BANKA SLOVENIJE

BANK OF SLOVENIA

ANNUAL REPORT

YEAR 1991

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A ECONOMIC DEVELOPMENTS IN 1991

The Bank of Slovenia was formally acknowledged as an independent central bank when the Bank of Slovenia Act took effect on June 25th 1991. Initially institutional independence alone was anticipated, to be followed by the introduction of a new currency, depending on the decisions taken by the Assembly of the Republic of Slovenia.

A new currency for the Republic of Slovenia, the tolar, was approved by the Assembly on October 7th 1991. It was introduced the following day. The Bank of Slovenia was reconstituted as the central bank of the Republic of Slovenia also on 8 October 1991. It has the independent power to enforce monetary and exchange rate policy (see Appendix 1), whilst being accountable to Parliament.

GENERAL ECONOMIC TRENDS

The main features of economic trends in 1991 were the continued rapid slowdown in economic activity and a growing rate of inflation.

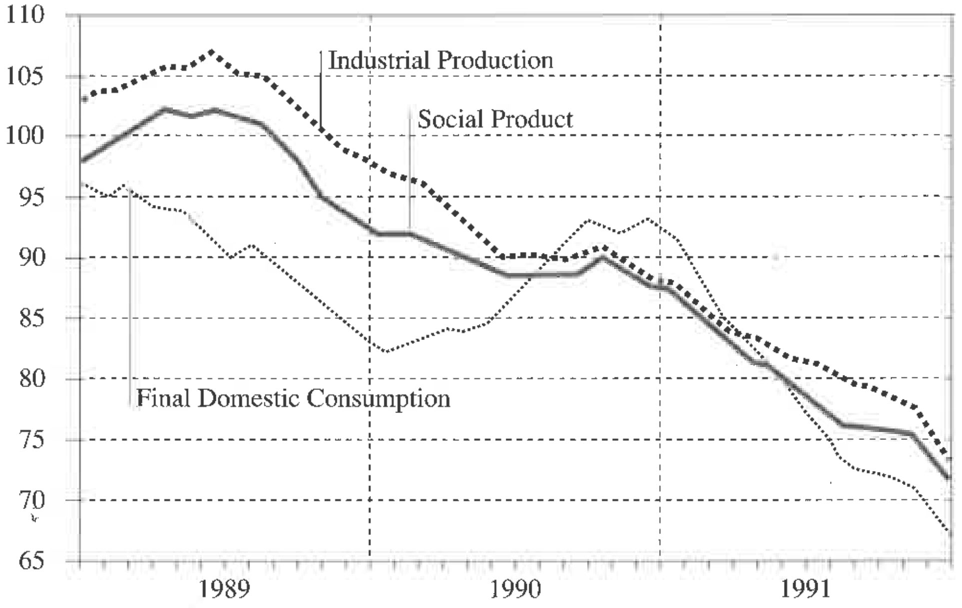
Industrial output in 1991 decreased by 12.4%, and by 21.6% compared to 1989. The output of investment goods fell by 21.9% (37.0% compared to 1989), intermediate goods by 12.6% (21.5%) and consumer goods by 9.5% (15.4%).

The downward trend persisted throughout the year, with some variability in the rate of decline. In April and May it nearly levelled out, but was followed by a sharp fall in the summer months. During the period from September to November industrial output was 12% lower than in the same period of the previous year. (Due to the strong impact of the newly extended Christmas holidays, the comparison for December is inexact.)

In the final months of 1991 industry's poor performance was caused chiefly by a sharp reduction in the output of consumer goods. Output was 30% lower than for the same period in the previous year. The output of intermediate goods also continued to decline, whilst the output of investment goods, after reaching its lowest level in the first half year, saw a slight improvement between September and November.

The output of investment, intermediate and consumer goods were all affected by the break up of the former Yugoslavia. In particular consumer goods were affected by lost markets within Yugoslavia, and there was a substitution of Slovenian investment goods for those that had previously been imported from other parts of the former Yugoslavia.

FIGURE 1: TRENDS IN INDUSTRIAL PRODUCTION AND REAL SOCIAL PRODUCT (INDECES AVERAGE 1985-89 =100)



Note: Social product differs from GDP as it excludes most services.
Final domestic consumption excludes most services.
Source: Statistical office of the Republic of Slovenia, Social Accounting Service of Slovenia and the Bank of Slovenia.

In 1991 there was a drop in aggregate production (excluding services) of 13% on the previous year. In the second half of the year the output of the non-industrial sector declined less than that of the industrial sector, as a result of favourable developments in construction, transport and to a lesser degree in tourism and agriculture. Activity in construction according to early estimates fell by 25%, transport by 17%, retail sales by 5%, tourism (night stays) by 35% and agricultural output by approximately 1%. Correspondingly aggregate output declined only moderately between September and November, but despite this, overall performance was poor compared to 1990.

This decline in production resulted in lower employment levels. The rate of decline in employment slowed after August 1991, especially in the business sector, only to accelerate between October and December. In December total employment was 12% lower than in the previous December. Employment in the social sector (ie. collectively owned businesses, social services and government) during the calendar year to December 1991 declined by 10% or 75,000 workers. Since its peak in October 1987 it dropped by 19.6% or 165,000 workers. Turning now to unemployment, between November 1990 and November 1991 the number of registered unemployed rose by 67.3% or 36,000 workers. Here too, the rate of increase declined after August.

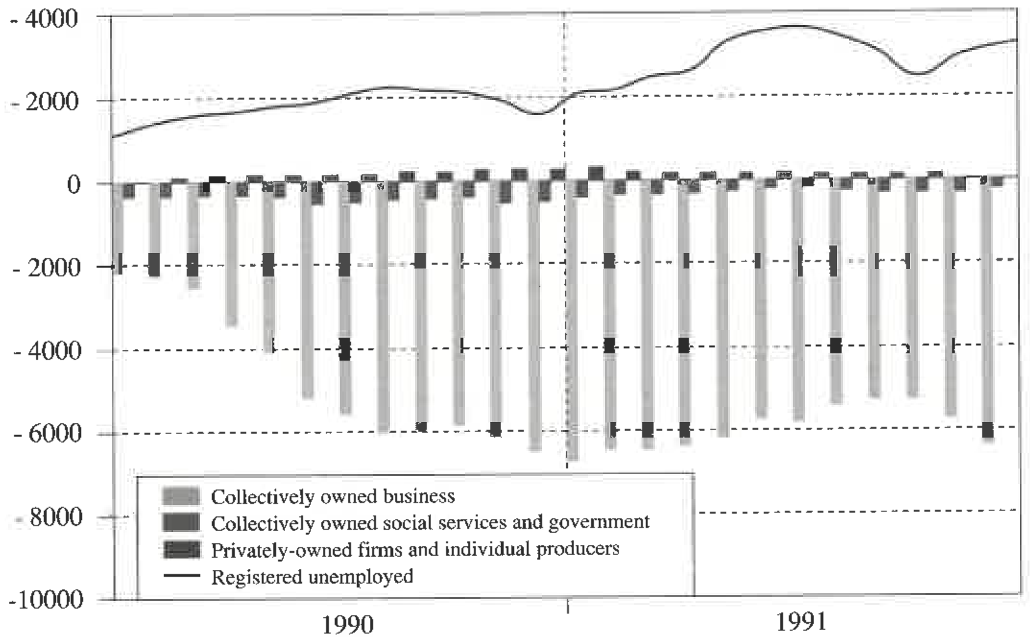
TABLE 1: TRENDS OF OUTPUT, INCOME AND FINAL DOMESTIC CONSUMPTION IN SLOVENIA (ALL DATA SEASONALLY ADJUSTED)

