

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



## 1. THE ISSUE OF SLOVAK BANKNOTES AND COINS

In the year 2000, the National Bank of Slovakia secured the additional printing of 500 Sk banknotes and the production of coins with the values of 10 haliers, 20 haliers and 50 haliers, in accordance with the requirements of monetary circulation. New protective elements were added to the year 2000 type of 500 Sk banknote. In harmony with global trends, these aim to raise the level of protection from forgery, and make them easier for the public to distinguish. The issue of this banknote, printed by the British printer De La Rue International, completes the process during the years 1999-2000, by which the NBS has raised the level of protection of the higher value banknotes.

In addition to banknotes and coins intended for circulation, the National Bank of Slovakia issued three commemorative coins, two of which were struck in silver, while the third, issued on the occasion of the beginning of the third millennium, was made from three precious metals (platinum, gold and silver) in the form of a triangle with curved sides. The Mint at Kremnica struck all the current and commemorative coins.

### 1.1. Currency in Circulation in 2000

There were no particular problems associated with currency circulation in 2000. The volume of currency in circulation at 31 December 2000 was

Sk 76.3 billion (including Slovak commemorative coins and Czecho-Slovak commemorative coins issued prior to 1993). In comparison with the end of 1999, currency in circulation increased by Sk 8.5 billion (12.5%) during 2000, without significantly differing from the long-term trend of development. With regard to currency structure, the volume tended to rise towards the end of each month without significant deviations, with a typical seasonal peak in December.

After the typical January decline, the daily development of currency in the first quarter of 2000 fluctuated at around Sk 63 billion, and copied the development in 1999 with an addition of about Sk 4 billion.

Beginning in the second quarter, currency volume in each subsequent month increased by about Sk 1-2 billion, to a maximum of Sk 79.5 billion in December, as in previous years.

Of the total volume of currency in circulation, cash at banks, which is a component of cash, equalled an average of 13.0%, which was comparable to the level reached in 1999 and previous years.

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

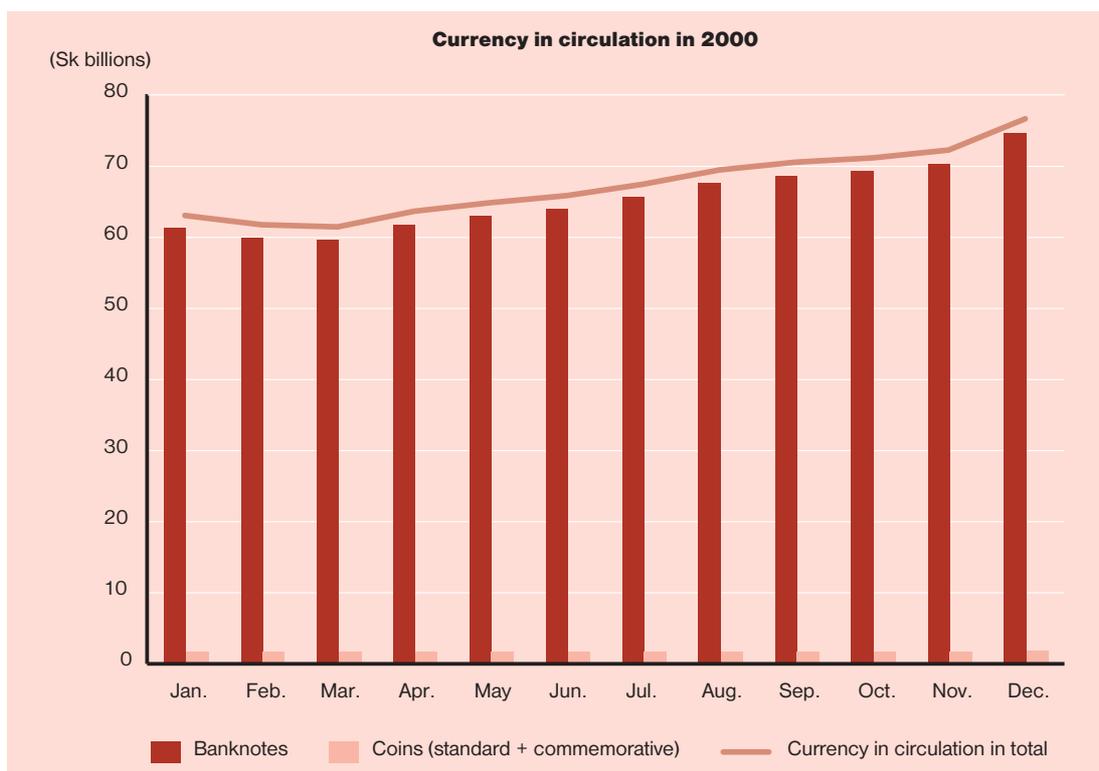
At 31 December 2000, the volume of banknotes in circulation amounted to Sk 74.5 billion; an increase of 12.6% in comparison with the end of the

