8.87	9.73	10.71	11.84	12.96
Medium-term	14.72	14.76	14.75	14.59	15.07	14.58	14.60	12.81	11.80	10.27	10.64	10.63	10.81	11.36	11.50	11.50
Long-term	16.55	16.18	15.74	15.06	11.52	9.54	9.05	8.32	5.69	5.63	5.38	5.07	4.84	4.80	4.75	4.79
Deposits by sector																
Deposits by state enterprises	7.81	8.49	8.96	8.65	7.77	6.53	6.13	5.08	6.30	6.07	5.95	6.05	7.39	7.43	...	...
Deposits by private sector	5.04	5.50	5.54	5.99	6.12	4.97	4.85	5.46	6.05	5.72	5.64	5.95	6.40	6.98	...	...
Deposits of households	11.24	11.24	11.22	11.21	11.36	10.38	10.28	9.22	8.31	7.27	7.47	7.29	7.44	7.98	...	...
Total credits	14.47	14.61	14.66	14.51	14.05	13.61	13.15	12.61	12.60	12.01	11.58	11.45	11.47	12.26	13.05	13.22
Credits by maturity																
Short-term	16.59	17.05	16.85	16.51	15.42	14.62	14.08	13.31	13.35	12.23	11.97	12.16	12.70	14.11	15.71	16.06
Medium-term	17.04	17.62	17.82	17.70	17.24	16.93	16.50	15.86	15.65	14.72	14.02	13.41	12.98	13.57	14.00	14.06
Long-term	11.34	11.43	11.56	11.55	11.60	11.33	10.83	10.41	10.54	10.50	9.99	9.67	9.45	9.40	9.58	9.61
Credits by sector																
Credits to state enterprises	15.43	15.44	15.51	15.31	14.61	14.13	13.36	12.47	12.14	11.61	10.85	10.81	10.50	11.41	12.13	12.13
Credits to private sector	14.70	14.93	14.98	14.86	14.62	14.52	14.19	13.65	13.36	12.62	12.20	11.95	11.94	12.57	13.41	13.49
Credits to households	5.29	5.17	4.92	4.74	5.33	5.18	5.20	5.04	5.56	5.47	5.81	6.39	7.04	7.28	7.45	7.60
Discount rate 2/	12.00	12.00	12.00	12.00	12.00	11.00	11.00	9.75	8.80	8.80	8.80	8.80	8.80	8.80	8.80	8.80

Sources: National Bank of Slovakia; and staff estimates.

1/ Short-term, up to one year, medium-term, up to four years, long-term, over four years.

2/ As of the last day of the month.

Table A25. Slovak Republic: Balance of Payments, 1993-97 1/

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997 Jan-Oct
Current account	-601	665	391	-2,098	-1,341
Trade balance	-932	59	-228	-2,293	-1,282
Exports, f.o.b.	5,447	6,691	8,579	8,831	7,383
Imports, f.o.b.	6,379	6,633	8,807	11,124	8,665
Services balance	231	538	527	-8	-183
Receipts	2,140	2,412	2,625	2,290	1,923
Transportation	460	538	615	644	613
Transit of Gas	381	396	405	386	...
Travel	390	666	622	673	447
Income	189	155	249	222	151
Other	1,101	1,052	1,139	752	713
Expenditures	1,909	1,874	2,099	2,299	2,106
Transportation	292	161	306	395	281
Travel	216	318	320	483	391
Income 1/	228	275	263	267	418
Other	1,173	1,120	1,209	1,154	1,016
Current transfers	100	69	92	203	124
Private, net	96	63	76	193	116
Official, net	4	6	17	10	8
Capital account	459	23	1,185	2,235	1,093
Capital transfers, net	529	87	46	30	0
Foreign investment, net 2/	-129	250	380	225	99
Foreign direct investment inflows	134	170	134	129	22
Other long-term capital, net	306	603	585	1,109	867
Credits received, net	57	421	516	973	857
Disbursements	546	789	1,368	1,642	1,374
Repayments	490	410	852	669	516
Credits extended, net	249	182	69	137	10
Short-term capital, net	-437	-569	91	872	127
Clearing account balance (surplus, -)	189	-623	-951	0	0
Settlement under clearing account (payment, -)	...	275	1,034	0	0
Errors and omissions	108	644	195	225	269
Overall balance	-35	1,332	1,771	362	21
Financing	35	-1,332	-1,771	-362	-21
of which:					
Gross reserves (increase, -)	-55	-1,290	-1,579	-237	...
Fund credit, net	90	-43	-192	-125	...