	Indices: Average 1985-89 = 100					
	1990	1991	91Q1	91Q2	91Q3	91Q4
AGGREGATE PRODUCTION (1)	89.6	79.1	85.1	80.3	76.3	74.7
Industrial production	88.8	78.5	82.9	80.0	77.2	74.0
• Investment goods	76.9	61.6	67.4	61.6	59.1	58.2
• Intermediate goods	89.6	78.0	80.5	78.6	77.5	75.5
• Consumer goods	94.5	87.7	94.5	90.6	86.0	79.6
Construction (effective work hours)	94.6	69.7	77.6	69.3	65.8	66.2
Transport	104.4	88.1 (2)	97.0	88.8	81.9	83.2 (2)
Forestry (timber sales)	72.8	54.1	48.1	49.2	55.9	63.2
Retail sales	71.0	70.0	74.6	72.7	68.0	64.6
Tourism (night stays)	88.8	59.6	82.6	67.9	44.6	43.3
EMPLOYMENT (SOCIAL SECTOR)	95.2	86.1	89.6	87.2	85.0	82.7
Collectively owned business	94.2	84.1	88.0	85.3	82.8	80.5
Collectively owned social services and government	100.4	96.7	97.7	97.0	96.4	95.7
Privately owned firms and individual producers	108.9	113.4 (2)	112.8	113.4	113.8	114.0 (2)
Registered Unemployed	235.1	390.3 (2)	320.0	369.4	428.6	469.7 (2)
FINAL DOMESTIC CONSUMPTION (2)	87.8	92.7	88.1	80.8	74.0	72.2
Households	93.4	85.6	96.4	89.7	81.1	75.5
Government	108.4	95.7	108.2	94.9	88.8	90.8
Investment	63.2	51.9	59.1	53.4	48.5	46.6
TOTAL HOUSEHOLD RECEIPTS (SOCIAL SECTOR)	87.5	80.2	95.7	89.3	74.4	61.3
Wages	77.7	64.7	78.2	70.1	60.0	50.4
Collectively owned business	76.0	62.9	75.3	67.9	59.1	49.3
Collectively owned social services	83.7	71.3	89.1	78.6	63.3	54.1
Employment benefits	128.1	159.0	184.6	182.9	148.4	120.3
Government benefits	98.9	92.3	109.4	106.0	85.3	68.3

(1) Excludes services.
(2) Available only for January - November 1991 and October - November 1991 respectively.
Output: indices of volume.
Employment: indices of number of workers.
Domestic consumption and household receipts: indices based on deflated tolar values.
Sources: Statistical Office of the Republic of Slovenia (RS), Social Accounting Service of RS. Total output and demand aggregates calculated by the Bank of Slovenia.

Domestic consumption shrank in 1991, in our estimation by about 15% in total. It should be noted that it remained practically stable in the previous year. Compared with 1985-1989 averages in 1991 domestic consumption dropped by approximately 24% and output by about 22%.

FIGURE 2: EMPLOYMENT AND UNEMPLOYMENT: MONTHLY CHANGES IN NUMBER OF WORKERS



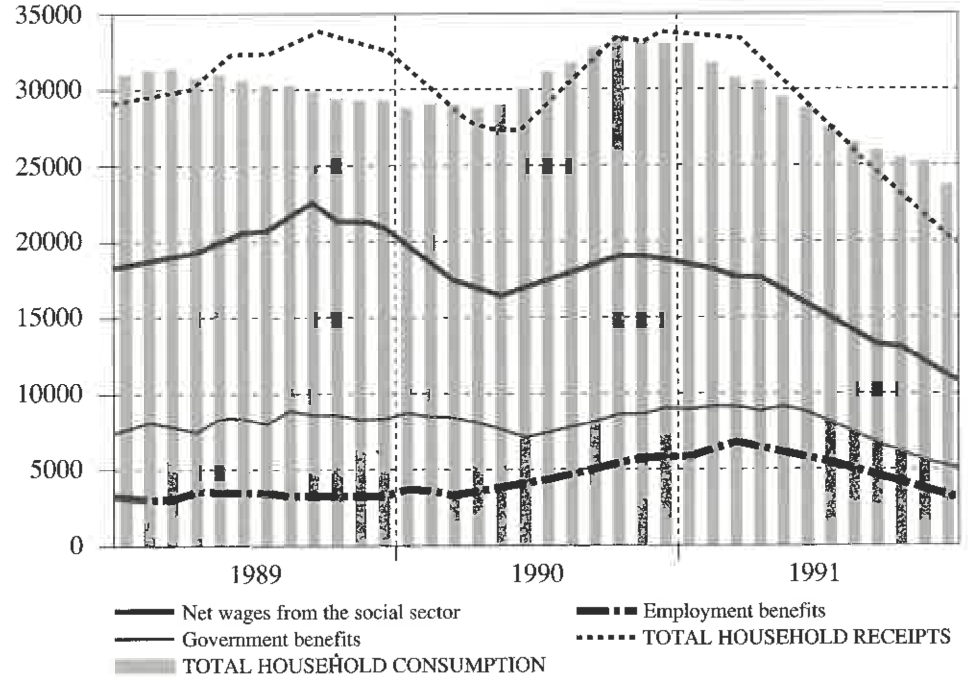
Source: Statistical Office of the Republic of Slovenia.

The decline in total consumption slowed between September and November 1991. This was influenced by a rise in the government sector demand from September onwards and by a levelling out of the decline in investment consumption after October. Household consumption continued to fall to the end of the year. These trends in consumption reflect the restructuring of domestic demand that has occurred in the last few years: compared with the 1985-1989 averages 1991 household consumption dropped by approximately 17%, public expenditure by 7% and investment expenditure by 41%.

In 1991 total household receipts from the social sector fell by 12.5% in real terms. Real net wages in the social sector in 1991 were 20% lower than in the previous year and 38% below the 1985-1989 average. In the last six months of the year, and especially at the year-end, the current decline of real net wages was very sharp.

Employment benefits (eg transport, holidays and luncheon vouchers) and other receipts from employment grew by 15.3%, in contrast with pensions which fell by 10.1%. In the second half of the year, both benefits and wages saw a downturn.

FIGURE 3: TRANSACTIONS OF HOUSEHOLDS WITH THE SOCIAL SECTOR (MILLIONS OF TOLARS MONTHLY, CONSTANT PRICES DECEMBER 1991)



Source: Social Accounting Service of the Republic of Slovenia and the Bank of Slovenia.

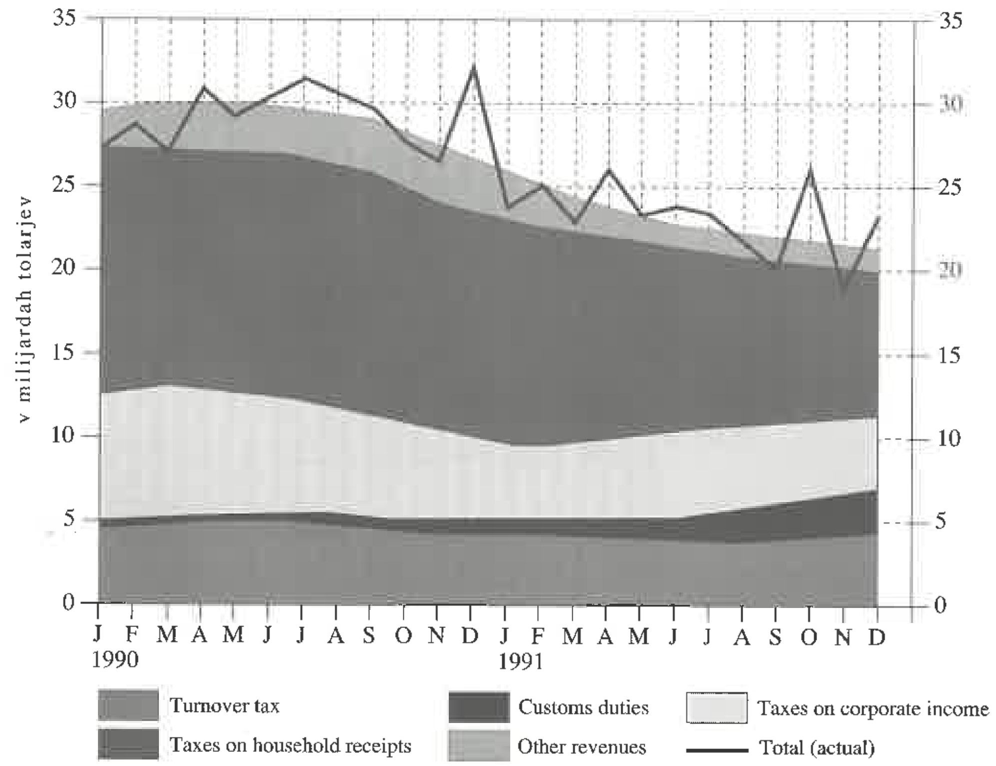
In the year to December 1991 retail prices rose by 147.1%. Up to August retail prices rose by an average of 7.5% monthly, a pace somewhat faster than in the last quarter of the preceding year. The rate of increase more than doubled after September. NBY's inflationary policies continued to affect Slovenia until well into October. When the Slovenian monetary reform was carried out the monthly inflation rate was 21.5%. Inflation then fell to 15.4% in December. In other parts of former Yugoslavia inflation rose.