#### Commemorative coins issued by the NBS in 2000

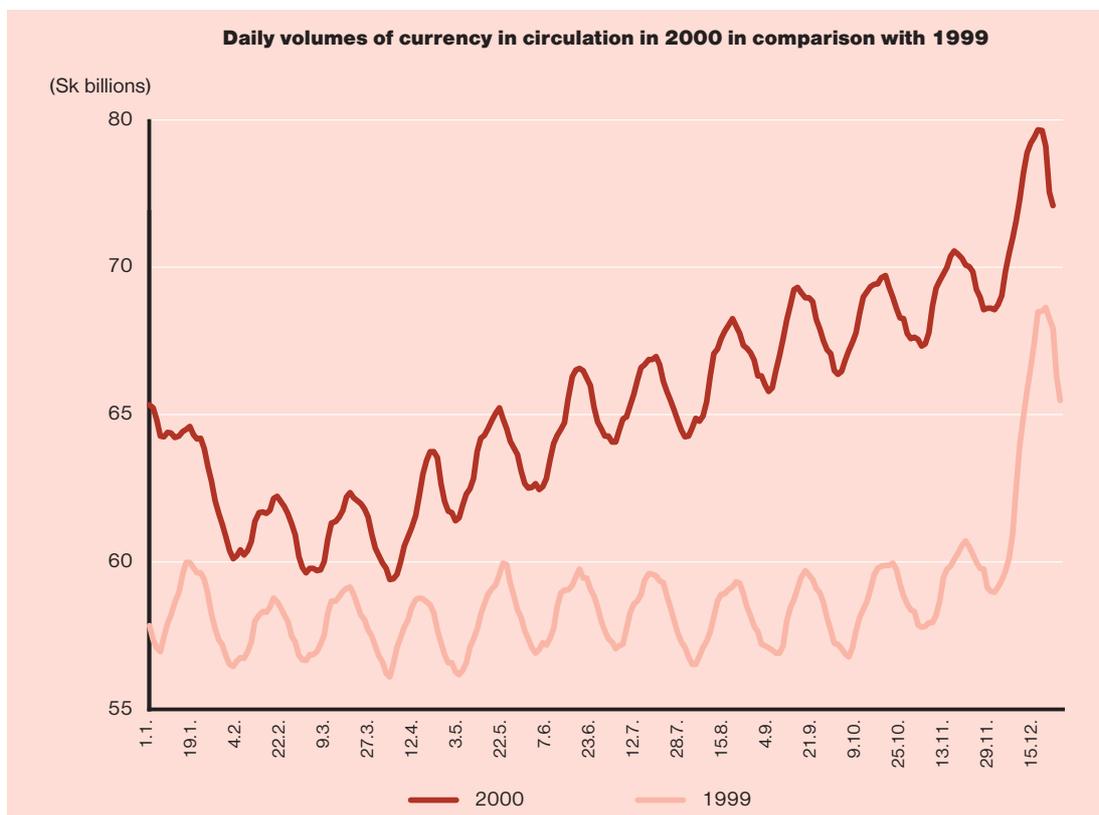
Nominal value	Event commemorated by the coin	Number of coins issued		Decree of the NBS
		Total	Proof	
CSC	250th anniversary	11,600	1,500	109/2000 Z.z.
500 Sk	of death of Samuel Mikovini			
CSC	250th anniversary	12,200	1,600	279/2000 Z.z.
200 Sk	of birth of Juraj Fándly			
CC	Beginning of the	8,000	8,000	419/2000 Z.z.
5000 Sk	3rd millennium			