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ Interest payments have been adjusted upward to address apparent under-recording during 1997. The counterpart of the adjustment is included in errors and omissions.

2/ In 1993 includes US$529 million of Slovak shares in Czech companies acquired through the 'first wave' of voucher privaatization in the former CFSR. The counterpart is presented as a capital transfer.

Table A26. Slovak Republic: Foreign Trade, 1993-97

(In millions of U.S. dollars)

	1993	1994	1995	1996	Jan-Sep 1996	Jan-Sep 1997
Exports f.o.b	5,447.4	6,691.1	8,578.5	8,831.0	6,515.0	6,648.0
Market economies	2,071.0	2,969.7	3,880.6	4,312.0	3,285.4	3,545.7
Developed countries	1,783.1	2,631.7	3,510.0	3,925.1	2,946.0	3,311.0
Of which:						
European Union 1/	1,609.2	2,339.6	3,208.0	3,644.0	2,434.2	2,991.6
Austria	271.0	351.4	425.9	534.0	358.5	453.6
France	86.6	113.3	171.4	187.0	150.0	143.0
Germany	827.9	1,143.9	1,612.5	1,871.0	1,229.0	1,526.4
Italy	148.4	288.3	413.4	431.0	284.2	361.5
United Kingdom	55.2	85.6	112.4	136.0	101.0	107.0
EFTA	40.1	56.4	85.0	106.0	65.4	79.1
Other OECD countries 2/	122.3	213.8	193.0	176.6	117.3	146.3
Of which:						
Canada	8.7	37.3	20.1		12.1	13.8
Japan	7.7	6.2	17.7	19.0	7.9	9.0
United States	60.2	108.2	107.3	119.0	67.6	100.2
Other developed countries	11.5	21.8	24.0		...	...
Developing countries	287.9	338.0	370.6	386.9	339.4	234.7
Of which:						
Brazil	2.2	3.4	8.9		5.9	5.0
China	65.5	23.1	17.0	39.0	10.8	33.5
India	14.5	61.2	67.1	65.0	47.4	41.0
Syria	47.5	24.6	17.3		13.0	6.0
Economies in Transition 3/	3,371.5	3,721.3	4,696.8	4,519.0	3,229.6	3,102.3
CEFTA countries 4/	2,716.4	3,059.1	3,799.0	3,658.0	2,688.0	2,506.0
Of which:						
Czech Republic	2,310.0	2,501.7	3,024.0	2,738.0	1,980.3	1,798.3
Hungary	247.3	365.7	390.9	403.0	255.0	242.1
Poland	158.9	189.3	378.0	427.0	238.0	267.3
FSU countries	453.4	467.1	612.1	641.0	381.6	420.3
Of which:						
Russia	256.1	277.6	330.8	308.0	195.3	196.0
Ukraine	139.7	116.7	190.8	236.0	109.3	149.3
Former Yugoslavia	90.4	128.3	196.4	...	99.0	119.0
Other Europ. Econ. in Transition	42.2	38.8	61.6	...	61.0	57.0
Countries with state trading systems	69.1	27.9	27.7	...	...	...
Nonspecified	4.9	0.1	1.1	...	...	...

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ EU-15 for all years.

2/ OECD members as of end-1993 (i.e., excludes CEFTA members).

3/ All formerly centrally planned economies.

4/ Excluding Romania.

Table A26. Slovak Republic: Foreign Trade, 1993-97 (continued)

(In millions of U.S. dollars)