FISCAL TRENDS

Fiscal 1991 was marked by a major reform of the direct tax system in January, the continuing centralisation of revenue collection and the introduction of a simplified turnover tax in February.

1991 fiscal revenues were lower in real terms than in 1990: real fiscal revenues, excluding customs duties, amounted to a good three quarters of revenues both in 1990 and over the 1987-1990 period. This was not a consequence of measures by the fiscal authorities but was a result of a decline in the tax base, tax exemptions and the Tanzi effect (i.e.the erosion of the real value of tax payments by accelerating inflation.)

FIGURE 4: TRENDS IN FISCAL REVENUES (GROSS) FROM JANUARY 1990 TO DECEMBER 1991 (JANUARY 1992 CONSTANT PRICES)



Source: Social Accounting Service of RS.
Note: statistics before October 1991 do not include total fiscal revenues since the Social Accounting Service began reporting customs duty and import tax receipts at that time.

In 1991 practically all tax bases declined in real terms, which was strongly mirrored in all revenues, with the exception of the social security tax (paid by employers and employees for pensions, health and unemployment benefits). During 1991 the social security tax was increased, which almost compensated for its lower base. Taxes on household receipts stayed at 1987 levels in real terms. Local government revenues (property tax, part of personal income tax, etc.) took a downturn in real terms. Once the fiscal functions of the Federation were taken over by the Republic of Slovenia, revenue outflows to the Federation declined and finally ceased (Table 5b in Appendix 3).

Owing to a reverse Tanzi effect - when falling inflation causes real tax receipts to increase - 1990 fiscal revenues accounted for a substantial percentage of both gross domestic product and gross social product (ie GDP excluding most services - see Table 2).

TABLE 2: TRENDS IN FISCAL REVENUES 1987-1990 AS A PROPORTION OF THE GROSS SOCIAL AND DOMESTIC PRODUCTS OF SLOVENIA

(TOLARS, MILLIONS)

	Fiscal revenue	Gross social product (GSP)	Gross domestic product (GDP)	Fiscal revenue as % GSP	Fiscal revenue as % GSP
	1	2	3	1/2x100	1/3x100
1987	332.0	935.2	905.1	35 5	36.7
1988	920.7	2,804.3	2,717.7	32.8	33.9
1989	13,493.9	40,071.0	34,805.0	33.7	38.8
1990	85,824.4	164,942.6	195,843.2	52.0	43.8

Source: Social Accounting Service and Statistical Office of RS.

Some data on public expenditure, such as expenditure on capital, equipment, pensions and wages (Table 1), point to the fact that government expenditure was not reduced in line with lower tax receipts. Arrears of public sector bodies grew and local government was allowed unlimited borrowing.

THE BALANCE OF PAYMENTS

Prior to monetary independence, the data on Slovenian economic relations with other countries was compiled as part of the data on Yugoslavia as a whole. As a result Slovenian transactions with other former Yugoslav republics were not recorded, although Slovenia's trade in goods and services with former republics was more important than its trade with other countries. Only after October 8 1991 and the setting up of customs borders with former republics did Slovenia start to keep statistics on the monthly flow of goods. In this report the analysis of the economic relations of Slovenia with other countries refers therefore only to countries outside the former Yugoslavia.

Slovenia's economic relations with the rest of the world in 1991 (excluding the republics of former Yugoslavia) can be characterised as follows:

- decline in the volume of transactions, especially in services;
- imports declining faster than exports;
- shrinking inflow and outflow of capital;
- increased restrictions on withdrawals from households' foreign exchange deposits.

In the last quarter of 1991 foreign exchange liquidity improved, capital flight decreased and the central bank and authorised commercial banks increased their foreign exchange reserves. Soon after implementing a stabilistaion programme in December 1989 the Federal Government eased fiscal, monetary and wage policies, but without simultaneously adjusting the exchange rate. In 1990 the dinar exchange rate became completely inappropriate for the fiscal, monetary and wage policies of the time. Consequently in March 1991, long before its monetary independence, Slovenia introduced a floating exchange rate for the dinar. This was done by trading foreign exchange receipts and import rights on the stock exchange. Monetary policy,wages and the exchange rate were adjusted only after monetary independence in early October 1991.

On the whole, external business conditions in 1991 provided some compensation for the depressed home economy in Slovenia. Primary commodity prices were down by 13.4% on 1990, whilst oil prices dropped by 14.7%. Short-term capital was cheaper in 1991 by between 16% and 27% depending on the currency of purchase - the least expensive were dollar purchases and the most expensive were purchases in European Community country currencies.

TABLE 3: EXTERNAL TRADE CONDITIONS IN 1990 AND 1991

			(GROWTH RATES %)
	Φ1990 / Φ1989	Φ1991 / Φ1990	Φ 1991 Q 4 / Φ 1990
1. Primary commodities			
• dollar prices	-9.3	-12.5	-15.5
• prices in SDR	-14.2	-13.4	-17.4
2. Crude oil (North Sea)	+29.1	-14.7	-12.7
3. Price of short-term capital			
• LIBOR on 6 month USD deposits	-9.9	-27.2	-39.7
• SDR interest rate 6 months	+8.7	-15.8	-23.1
4. Dollar exchange rate (USD/DEM)	-13.9	2.7	0.6

Source: The Economist, London; OECD Financial Statistics Monthly, Paris; Financial Times, London.

Exports of Slovenian goods and services decreased in 1991 by approximately 35% to former socialist Eastern and Central European countries and by 50% to the former Soviet Union. Goods imported from former socialist countries dropped by one fifth. Consequently in 1990 the trade surplus shrank, whilst in 1991 transactions balanced.

Market shrinkage in former Yugoslav republics continued after October 8th 1991, especially in Croatia. In addition, property (both financial and real assets) was lost and payment flows were disrupted.

TRADE IN GOODS

Exports of goods in 1991 amounted to 3,859.9 million dollars, 6.3% lower than in 1990. Imports dropped even more, 12.4% lower than a year earlier, to stand at 4,140.5 million dollars.

Traditionally a high proportion of Slovenian trade in goods consisted of a large number of long-term barter contracts with foreign companies, in which Slovenia finished manufactured goods and then returned them to their country of origin. Last year such contracts accounted for 31% of total exports and 32% of total imports (not including trade with former Yugoslav republics). These contracts were mostly with France (33%), Germany (21%) and Austria (18%).

In 1990 Slovenian industry was well supplied with intermediate goods owing to its overvalued currency which allowed cheap imports. But this situation progressively deteriorated throughout the first quarter of 1991 until the day of independence. There were two reasons for this.