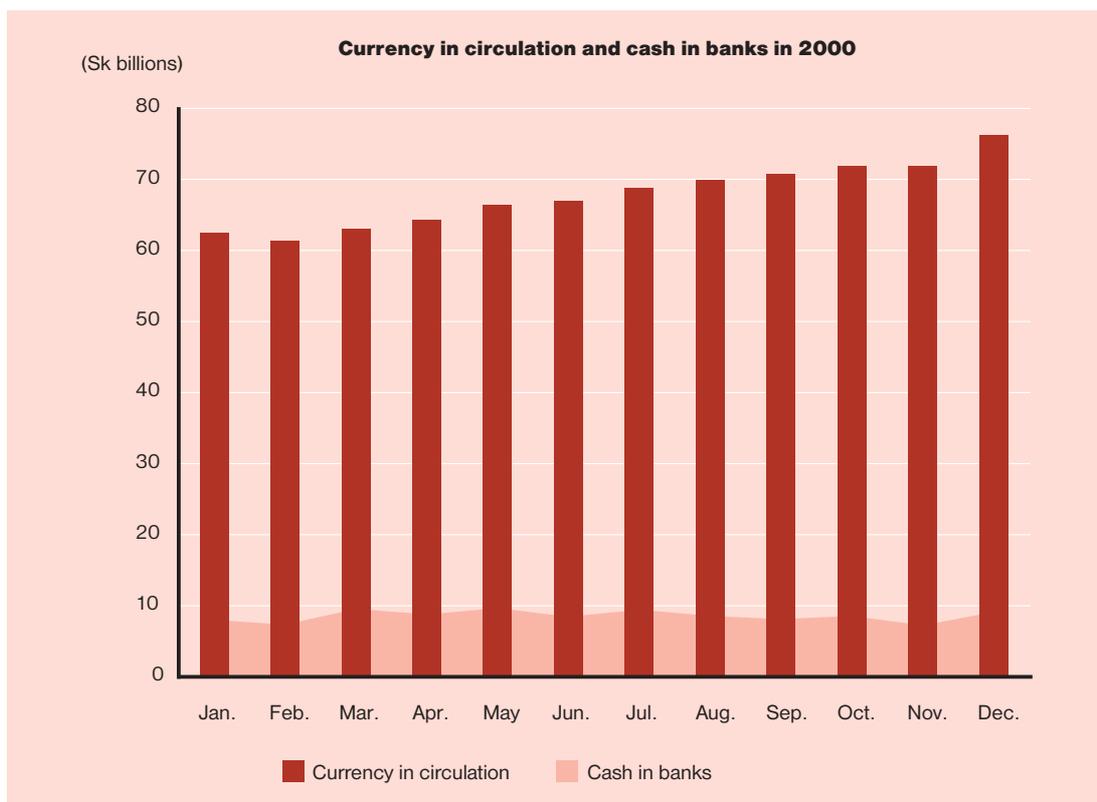
CSC - commemorative silver coin

CC - single-sided tri-metal commemorative coin



previous year. The total number of banknotes in circulation increased by 6.6 million to 118 million, i.e. by 5.9%. The proportion of currency in circulation represented by banknotes, remained the





same as in 1999 at 97.7%; the banknotes accounted for 11.9% of the total number of currency items. However, in comparison with the same period of the preceding year, the proportion of the number of banknotes fell by 0.6%. The total growth in the volume of banknotes in circulation was Sk 8.3 billion, with 5000 and 1000 Sk banknotes making up the largest proportion of this amount.

The total volume of coins in circulation grew by 10.1% compared to 1999, to Sk 1.2 billion, while their number grew by 11.7% to 870.2 million. At the end of 2000, coins accounted for 1.6% of the total volume of currency in circulation, but as much as 88% of individual items. The value and quantity of coins in circulation grew in all nominal values. The higher denominations grew in number by the highest percentages, with 23.4% for the 50 haliers, and almost 13% for the 10 and 20 haliers. The opening of hypermarkets in Slovakia had a significant influence on the issue of coins and the period for their return.