	1993	1994	1995	1996	Jan-Sep 1996	Jan-Sep 1997
Imports f.o.b.	6,334.3	6,611.0	8,771.0	11,123.0	7,856.0	7,787.0
Market economies	2,303.6	2,867.7	4,022.0	5,491.0	3,776.0	3,938.0
Developed countries	2,108.8	2,646.4	3,674.0	5,023.0	3,452.0	3,726.0
Of which:						
European Union 1/	1,769.0	2,210.5	3,049.0	4,147.0	2,867.0	3,066.0
Austria	394.4	381.6	447.7	538.0	378.0	380.0
France	95.5	147.6	214.7	360.0	235.0	291.0
Germany	723.4	888.1	1,251.5	1,625.0	1,147.0	1,195.0
Italy	189.7	289.6	405.8	663.0	449.0	430.0
United Kingdom	79.7	105.7	148.2	210.0	147.0	180.0
EFTA	95.8	104.1	166.0	183.0	127.0	129.0
Other OECD countries 2/	229.5	306.9	415.0	581.0	489.0	434.0
Of which:						
Canada	17.9	11.6	20.2	29.0	23.0	26.0
Japan	73.2	81.6	130.7	205.0	129.0	119.0
United States	111.7	187.7	215.3	300.0	205.0	258.0
Other developed countries	14.5	24.9	44.0	112.0	...	...
Developing countries	194.8	221.3	348.0	468.0	324.0	212.0
Of which:						
Brazil	8.6	15.6	15.8	19.0	15.0	14.0
China	29.9	37.6	57.8	82.0	57.0	73.0
India	9.4	17.8	31.2	27.0	20.0	16.0
Economies in Transition 3/	4,023.6	3,737.4	4,736.0	5,616.0	4,068.0	3,843.0
CEFTA countries 4/	2,488.6	2,249.0	2,903.0	3,233.0	2,375.0	2,234.0
Of which:						
Czech Republic	2,274.6	1,957.9	2,434.0	2,708.0	1,962.0	1,802.0
Hungary	84.5	110.8	193.2	222.0	153.0	175.0
Poland	123.2	157.5	243.3	271.0	189.0	225.0
FSU countries	1,437.7	1,377.9	1,672.0	...	...	...
Of which:						
Russia	1,236.7	1,190.8	1,456.0	1,934.0	1,387.0	1,217.0
Ukraine	152.2	118.6	122.7	173.0	121.0	207.0
Former Yugoslavia	43.3	50.3	73.0	...	...	...
Other Europ. Econ. in Transition	17.7	18.7	22.0	...	...	...
Countries with state trading systems	36.3	41.4	66.0	88.0	61.0	78.0
Nonspecified	7.2	5.9	13.0	16.0	12.0	6.0

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ EU-15 for all years.

2/ OECD members as of end-1993 (i.e., excludes CEFTA members).

3/ All formerly centrally planned economies.

4/ Excluding Romania.

Table A27. Slovak Republic: Shares of Partners in Foreign Trade, 1993-97

(In percent of total)

	1993	1994	1995	1996	Jan-Sep 1996	Jan-Sep 1997
Exports f.o.b						
Market economies	38.0	44.4	45.2	48.8	50.4	53.3
Developed countries	32.7	39.3	40.9	44.4	45.2	49.8
Of which:						
European Union 1/	29.5	35.0	37.4	41.3	37.4	45.0
EFTA	0.7	0.8	1.0	1.2	1.0	1.2
Other OECD countries 2/	2.2	3.2	2.2	2.0	1.8	2.2
Other developed countries	0.2	0.3	0.3	...	...	...
Developing countries	5.3	5.1	4.3	4.4	5.2	3.5
Economies in Transition 3/	61.9	55.6	54.8	51.2	49.6	46.7
CEFTA countries 4/	49.9	45.7	44.3	41.4	41.3	37.7
Of which:						
Czech Republic	42.4	37.4	35.3	31.0	30.4	27.1
FSU countries	8.3	7.0	7.1	7.3	5.9	6.3
Of which:						
Russia	4.7	4.1	3.9	3.5	3.0	2.9
Former Yugoslavia	1.7	1.9	2.3	...	...	...
Other Europ. Econ. in Transition	0.8	0.6	0.7	...	...	...
Countries with state trading systems	1.3	0.4	0.3	...	...	...
Nonspecified	0.1	0.0	0.0	0.0	0.0	0.0
Imports f.o.b.						
Market economies	36.4	43.4	45.9	49.4	48.1	50.6
Developed countries	33.3	40.0	41.9	45.2	43.9	47.8
Of which:						
European Union 1/	27.9	33.4	34.8	37.3	36.5	39.4
EFTA	1.5	1.6	1.9	1.6	1.6	1.7
Other OECD countries 2/	3.6	4.6	4.7	5.2	6.2	5.6
Other developed countries	0.2	0.4	0.5	1.0	...	...
Developing countries	3.1	3.3	4.0	4.2	4.1	2.7
Economies in Transition 3/	63.5	56.5	54.0	50.5	51.8	49.4
CEFTA countries 4/	39.3	34.0	33.1	29.1	30.2	28.7
Of which:						
Czech Republic	35.9	29.6	27.8	24.3	25.0	23.1
FSU countries	22.7	20.8	19.1	...	...	...
Of which:						
Russia	19.5	18.0	16.6	17.4	17.7	15.6
Former Yugoslavia	0.7	0.8	0.8	...	...	...
Other Europ. Econ. in Transition	0.3	0.3	0.3	...	...	...
Countries with state trading systems	0.6	0.6	0.8	0.8	0.8	1.0
Nonspecified	0.1	0.1	0.1	0.1	...	...