Firstly, excess demand for foreign exchange in early 1991 forced National Bank of Yugoslavia (NBY) to allocate foreign exchange to those fulfilling certain criteria. These criteria were such that Slovenian banks were unable to fulfil them, and so they were denied access to foreign exchange.

Secondly, the lack of intermediate goods in the first half of 1991 was mostly due to reduced supply from the rest of Yugoslavia, and imports from other countries were the only way to make up for this shortage. Imports in the last quarter almost achieved this.

The change in import structure, especially in the last quarter, was due to an exchange rate which influenced enterprises and individuals to ration foreign exchange, to reduced tolar liquidity and to a return to the normal disbursement of short-term foreign credit lines. From the last quarter onwards credit lines were once again insured by state insurance agencies (Hermes, SACE, Kontrolbank, etc.) The share of intermediate goods and raw materials steadily grew and that of consumer goods declined. In the last quarter, output requirements accounted for 80% of total imports.

The share of imported equipment in total imports dropped considerably in the third quarter (during the moratorium required by the Brioni agreement) and did not pick up again. There are several reasons for this: uncertainty about privatisation, unfavourable conditions for new investment leading foreigners to be cautious of investing directly in Slovenia and no access to foreign financial markets for mid- and long-term loans.

TABLE 4: THE STRUCTURE OF SLOVENIA'S FOREIGN TRADE IN GOODS 1987-1991

								(US DOLLARS,MILLIONS)
	Export of Goods	% Share			Import of Goods	% Share		
		Intermediate Goods	Capital Goods	Consumer Goods		Intermediate Goods	Capital Goods	Consumer Goods
1987	2762.0	51	13	36	2724.9	68	21	11
1988	3277.9	49	14	37	2912.6	72	17	11
1989	3382.5	47	16	37	3201.3	70	18	12
1990	4118.0	45	16	39	4727.0	63	18	19
1991 / 1st quarter	990.0				1202.0	67	12	21
2nd quarter	900.5				1033.7	72	8	20
Jan-Dec	3859.9				4140.5	72	11	17

Source: Federal Statistical Office report, Statistical Office of RS and Ljubljana Customs Office of RS.

The 1991 trade deficit amounted to 280.6 million dollars or half the comparable trade deficit of 1990. The rate of import/export cover rose from 89% to 93%. Favourable terms of trade occurred in the goods sector. In the first seven months of the year export prices went up by 10% and import prices by 2%. Export price trends were favourable, particularly in the three main export sectors: machinery, transport equipment products and various final products. Taken together these three sectors accounted for three quarters of exports (see Appendix 3, Table 4).

Exports of consumer goods increased more than exports of unprocessed products and chemicals. The main reasons for consumer goods output switching to exports were the deregulation of imports after 1988 and the simultaneous growth of arrears in payments by firms in other former Yugoslav republics.

SERVICES ACCOUNT

Total 1991 receipts from non-factor services came to 1,050.5 million dollars and expenditures to 413.8 million dollars. The resulting surplus in non-factor services of 636.8 million dollars offset the deficits in the goods and factor services sectors. A relatively favourable outcome was attained despite a large decrease in trade in services, notably in tourism, which is one of the most important balance of payment items for Slovenia. In recent years receipts from tourism averaged 50% of all non-factor services, but last year this fell to only 35.7%.

Tourist receipts totalled 374.3 million dollars, less than half the 1990 figure. The number of foreign visitors fell by 73% and night stays by 74% respectively. The reasons for this are the war in Slovenia and Croatia and the general instability throughout the former Yugoslavia. The number of foreign visitors increased after October 1991. A stabilised political situation in the next period may gradually encourage the tourists back. The tolar exchange rate stimulated tourism, as the real effective exchange rate for some tourist services and night stays was more favourable in the last quarter of 1991 than it was when the federal stabilisation program was launched in December 1989.

TABLE 5: PURCHASING POWER OF FOREIGN VISITORS FROM COUNTRIES PROVIDING PRINCIPAL RECEIPTS FROM TOURISM IN 1991

Indices (December 89 =100) (1)									
1991	**Austrian schilling**			**German mark**			**Italian lira**		
Quarters	**Retail price**	**Service price**	**Accomod. price**	**Retail price**	**Service price**	**Accomod. price**	**Retail price**	**Service price**	**Accommod. price**
91/1st	63.3	65.9	66.8	63.2	65.8	66.7	62,7	65,2	66,2
2nd	69.1	70.1	70.7	69.0	70.0	70.6	69,1	70,1	70,7
3rd	90.8	101.5	108.5	90.7	101.4	108.4	90,3	100,9	107,9
4th	93.9	111.6	121.6	93.9	111.5	121.6	91,5	108,7	118,6

(1) Index 100 indicates the purchasing power of foreign visitors to Slovenia when the anti-inflationary programme for Yugoslavia came into effect (December 1989).
Retail price: retail price of a basket of goods.
Service price: price of a basket of tourist goods.

In 1991 travel expenditure abroad amounted to 57 million dollars, of which business travel accounted for 86%. Tourist expenditure reached 7.8 million dollars or 14% of total travel abroad. Despite a bad year, in net value terms tourism remained the leading item of non-factor services, with a surplus of 366.9 million dollars.

The surplus on the current acount for transport services came to 204.2 million dollars.

Processing also made a significant contribution to the current account: Slovenia had 152.8 million dollars receipts and only 25.6 million dollars expenditure in 1991. (Processing data excludes processing paid for in goods, and it is estimated that this accounts for one third of all processing.)

The deficit in factor services came to 175.8 million dollars.

Interest receipts amounted to 23.4 million dollars or 55.8% of factor receipts. Remittances from Slovenian construction companies abroad amounted to 8.4 million dollars and dividends on direct investments by Slovenia abroad amounted to 10.2 million dollars.

Interest payments abroad accounted for 66.4% of factor expenditures, a drop of 17.8% on the previous year. The remaining factor expenditures paid abroad were for patents, licences, leasing and dividends on direct foreign investments in Slovenia.

In 1991 Slovenia received 49.6 million dollars in unrequited transfers of which 56.4% was official. There were no outflows.

TABLE 6: CURRENT TRANSACTIONS OF SLOVENIA
JANUARY - DECEMBER 1991

Quarters	1st	2nd	3rd	4th	1991
	(US DOLLARS, MILLIONS)				
CURRENT TRANSACTIONS	-64.47	-14.60	199.65	104.31	224.88
1. Trade balance	-211.99	-134.47	92.82	-32.13	285.75
1.1. Export f.o.b.	990.02	899.20	853.76	1,111.75	3,854.75
1.2. Import c.i.f.	-1,202.00	-1,033.66	-760.94	-1,143.89	-4,140.50
2. Non-factor services	173.89	156.55	142.03	164.32	636.79
2.1.Receipts	281.21	276.64	241.23	251.47	1,050.54
Transport	108.70	118.35	79.83	50.27	357.15
Travel	68.97	79.22	92.87	133.64	374.71
Procesing	49.07	33.96	34.35	35.43	152.81
Other	54.47	45.11	34.17	32.13	165.88
2.2. Expenditures	-107.32	-120.09	-99.20	-87.15	-413.75
Transport	-41.23	-47.07	-33.28	-31.40	-152.98
Travel	-15.08	-16.77	-10.60	-14.57	-57.01
Processing	-4.77	-9.62	-5.25	-5.98	-25.64
Other	-46.23	-46.63	-50.07	-35.20	-178.12
3. Factor services	-40.46	-49.66	-44.77	-40.87	-175.76
3.1. Receipts	12.35	9.72	7.14	12.76	41.96
Labour income	3.40	1.96	2.29	0.75	8.40
Capital income	8.95	7.76	4.85	12.01	33.57
3.2. Expenditures	-52.80	-59.38	-51.91	-53.62	-217.71
Capital income receipts	-52.80	-59.38	-51.91	-53.62	-217.71
4. Unrequited transfers	14.08	12.97	9.57	12.99	49.61
4.1. Private transfers	6.03	3.74	1.94	3.36	15.07
to Slovenia	6.03	3.74	1.94	3.36	15.07
abroad	-	-	-	-	-
4.2.Official transfers	8.05	9.23	7.64	9.63	34.54
to Slovenia	8.05	9.23	7.64	9.63	34.54
abroad	-	-	-	-	-

Source: Bank of Slovenia (BS).