Pursuant to the Decree of the National Bank of Slovakia No. 278/2000 on ending the validity of

commemorative silver coins in Czecho-Slovak currency issued between 21st August 1954 and 31st December 1992, they ceased to be legal tender with effect from 30 September 2000, with provision for their exchange up to 30.6.2006.

The per capita volume of currency in circulation, including commemorative coins, amounted to Sk 14,124.60 at the end of December 2000, and consisted of Sk 13,799.20 in banknotes, Sk 230.90 in current coins and Sk 94.50 in commemorative coins. In comparison with 1999, the total volume of currency in circulation per inhabitant increased by Sk 1,569.30. Within this amount, the value of banknotes grew by Sk 1,539.30, coins by Sk 21.30 and commemorative coins by Sk 8.70. In 2000, there were an average of 22 banknotes per inhabitant, compared to 21 banknotes in 1999. Among them, the most numerous banknotes in circulation were the 1000 Sk with seven and the 20 Sk with five per inhabitant. The number of standard coins per inhabitant was 161 (144 in 1999). The largest proportion consisted of higher coins, with 48 10 halier and 41 20 halier coins per inhabitant. The

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

<b>Nominal value</b>	<b>Volume at 31.12.1999</b>	<b>Volume at 31.12.2000</b>	<b>Share in % at 31.12.1999</b>	<b>Share in % at 31.12.2000</b>
Banknotes	66,203.53	74,515.52	97.64	97.70
5000 Sk	23,511.42	29,410.97	34.68	38.56
1000 Sk	33,542.14	36,175.02	49.47	47.43
500 Sk	4,543.60	4,093.03	6.70	5.37
200 Sk	1,188.92	1,338.42	1.75	1.75
100 Sk	2,388.61	2,378.91	3.52	3.12
50 Sk	572.31	622.16	0.85	0.82
20 Sk	456.53	497.01	0.67	0.65
Coins	1,132.18	1,246.80	1.67	1.63
10 Sk	591.24	646.80	0.87	0.85
5 Sk	200.03	221.50	0.30	0.29
2 Sk	136.89	151.35	0.20	0.20
1 Sk	94.46	104.38	0.14	0.14
0.50 Sk	25.63	25.85	0.04	0.03
0.50 Sk II	22.38	27.61	0.03	0.03
0.20 Sk	38.89	43.78	0.06	0.06
0.10 Sk	22.66	25.53	0.03	0.03
Commemorative coins	462.98	510.63	0.69	0.67
Total	67,798.69	76,272.95	100.00	100.00

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

<b>Nominal value</b>	<b>Volume at 31.12.1999</b>	<b>Volume at 31.12.2000</b>	<b>Share in % at 31.12.1999</b>	<b>Share in % at 31.12.2000</b>
Banknotes	111.44	118.02	12.50	11.94
5000 Sk	4.70	5.88	0.53	0.59
1000 Sk	33.54	36.18	3.76	3.66
500 Sk	9.09	8.19	1.02	0.83
200 Sk	5.94	6.69	0.67	0.68
100 Sk	23.89	23.79	2.68	2.41
50 Sk	11.45	12.44	1.28	1.26
20 Sk	22.83	24.85	2.56	2.51
Coins	779.08	870.18	87.43	88.00
10 Sk	59.12	64.68	6.64	6.54
5 Sk	40.01	44.30	4.49	4.48
2 Sk	68.45	75.67	7.68	7.65
1 Sk	94.46	104.38	10.60	10.56
0.50 Sk	51.25	51.69	5.75	5.23
0.50 Sk II	44.76	55.21	5.02	5.58
0.20 Sk	194.47	218.91	21.82	22.14
0.10 Sk	226.56	255.34	25.43	25.82
Commemorative coins	0.58	0.61	0.07	0.06
Total	891.10	988.81	100.00	100.00

total number of halier coins in circulation (108 per inhabitant) is quite high. We assume that their low real value is the chief reason for this. As a result, only half the number issued returns to the NBS, and the rest are recorded as still in circulation.