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ EU-15 for all years.
2/ OECD members as of end-1993 (i.e., excludes CEFTA members).
3/ All formerly centrally planned economies.
4/ Excluding Romania.

Table A28. Slovak Republic, Merchandise Trade, 1993–97 Q3 1/

(In millions of U.S. dollars, and changes in percent from a year earlier)

	1994					1995					1996					1997		
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3
Exports, f.o.b.	1,427.2	1,669.6	1,671.1	1,947.2	6,715.1	1,966.4	2,231.2	2,127.9	2,269.1	8,594.5	2,065.0	2,154.0	2,265.0	2,340.0	8,824.0	2,138.0	2,269.0	2,211.0
(percent change)	9.8	16.1	26.2	39.9	23.1	37.8	33.6	27.3	16.5	28.0	5.0	-3.5	6.4	3.1	2.7	3.5	5.3	-2.4
Czech Republic	543.7	623.0	642.7	700.7	2,510.1	694.8	806.4	743.6	785.2	3,030.0	669.0	690.0	681.0	697.0	2,737.0	602.0	617.0	558.0
(percent change)	-11.2	-0.2	21.7	26.0	8.2	27.8	29.4	15.7	12.1	20.7	-3.7	-14.4	-8.4	-11.2	-9.7	-10.0	-10.6	-18.1
Rest of the world	883.5	1,046.6	1,028.4	1,246.5	4,204.9	1,271.6	1,424.8	1,384.3	1,483.9	5,564.6	1,396.0	1,464.0	1,584.0	1,643.0	6,087.0	1,536.0	1,652.0	1,653.0
(percent change)	28.5	28.6	29.3	49.2	34.2	43.9	36.1	34.6	19.0	32.3	9.8	2.8	14.4	10.7	9.4	10.0	12.8	4.4
Imports, f.o.b.	1,521.1	1,542.4	1,655.1	1,912.2	6,630.8	1,967.3	2,257.4	2,086.3	2,475.3	8,786.3	2,612.0	2,568.0	2,675.0	3,254.0	11,109.0	2,608.0	2,786.0	2,404.0
(percent change)	21.5	-11.4	11.4	4.0	5.0	29.3	46.4	26.1	29.4	32.5	32.8	13.8	28.2	31.5	26.4	-0.2	8.5	-10.1
Czech Republic	471.8	478.6	463.7	547.3	1,961.5	577.0	628.0	589.3	643.0	2,437.3	657.0	657.0	682.0	710.0	2,706.0	608.0	659.0	538.0
(percent change)	-8.8	-27.5	-14.2	-2.8	-14.0	22.3	31.2	27.1	17.5	24.3	13.9	4.6	15.7	10.4	11.0	-7.5	0.3	-21.1
Rest of the world	1,049.3	1,063.8	1,191.4	1,364.9	4,669.4	1,390.3	1,629.4	1,497.0	1,832.3	6,349.0	1,955.0	1,911.0	1,993.0	2,544.0	8,403.0	2,000.0	2,127.0	1,866.0
(percent change)	42.9	-1.6	26.1	7.0	15.7	32.5	53.2	25.7	34.2	36.0	40.6	17.3	33.1	38.8	32.4	2.3	11.3	-6.4

Source: Data provided by the Slovak authorities.

1/ Quarterly data do not add to annual totals due to differing exchange rate conversion factors.

Table A29. Slovak Republic: Commodity Composition of Trade, S.I.T.C. Classification, 1993-97 1/

(In millions of U.S. dollars)