CAPITAL FLOWS AND FOREIGN EXCHANGE RESERVES

Capital flows shrank considerably last year, especially capital inflows.

Compared with 1990 disbursements of foreign mid- and long-term loans more than halved to 147.6 million dollars. This broke down as follows:

- official creditors (governments and state agencies) 45%
- commercial banks 29%
- other private creditors, non-guaranteed 26%

The disbursement of these loans was only 13.2 million dollars in the last quarter of 1991. This drop was caused by greater political risk, unresolved Yugoslav debt issues and the fact that Slovenia was independent but not yet internationally recognised. During this time principal and interest were repaid regularly. Repayments of principal came to 196.8 million dollars. The net outflow of capital from mid- and long-term loans amounted to 49.2 million dollars.

In 1991 direct foreign investment in Slovenia was 64.9 million dollars, of which the largest share (58%) followed monetary independence. Direct investment by Slovenia abroad was 23.5 million dollars last year. Net direct foreign investment was therefore 41.3 million dollars.

The short-term net capital outflow from both the banking and non-banking (or household) sectors amounted to 225.1 million dollars in 1991. The first quarter saw the highest outflow which then progressively fell over the year. The outflow of short-term capital from the banking sector was 66 million dollars. Eighty-eight percent of this was due to meeting short-term liabilities. The outflow from the non-banking sector came to 159.1 million dollars, of which 99% was made up of a transfer of foreign exchange between households and Slovenian banks.

Individuals' deposits of foreign exchange in domestic banks remained a particular feature of Slovenia even after independence. They predominated in the monetary system of Yugoslavia and three quarters of all savings were held in this form. Flows related to these deposits influenced the foreign exchange markets and the short-term external position of the bank and non-bank sectors. (An individual withdrawing foreign currency from a domestic account is treated in the balance of payments as an increase in the non-bank sector's claims abroad, and as a corresponding decrease in the bank sector's claims abroad).

Withdrawing foreign currency in limited amounts was possible until March, when it was almost stopped. The facility was cancelled at the end of June, when banks' foreign exchange liquidity was at its most critical point.

TABLE 7: CAPITAL FLOWS AND FOREIGN EXCHANGE RESERVES OF SLOVENIA

(US DOLLARS, MILLIONS)	1991	1991/Q4
1. Disbursements of mid- and long-term loans	147.6	13.2
2. Repayments of mid- and long-term loans	196.8	56.9
3. Short-term loans (net)	-225.1	-20.7
NET FLOW (1-2+3)	-274.3	-64.4
4. Repayments of interest abroad	144.6	31.5
NET TRANSFER (1-2+3-4)	-418.9	-95.9
DEBT SERVICE (2+4)	341.4	88.4
5. Loans granted	7.6	14.5
6. Loans repaid	62.6	2.2
NET LOANS ABROAD	70.2	16.7
7. Increase in foreign exchange reserves (1)	-118.9	-118.9

(1) Minus sign (-) indicates increase.
Source: Bank of Slovenia.

In the last quarter of 1991 deregulation of the foreign exchange market enabled individuals to purchase and sell foreign currency in foreign exchange offices. In November, foreign currency sales by individuals amounted to 42.1 million dollars and in December they grew to 124.5 million dollars. This growth was due to individuals selling their foreign exchange in order to buy accomodation at a discount during the privatisation of housing. In 1991 115.9 million dollars net of foreign currency was purchased by banks through the foreign exchange offices from individuals. This considerably increased the foreign exchange reserves of the central bank, too.

By granting credits abroad, Slovenia saw an outflow of 274.3 million dollars. The last quarter (after monetary independence) accounted for 24.5% of this. The total net transfer of funds abroad reached 418.9 million dollars, of which 22.9% was in the last quarter.

TABLE 8: OUTSTANDING EXTERNAL DEBT OF SLOVENIA (1)

(US DOLLARS, MILLIONS)	31 Dec 1990		31 Dec 1991	
	Value	Percentage	Value	Percentage
1. Mid- and long-term debt	1,811.6	100	1,764.8	100
• Capital goods	678.9	38	622.2	35
• Intermediate goods	58.0	3	44.3	3
• Financial	274.0	15	298.6	17
• Refinancing (governments)	325.4	18	312.0	18
• Refinancing (banks)	472.3	26	466.4	26
• Other	-	-	21.3	1
2. Short-term credits	136.5	-	97.7	-
3. TOTAL	1,948.1	-	1,862.5	-

(1) Unallocated debt of Yugoslavia is not included.

Slovenian enterprises exported 62.6 million dollars worth of goods in 1991 (not including exports to former Yugoslav republics) that were covered by mid- and long-term export credits. In the same period 70.2 million dollars of export credit principal was repaid. Total outstanding export credits granted abroad amounted to 418 million dollars at end December.

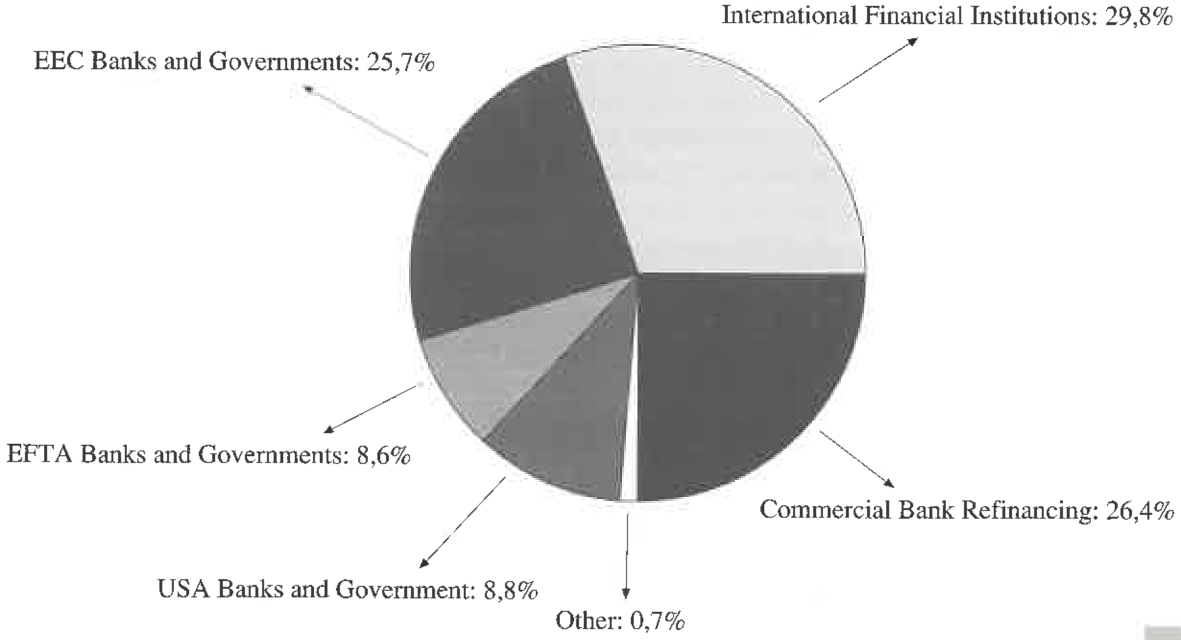
The net external medium and long-term debt of Slovenia fell by 46.8 million dollars in 1991. The outstanding medium- and long-term external debt came to 1,764.8 million dollars at year end. This amount does not include the federal debt, which is to be the subject of negotiation between the republics of former Yugoslavia.