The average value of individual items in circulation grew by only one Sk, since the increase in the average value of banknotes of Sk 37.30 was almost compensated by the growth in the number of lower value coins in circulation.

#### The average value of currency in circulation

	1999	2000	Difference
Banknotes	594.10	631.40	+37.30
Standard coins	1.50	1.50	0.00
Total including commemorative coins	76.10	77.10	+1.00

### 1.3. The Relationship between Currency in Circulation and Selected Macro-economic Indicators

Comparison of cash and selected macro-economic indicators is important in estimating the levels of cash and non-cash payments, cash kept at home, the amount in the shadow economy, etc. Only currency in circulation (M0), that is not in banks, is taken into account in this comparison.

The amount of cash outside banks has shown a continually rising trend since introduction of a separate Slovak currency. The proportion of cash in banks began to stagnate or decline in 1996, with the exception of 1999. By the end of 2000, the volume fell to Sk 9.3 billion.

For the purposes of international comparison, the proportion of M0 to the aggregate of M1 money and the proportion of M0 to gross domestic product (GDP) is interesting from the macro-economic point of view.

In 2000, the proportion of M0 to the M1 aggregate amounted to 35.6% in volume (in 1999



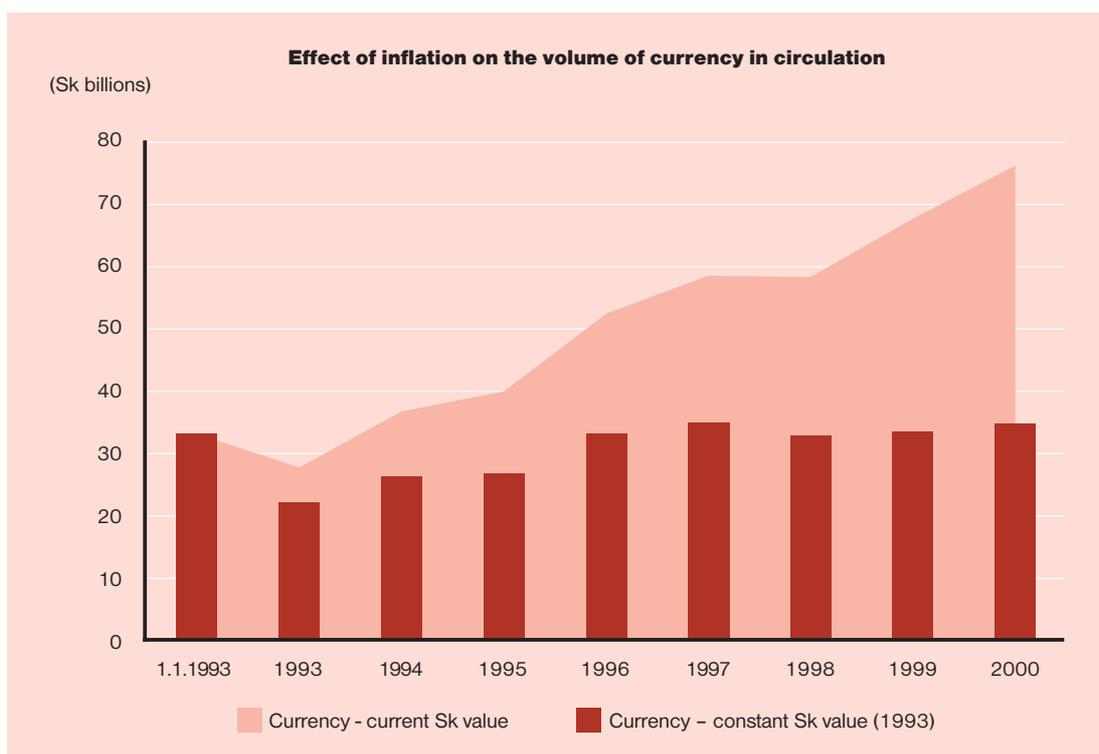


it was 36.9%), which testifies to the low level of non-cash payments in Slovakia.

substantially unchanged in 2000, with a level of 7.6%.