S.I.T.C. Category	Description	1993	1994	1995	1996	1997 Jan-Sep
	Exports, f.o.b.	5,447.5	6,691.0	8,578.9	8,831.1	6,616.6
0	Food and live animals	299.3	303.3	431.3	331.3	238.9
1	Beverages and tobacco	48.1	62.8	75.0	63.6	47.1
2	Crude Materials	268.0	342.5	437.2	393.4	306.1
3	Fuels and related products	268.1	310.4	362.5	434.3	341.8
4	Animal and vegetable oils and fats	5.6	6.8	9.2	12.1	10.4
5	Chemicals and related products	654.6	862.2	1,132.1	1,096.8	755.0
6	Intermediate manufactured products	2,111.0	2,633.8	3,469.1	3,379.5	2,301.1
7	Machinery and transport equipment	1,057.5	1,271.4	1,614.7	2,047.0	1,823.2
8	Miscellaneous manufactured articles	730.5	893.7	1,045.5	1,065.8	790.5
9	Other	4.8	4.1	2.3	7.3	2.5
	Imports, f.o.b.	6,334.1	6,611.1	8,770.5	11,123.4	7,787.2
0	Food and live animals	464.2	458.7	604.7	670.9	489.2
1	Beverages and tobacco	92.2	85.3	96.1	120.3	98.8
2	Crude Materials	326.5	348.8	525.6	543.7	369.3
3	Fuels and related products	1,324.1	1,273.3	1,535.1	1,861.4	1,385.7
4	Animal and vegetable oils and fats	15.6	19.0	17.6	19.4	15.9
5	Chemicals and related products	720.0	871.7	1,189.2	1,282.1	956.9
6	Intermediate manufactured products	956.7	1,113.7	1,560.8	1,700.5	1,182.4
7	Machinery and transport equipment	1,852.8	1,829.3	2,534.9	3,917.6	2,611.4
8	Miscellaneous manufactured articles	571.1	599.8	698.0	995.6	673.1
9	Other	10.9	11.5	8.5	11.9	4.5

Source: Data provided by the Slovak authorities.

1/ Data are on customs basis and exclude 'private' imports.

Table A30. Slovak Republic: Commodity Composition of Trade, 1993-97 1/

(In percent of total)

S.I.T.C. Category	Description	1993	1994	1995	1996	1997 Jan-Sep
	Exports, f.o.b.	100.0	100.0	100.0	100.0	100.0
0	Food and live animals	5.5	4.5	5.0	3.8	3.6
1	Beverages and tobacco	0.9	0.9	0.9	0.7	0.7
2	Crude Materials	4.9	5.1	5.1	4.5	4.6
3	Fuels and related products	4.9	4.6	4.2	4.9	5.2
4	Animal and vegetable oils and fats	0.1	0.1	0.1	0.1	0.2
5	Chemicals and related products	12.0	12.9	13.2	12.4	11.4
6	Intermediate manufactured products	38.8	39.4	40.4	38.3	34.8
7	Machinery and transport equipment	19.4	19.0	18.8	23.2	27.6
8	Miscellaneous manufactured articles	13.4	13.4	12.2	12.1	11.9
9	Other	0.1	0.1	0.0	0.1	0.0
	Imports, f.o.b.	100.0	100.0	100.0	100.0	100.0
0	Food and live animals	7.3	6.9	6.9	6.0	6.3
1	Beverages and tobacco	1.5	1.3	1.1	1.1	1.3
2	Crude Materials	5.2	5.3	6.0	4.9	4.7
3	Fuels and related products	20.9	19.3	17.5	16.7	17.8
4	Animal and vegetable oils and fats	0.2	0.3	0.2	0.2	0.2
5	Chemicals and related products	11.4	13.2	13.6	11.5	12.3
6	Intermediate manufactured products	15.1	16.8	17.8	15.3	15.2
7	Machinery and transport equipment	29.3	27.7	28.9	35.2	33.5
8	Miscellaneous manufactured articles	9.0	9.1	8.0	9.0	8.6
9	Other	0.2	0.2	0.1	0.1	0.1

Source: Data provided by the Slovak authorities.

1/ Data are on customs basis and exclude 'private' imports.

Table A31. Slovak Republic: External Debt in Convertible Currencies, 1992-97

(In millions of U.S. dollars; end of period)

	1992 1/	1993 1/	1994	1995	1996	1997 October
Debt in convertible currencies	2,829.0	3,380.0	4,659.9	5,678.0	7,669.5	10,579.5
Medium- and long-term	2,262.0	2,665.0	3,423.9	3,964.4	4,723.8	5,581.1
By debtors:						
National Bank	554.0	917.0	1,180.5	1,025.1	877.1	877.1
Commercial banks	199.0	214.0	275.0	528.9	778.5	720.2
Government	1,071.0	1,059.0	1,083.4	1,011.3	836.4	858.7
Corporations	438.0	475.0	885.0	1,399.1	2,231.9	3,125.2
Short-term	567.0	715.0	1,236.0	1,713.7	2,945.7	4,998.4

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ Excludes debt towards the Czech Republic.