The medium- and long-term external debt of the former Yugoslavia was 14,226 million dollars at the end of June 1991. This includes the external debt of the former Yugoslav republics: Slovenia's debt at this time was 1,631 million dollars and the debt of the federal government was 3,088 million dollars. Slovenia proposed in May 1991 that the federal government allocate its debt to the republics in proportion to their share in the total debt of the republics. The federal government has yet to respond.

Debt to international financial institutions makes up the largest share of Slovenia's external liabilities. Commercial bank debt (American, European, Japanese) comes next, and finally the debt to the governments of EEC, EFTA and USA.

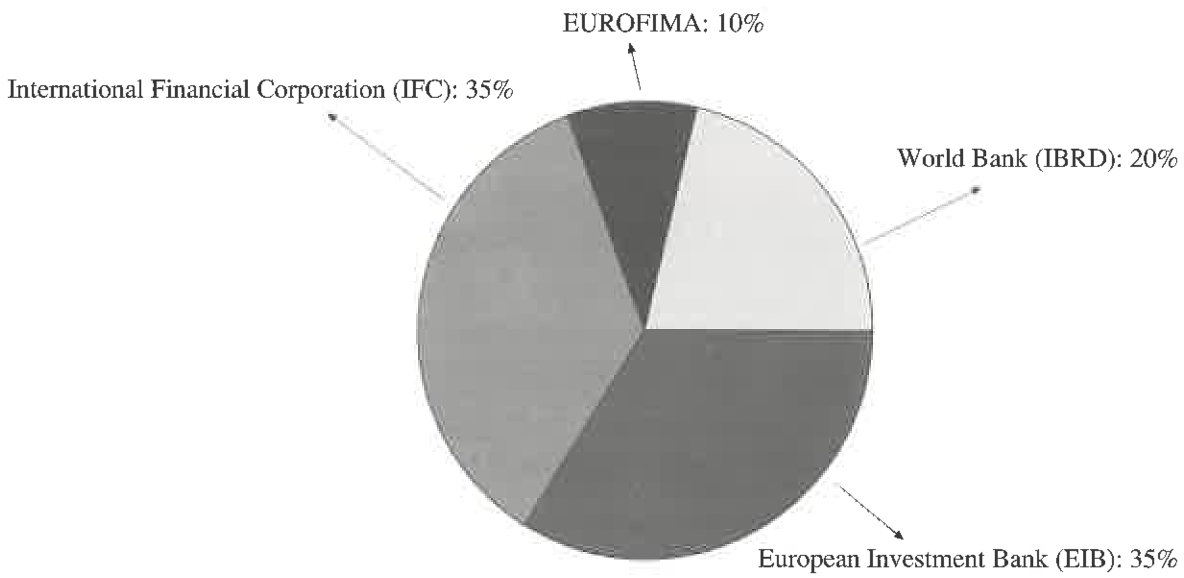
By refinancing the loans from commercial banks, at year end Slovenia owed them 466.4 million dollars, a good 26% of total debt. Refinancing debt to governments came to 312 million dollars, 18% of mid- and long-term debt.

FIGURE 5: BREAKDOWN OF SLOVENIA'S MID- AND LONG-TERM DEBT AS AT 31 DECEMBER 1991



At 1991 year-end, Slovenia's indebtedness to international financial institutions was 525.3 million dollars. Additionally 207.7 million dollars remained undisbursed. Slovenia's largest debts were to the European Investment Bank and International Financial Corporation. It did not draw down all the loans granted by the World Bank, so the year ended with undisbursed loans of 126.0 million dollars.

FIGURE 6: MID- AND LONG-TERM DEBT TO INTERNATIONAL FINANCIAL INSTITUTIONS



Prior to monetary independence foreign exchange assets of authorised banks that were deposited abroad amounted to 208.2 million dollars. At that time the central bank had no international monetary reserves. From the start of monetary independence up to end-December 1991 foreign exchange assets of authorised banks abroad rose by 73.8 million dollars and the international monetary reserves of the Bank of Slovenia by 118.9 million dollars, totalling 400.9 million dollars at 1991 year-end. This would be sufficient to pay for 2.4 months of actual payments for imports in 1991.

THE DINAR MONETARY ENVIRONMENT PRIOR TO THE INTRODUCTION OF SLOVENIAN CURRENCY

NBY's restrictive monetary policy, which was intended to save Markovic's stabilisation programme in the last quarter 1990, collapsed before 1991 began. Firstly, Serbia and Montenegro unlawfully entered the Yugoslav monetary system by issuing high- powered money without authorisation. Instead of imposing sanctions, NBY legalised the loans made. It increased loan disbursements and continued to offer cheap credit for selected purposes. More than ever, the government was directly indebted to NBY, but did not fulfil its liability to the banks for individuals' foreign exchange deposits. Due to the rapid fall of individuals' foreign exchange deposits, NBY was compelled to lend to the banks in order to maintain day-to-day liquidity. Additionally, NBY granted several direct loans to the Government for military purposes.

Once the Bank of Slovenia Act came into effect the NBY Board of Governors, as of 27 June 1991, ceased to grant loans to banks from the Republic of Slovenia. Thus the banks were deprived of more than half (approximately 5.8 billion dinars) the total liquidity that was planned for them within the framework of NBY monetary policy regulations. With high inflation there was a danger that relatively favourable bank liquidity would have been quickly exhausted. This might have endangered the regular settlement of the banks' dinar liabilities. The Bank of Slovenia was therefore obliged to implement monetary regulations independently, which enabled it to control the banks' liquidity. The manner of this control was in complete compliance with monetary policy regulations adopted by the NBY Board of Governors.

NBY monetary policy resulted in high dinar liquidity in the banks of the Republic of Slovenia. On the other hand, regulations partially neutralising the creation of high-powered money (reserve requirements, BS bills) caused the average amount of Slovenian bank funds immobilised at NBY to increase by 167% in June and by 204% in September of their average amount in January.

TABLE 9: LIQUIDITY OF BANKS IN SLOVENIA UP TO MONETARY INDEPENDENCE (MONTHLY AVERAGES)

(DINARS, MILLIONS)

	Jan	Feb	Mar	Apr	May	June	Jul (1)	Aug (1)	Sep (1)
Banks settlement funds at BS	400.4	544.8	489.2	688.5	1224.0	1411.5	846.3	1024.6	1179.9
Cash in vaults	331.1	296.4	308.5	327.5	349.1	369.8	484.1	422.1	431.7
Obligatory reserve at BS	1411.6	1487.6	1570.5	1648.0	1832.8	2107.6	2227.6	2332.1	2525.6
Obligatory NBY bills	988.9	2033.7	2864.2	2270.2	2787.5	2569.9	3556.8	4363.2	4487.2
Ordinary NBY bills	1.4	51.3	18.5	50.8	166.3	1099.4	60.0	-	-

(1) In this period the Bank of Slovenia independently carried out NBY monetary policy regulations.

Source: Ten-day reports on loans from central bank and daily bank reports.

While Slovenia was still part of the dinar monetary area, possibilities for keeping track of Slovenia's monetary aggregates were limited. Not until dinars were converted into tolars was it possible to track the amount of currency in circulation. As can be estimated from the banks' balance sheet (see Table 10), monetary aggregates, defined as banks' financial liabilities to the economy and to individuals (thus excluding the government sector), saw a 22.6% drop in real terms in September, resulting from declining economic activity and a fall in real demand for currency due to inflation.

Despite the high liquidity of Slovenian banks, legal restrictions covering capital requirements prevented larger amounts of credit from being extended and consequently also prevented the creation of deposit money. The economic slow down and growing risk to business operations in the former Yugoslavia meant borrowers were increasingly less creditworthy and that the banks could not increase loans in accordance with the liquidity available. This is probably the main reason why uncontrolled price growth in the Republic of Slovenia did not occur.