The proportion of M0 in comparison with the gross domestic product of the Slovak Republic was

Cash in current Sk has shown a rising trend since 1993. Its total value in constant Sk (after



excluding the effects of inflation since the end of 1993) rose up to 1997, decreased in 1998, and from then on remained at more or less the same level. In comparison with 1993, the total value of cash in 2000 at constant prices (Sk 34.7 billion) fell to slightly above the level of 1.1.1993, due to the effect of relatively high accumulated inflation.

## 2. COUNTERFEIT MONEY SEIZED IN THE SLOVAK REPUBLIC

### 2.1. The Main Trends

In 2000, a total of 1,006 items of counterfeit Slovak and foreign currency were seized in Slovakia; a decline of more than 50% when compared with the figure for 1999. Eighty per cent of the counterfeits were seized by the staff of commercial banks and non-bank exchange offices.

### 2.2. Counterfeit Slovak Currency

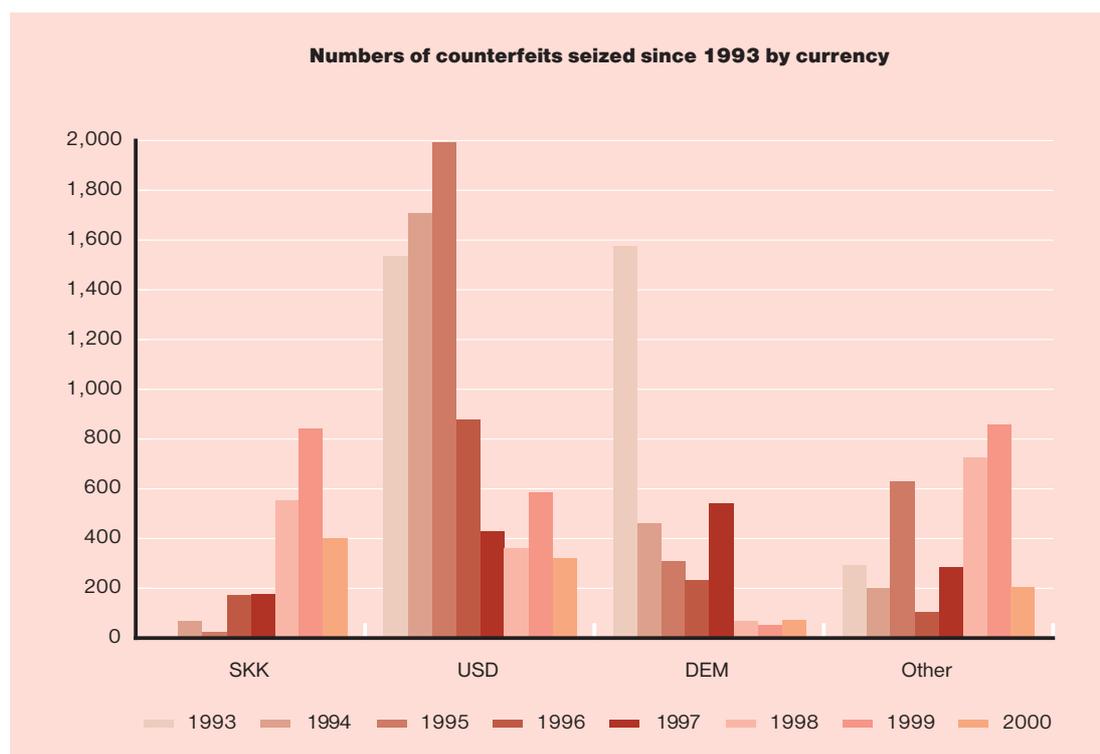
In 2000, 402 items of counterfeit Slovak currency were seized in Slovakia. The highest number was recorded in the Nitra area, where 87 forged items were seized in 71 cases.

The number of counterfeit items of Slovak currency represents a fall of more than 50% in comparison with 1999. The largest decline of two and a half times was recorded in counterfeits of 1000 Sk and 100 Sk banknotes. However, the number of counterfeit 500 Sk banknotes was almost twice that of 1999.

The majority of counterfeit Slovak banknotes were made by colour jet printing. The colour was quite close to the originals, and some had imitation protective strips.

### 2.3. Counterfeit Foreign Currency

In 2000, 322 counterfeits of US currency, one imitation of US currency and 281 counterfeits in



### Number of Sk counterfeits seized in 1994-2000 (in pcs)

	5000	1000	500	200	100	50	20	10	5	P <sup>1/</sup>	Total	Value (Sk)
<b>1994</b>	0	3	5	0	1	2	0	60	0	0	71	6,300
<b>1995</b>	0	18	3	0	3	3	0	0	0	0	27	19 950
<b>1996</b>	4	98	40	1	26	3	0	0	1	0	173	140,955
<b>1997</b>	5	108	39	0	19	0	2	5	0	0	178	154,490
<b>1998</b>	26	439	20	16	32	13	10	0	0	0	556	586,250
<b>1999</b>	13	649	47	4	108	17	5	0	0	1	844	752,050
<b>2000</b>	12	246	84	5	43	9	3	0	0	0	402	353,810
<b>Total</b>	60	1,561	238	26	232	47	20	65	1	1	2,251	2,013,805

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

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

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1994</b>	0	0	0	0	0	0	66	93.0	5	7.0	0	0	71	100
<b>1995</b>	0	0	0	0	3	11.1	3	11.1	21	77.8	0	0	27	100
<b>1996</b>	0	0	0	0	1	0.4	161	62.4	11	4.3	85	32.9	258	100
<b>1997</b>	0	0	0	0	2	0.57	162	46.7	14	4.03	169	48.7	347	100
<b>1998</b>	0	0	0	0	0	0	477	85.8	79	14.2	0	0	556	100
<b>1999</b>	0	0	0	0	6	0.71	808	95.73	29	3.44	1	0.12	844	100
<b>2000</b>	0	0	0	0	8	1.99	367	91.29	27	6.72	0	0	402	100

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

other foreign currencies were seized in Slovakia. The largest number of counterfeit foreign currency was recorded in the area of Bratislava. In comparison with 1999, the number of counterfeits of US currency fell by more than 40%, reaching the lowest level since the establishment of the NBS.

Of the series of new American banknotes using new protective elements (for example the optically variable element, microtexts, watermark, line structure etc.) to protect the currency from forgery by modern reproductive techniques, the 5 USD to 100 USD banknotes were found to be circulating. Despite the increased level of protection of the US dollar, the Currencies Examination and Cabinet of Currencies of the NBS recorded 9 forgeries of the 100 USD, the so-called „superdollar“, in 2000.

In the final year of the last millennium, the number of identified forgeries decreased significantly, compared with 1999, with the exception of forgeries of German currency.

As in the preceding two years, the largest proportion of counterfeits found in Slovakia in 2000 were counterfeits of Slovak currency. In this comparison, the proportion remained more or less unchanged at 40%. However, the proportion of counterfeits of the American, Italian and German currencies in the total number of counterfeits increased to some extent.

### 3. EXPERT REPORTS ON DAMAGED SLOVAK CURRENCY

In 2000, the National Bank of Slovakia received 71 requests for expert examination and assessment of compensation for damaged banknotes and coins. The exchange of banknotes damaged mostly by natural disasters or other irregular events was done by the NBS as the only financial institution legally authorized to carry this out.