TABLE 10: CONSOLIDATED BALANCE SHEET OF COMMERCIAL BANKS BASED IN THE REPUBLIC OF SLOVENIA

(DINARS, MILLIONS)

	31 Dec 1990	31 Mar 1991	30 Jun 1991	30 Sept 1991
A NET FOREIGN ASSETS	-15,827	-22,288	-33,175	-31,649
1. Net international reserves	-768	-2,087	-3,667	-3,580
2. Net mid- and long-term external debt	-15,059	-20,201	-29,508	-28,069
B NET DOMESTIC ASSETS	61,003	74,482	102,180	104,530
1. Banks' reserves	2,389	2,705	2,676	5,330
2. Net loans to government	-3,631	-4,525	-4,296	-8,424
3. Loans to non-government sector	46,687	52,844	70,441	76,318
• loans to collectively owned business	41,471	47,115	63,354	68,154
• loans to privately owned business and individuals	5,216	5,729	7,087	8,164
4. Net loans to rest of former Yugoslavia	20,478	27,894	41,106	40,394
• Short-term	21,426	28,958	40,730	40,366
• Mid- and long-term	-948	-1,064	376	28
5. Net other assets	-4,920	-4,437	-7,747	-9,087
• Interbank relations	4,460	5,837	6,019	5,308
• Fixed assets and investments	10,573	9,541	9,814	10,111
• Capital and reserves	-21,503	-22,143	-27,883	-33,401
• Other (net)	1,550	2,329	4,302	8,895
C FINANCIAL LIABILITIES (C=A+B)	-45,176	-52,194	-69,004	-72,881
1. Deposits (excluding government)	-9,849	-12,325	-14,369	-16,137
2. Savings and time deposits	-33,688	-37,829	-49,101	-50,496
3. Other deposits	-980	-1,716	-2,089	-1,864
4. Securities	-659	-323	-3,446	-4,384
CONTINGENCIES	-36	-19	-35	-36

Source: Monthly bank balance sheets.

B MONETARY AND EXCHANGE RATE POLICY OF THE BANK OF SLOVENIA

After monetary independence, the Bank of Slovenia set up monetary and exchange rate regulations. These were necessary to introduce monetary policy instruments in an attempt to control inflation and to address the fact that the Bank of Slovenia had no initial foreign exchange reserves.

In introducing new monetary instruments the first concern was to prevent the banks' global liquidity from surpassing the level in September 1991. Banks' excess liquidity then had to be neutralized to avoid inflationary pressure and thus pressure to devalue. The creation of foreign exchange reserves inevitably increased banks' liquidity and this had consequently to be sterilised. Moreover, another objective was to reduce the level of banks' obligatory reserves at the Bank of Slovenia to a level comparable to that in other countries, thus bringing down banking intermediation costs.

ADJUSTING THE BANKS' RESERVES

In conditions of excess bank liquidity, and with incomplete data on the amount of currency in circulation, monetary restraints initially took the form of credit ceilings on the banks. These remained in place until the end of October.

In October the Bank also imposed a temporary prohibition on the indexation of contracts, including banks' assets and liabilities. The discount rate was set at 25%. This was only an analytically determined rate which was used as a target for a general reduction in interest rates, until the new monetary policy instruments could be introduced.

Initial regulations for the Bank of Slovenia's new monetary instruments came into effect on October 11th 1991. These took the form of a resolution on banks' obligatory reserves, a resolution on method of determining the discount window and a resolution on granting discount and lombard loans.

The resolution on obligatory reserves stipulated:

- a temporary increase in the obligatory reserves rate for up to three month nonbank deposits from 6.9% to 20%, and a decrease in the rate for over 3 month deposits from 5.5% to 5%;
- cancellation of the banks obligation to buy central bank bills, previously imposed by NBY;
- the reserve obligation was considered as fulfilled when the daily average of obligatory reserves over a month reached the required amount. The obligatory reserve funds could be used to maintain day-to-day liquidity by placing them with the banks' settlement funds at the Bank of Slovenia.

The first two measures were intended to offset each other.

The aim of the third measure was to draw nearer to Western standards for banks' reserves which, in most cases, include only the banks' settlement funds deposited at the central bank and the cash in their vaults. Any reserves in excess of the required average are regarded as high-powered money with the potential to initiate money multiplication. In other words, all the existing balances on the banks' settlement funds at the Bank of Slovenia as of October 14 were recognised as excess reserves.

The resolutions on the discount window, discount and lombard loans determined the issuing policy of the Bank of Slovenia. Thenceforth, the banks could disburse loans only against the security of bills, commercial paper, bills of exchange, other foreign securities, the collaterised bonds of the Republic of Slovenia and central bank bills. The amount of the loan could not exceed 60% of the collateral. The maximum borrowing quotas for the banks were set according to their weighted capital.

Late in October the Bank of Slovenia lowered the obligatory reserves from 20% to 7% on up to 3 month nonbank deposits, thus releasing some of the banks' funds which were used, on the same day, for repaying a special liquidity loan issued by the central bank. The loan, which amounted to 5,353 million tolars, had been used by the banks to purchase foreign exchange to enable households to make withdrawals from their foreign exchange deposits.

To reduce excess reserves, the Bank of Slovenia simultaneously lowered the discount window from 6,389 million to 3,300 million tolars. Due to the loss of liquidity caused by these measures, the banks were granted a ten-day adjustment period.

In November 1991 the discount window was reduced twice, in mid-month to 2,500 million tolars and on November 29th to 1,800 tolars. The reduction was partially neutralized by offering the banks a repurchase agreement using Republic of Slovenia bonds as collateral.

Table 1 of Appendix 3 shows the extent to which the various monetary policy measures of the Bank of Slovenia and of NBY were reflected in the performance of individual monetary policy instruments.

PROGRESSIVE ADJUSTMENT OF MONETARY CONDITIONS

The tightening of monetary policy reduced the growth of monetary aggregates (excluding during December, which was distorted by a seasonal effect) and consequently reduced price and wage inflation. Individuals' savings in tolar deposits rose progressively, mainly as a result of lower price inflation and the stabilisation of the tolar exchange rate. Because of indexation tolar savings were more profitable than savings in foreign exchange. Simultaneously the law enabling individuals to buy socially owned apartments came into effect. In many cases individuals converted their foreign exchange savings into tolars and deposited them at banks as time deposits until they were required to purchase property. Households' foreign exchange deposits at banks, which could not be paid out, remained almost unchanged in DM terms, thus nominal alterations reflect primarily the modest depreciation of the tolar against the DM.

TABLE 11: MONETARY AGGREGATES FOR THE REPUBLIC OF SLOVENIA

(TOLARS, MILLIONS)	31 Oct 91	30 Nov 91	31 Dec 91
Central bank money	18,489	12,389	15,925
• currency in circulation	8,117	7,563	9,152
• cash in valuts	476	696	617
• banks' settlements funds at BS	2,472	151	595
• banks' obligatory reserves	7,411	3,962	5,494
• non-bank deposits at BS	13	17	67
Money agregate (M1)	36,104	33,693	38,912
• deposit money(1)	27,974	26,113	29,693
• currency in circulation	8,117	7,563	9,152
• nonbank deposits at BS	13	17	67
Households deposits (tolars)	6,812	8,884	15,952
Household deposits (foreign exchange)	43,581	46,541	50,214
Foreign excange funds of firms	4,170	5,453	4,161
Time and restricted deposits	18,587	17,887	21,898

(1) Including public sector deposits.
Source: Balance sheet of the Bank of Slovenia and ten-day report on book-value of bank assets in the Republic of Slovenia.

In December 1991 there was a progressive tightening of banks' liquidity because of the high seasonal increase in M1, especially in deposit money and to a lesser extent in cash. To offset the tolar liquidity gap, the banks sold foreign exchange acquired from households following the latters' purchases of collectively owned apartments.