### Number of US\$ counterfeits seized in 1994-2000 (in pcs)

Nominal value	1	5	10	20	50	100	Altered	Total	Value in Sk
<b>1994</b>	2	1	1	118	73	1,499	15	1,709	4,899,918.20
<b>1995</b>	2	1	3	146	69	1,768	9	1,998	5,434,989.20
<b>1996</b>	0	0	5	24	73	719	58	879	2,518,748.10
<b>1997</b>	0	0	1	20	30	346	34	431	1,283,908.50
<b>1998</b>	2	0	0	14	10	318	20	364	1,199,401.00
<b>1999</b>	1	0	2	5	22	550	10	590	2,367,378.00
<b>2000</b>	2	0	0	5	11	292	13 <sup>1/</sup>	323	1,390,729.00
<b>Total</b>	9	2	12	332	288	5,492	159	6,294	19,095,072.00

1/ Including one imitation 1 000 000 US\$

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

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1994</b>	116	6.8	49	2.9	1,424	83.3	100	5.8	5	0.3	15	0.9	1,709	100
<b>1995</b>	95	4.7	25	1.2	1,857	93.1	10	0.5	2	0.1	9	0.4	1,998	100
<b>1996</b>	91	10.4	8	0.9	704	80.1	17	1.9	1	0.1	58	6.6	879	100
<b>1997</b>	73	17.0	5	1.2	301	69.8	17	3.9	1	0.2	34	7.9	431	100
<b>1998</b>	39	10.7	3	0.8	281	77.2	18	5.0	3	0.8	20	5.5	364	100
<b>1999</b>	38	6.4	0	0	278	47.1	7	1.2	256	43.4	11	1.9	590	100
<b>2000</b>	39	12.1	9	2.8	248	76.8	12	3.7	2	0.6	13	4.0	323	100

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

### Number of counterfeits of other currencies seized in 1994-1999 (in pcs)

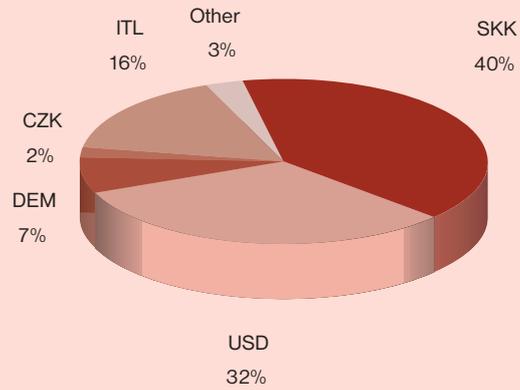
	DEM	ITL	FRF	GBP	ATS	CZK	HUF	Other currencies	Total	Value in Sk
<b>1994</b>	463	110	48	6	12	0	1,074	25	1,738	2,020,377.60
<b>1995</b>	311	60	32	18	1	447	73	1	943	1,648,431.40
<b>1996</b>	237	66	22	8	1	9	0	1	344	914,937.60
<b>1997</b>	543	99	101	16	7,731	22	5,211	8	13,731	26,608 951.70
<b>1998</b>	70	460	226	16	5	9	5,991	13	6,790	6,300,277.00
<b>1999</b>	56	329	14	13	315	186	0	6	919	3,072,936.00
<b>2000</b>	73	158	6	8	2	21	0	13	281	1,157,009.00
<b>Total</b>	1,753	1,282	449	85	8,067	694	12,349	67	24,746	41,722,920.30

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

Degree of danger	1		2		3		4		5		N <sup>1/</sup>		Total	
	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%	pcs	%
<b>1994</b>	0	0	9	0.5	1,711	98.4	1	0.1	0	0	17	1.0	1,738	100
<b>1995</b>	0	0	14	1.5	921	97.7	1	0.1	2	0.2	5	0.5	943	100
<b>1996</b>	3	0.9	13	3.8	321	93.3	3	0.9	0	0	4	1.1	344	100
<b>1997</b>	6	0.1	502	3.6	13,199	96.1	11	0.1	12	0.1	1	0	13,731	100
<b>1998</b>	0	0	450	6.6	6,319	93.1	16	0.2	4	0.1	1	0	6,790	100
<b>1999</b>	1	0.1	351	38.2	234	25.5	327	35.6	4	0.4	2	0.2	919	100
<b>2000</b>	1	0.4	115	40.9	129	45.9	16	5.7	19	6.7	1	0.4	281	100

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

**Structure of counterfeits seized in 2000 by currency**



The total face value of the submitted damaged banknotes and coins was Sk 18,628,448.80. The

National Bank of Slovakia paid compensation of Sk 18,511,473.80, i.e. 99.37% of the face value.