TABLE 12: MAIN SOURCES AND USES OF CENTRAL BANK MONEY

(TOLARS, MILLIONS)	October	November	December
Net purchases (+) of foreign exchange	+886	+1,777	+2,434
Increase (-) in banks' net deposits	-1,068	-1,521	-832
Increase (-) in cash in circulation	-25	+554	-1,589
Other (±)	+207	-810	-13

+ indicates creation of high-powered money.
- indicates withdrawal of high-powered money.

FLOATING THE EXCHANGE RATE

Owing to the cessation of NBY interventions in the foreign exchange market and an overvalued dinar at the beginning of 1991, Slovenia was compelled to accept a specific cross-border payments system. Under this system the exporter was entitled to keep 70% of his foreign exchange, but was obliged to surrender the remaining 30% to the Bank for so-called "common requirements". Exporters could use their foreign exchange either for import payments or they could sell it in the form of import rights (the so-called EDP). They could sell these rights either directly to another importer or on the Stock Exchange. The 30% foreign exchange bought by the Bank was paid for at a rate related to the going rate for import rights on the Stock Exchange. The decline in export volumes was halted by floating the dinar, but actual growth in exports was prevented by the world economic recession. Nonetheless the balance of payments on the current account moved into surplus because of the decline in imports. The surplus was also created by inflows from tourism, due to Slovenia independently determining the exchange rate in the exchange offices.

When introducing monetary policy instruments and a new exchange rate regime after independence, the Bank of Slovenia had to take into consideration the following macroeconomic constraints:

1 The Bank of Slovenia had no foreign exchange at its disposal with which to intervene on the foreign exchange market.

2 Extremely unstable economic circumstances prevented specific balance of payments goals being set. The initial exchange rate stimulated exports. The new exchange rate ratio of 1 DM to 32 Slovenian tolars exceeded by 10% the current price for EDP on the Stock Exchange. [1 DM = 29 Yugoslav Dinars].

3 Regarding prices, the economic situation prior to monetary independence was similar to that in the first half of 1989. The setting of most prices took into account expected future inflation.

4 Commodity trade with other republics was dwindling and new producer monopolies arose. This contributed to considerable price inflation in the quarters before and after independence. Thus wholesale prices initially rose faster than retail prices.

5 The problems of households' foreign exchange deposits at commercial banks continued after the central bank gained independence.

In these circumstances the EDP system was cancelled and a new system for making payments internationally was established. End-users of foreign exchange had to surrender 30% of it (via commercial banks) to the Bank of Slovenia at the daily published foreign exchange price. The Bank of Slovenia sold foreign exchange to government entities at the same price.

The end-user was entitled to use 70% of his foreign exchange for international payments, provided he did so within 48 hours of its receipt. After that the end-user was obliged to surrender the foreign exchange to a bank, whilst nevertheless retaining priority right of purchase.

The first steps in deregulating the system for making international payments were taken already in late October. They included the following measures:

(a) exchange offices were no longer obliged to surrender foreign currency to the Bank of Slovenia;
(b) end-users were allowed not only to use foreign exchange for their own purposes within the 48 hour period, but also to sell it;
(c) the priority right to repurchase was withdrawn.

The second series of steps towards deregulation were taken on December 12. Exporters were no longer obliged to surrender 30% of their foreign exchange. This enabled them to sell it at the market rate. Firms and banks could now trade on the foreign exchange market on equal terms. The Bank of Slovenia continued to carry out cross-border payments for the public sector, buying foreign exchange at the market rate.

A further important step towards deregulation was lifting the time restriction on repatriating foreign exchange. A high exchange rate combined with restrictive monetary policy meant that in the last quarter there was a surplus on the current account on a cash basis (192.5 million US dollars in the last quarter, which was half the 1991 current account balance).

In the first quarter following monetary independence the customs protection policy of Yugoslavia remained unchanged. Nevertheless business with other former Yugoslav republics was free of import duties for goods originating in these republics. Only a customs statistics fee remained (1%).

Deregulation of the supply of foreign exchange was accompanied by a restrictive monetary policy which helped to restrain demand for it.

The initial tolar exchange rate was set at such a level as to maintain a surplus on the current account. Purchases and sales of foreign exchange followed the rates formed on the free (interfirm and interbank) foreign exchange market. The Bank of Slovenia banned forward contracts in an attempt to reduce inflationary expectations. For accounting purposes and for determining the customs duty base, the Bank of Slovenia took over the publication of exchange rates, and it based these on market rates averaged over a certain period.

TABLE 13: REAL EFFECTIVE EXCHANGE RATES (1) FROM DECEMBER 1989 UNTIL 1991 YEAR-END

(INDICES: MAY 88 = 100)

AVERAGES	A	B	C
1989 / December	90,6	77,1	90,6
1990 / Q1	67,2	69,5	67,2
Q2	62,6	69,9	62,6
Q3	60,8	69,1	60,8
Q4	52,2	62,7	52,2
1991 / Q1	63,7	73,8	59,2
Q2	80,5	89,8	67,0
Q3	91,1	90,5	90,1
Q4	99,4	103,0	91,0

(1) Real exchange rates based on seven currencies adjusted for relative price differences.
A - Up to 8 October exchange rate corrected for EDP premium.
The real effective exchange rate was calculated using the RPI.
B - Same as A except based on producer not retail prices.
C - Same as A including the exchange rate prevalent in exchange offices.

Due to restrictive monetary policy, the November and December nominal rates of exchange stabilised. In the first four months after monetary independence, the tolar remained slightly undervalued, whilst for a very short period in December it was overvalued.

C SUPERVISION OF BANKS

In 1991 the Bank of Slovenia focused on the three aspects of banking supervision:

1. AUDITING FINANCIAL STATEMENTS FOR 1990

1. In 1990 audits based on international accounting principles were carried out in most of the banks based in the Republic of Slovenia. The Bank of Slovenia provided instructions to the banks on the data and information they should prepare for the audit of their 1990 balance sheets. These instructions were in line with the methodology on auditing banks' balance sheets set out by NBY in cooperation with foreign consultants in 1989. As the Bank of Slovenia was not yet authorized to issue regulations, its instructions actually replaced NBY's methodology. They determined the minimal scope, procedures and content of a balance sheet audit. The audit of the financial statements was completed by October 1991 by the Social Accounting Service.

2. CREATING REGULATIONS FOR BANKING OPERATIONS

When the Brioni moratorium terminated the Bank of Slovenia was authorized to adopt banking regulations. At the end of November 1991 the following regulations were adopted:

- risk exposure of individual banks to be measured in order to establish compliance with the capital adequacy ratio;
- sources of bank capital to be stated and criteria laid down for weighting different kinds of capital;
- criteria laid down for determining individual banks' assets and liabilities for recovery purposes.

Additionally, the Bank of Slovenia adopted a resolution on the procedure for establishing provisions against future losses.

The first reports in line with these regulations were made on October 31st 1991. The same regulations are part of the auditing instructions for the 1991 balance sheets which had to be prepared by May 5th 1992.

3. IMPLEMENTING REGULATIONS ON MONETARY AND FOREIGN EXCHANGE POLICIES

In 1991 the Bank of Slovenia carried out nineteen inspections to ensure that banks were complying with monetary policy regulations. After nineteen inspections measures were taken against four banks.

The Bank of Slovenia also ensures compliance with monetary regulations by monitoring reports submitted to it by the banks. Monitoring enabled the Bank of Slovenia to identify some irregularities as a result of which it made fifteen cases against nine banks.

The Bank of Slovenia carried out thirty two inspections to ensure compliance with foreign exchange regulations: twenty nine involved visits and three were based on documentation. As a result of the irregularities revealed, the foreign exchange control department took six measures against banks.

D THE BANK OF SLOVENIA ANNUAL FINANCIAL STATEMENT

NOTES TO ANNUAL FINANCIAL STATEMENT

The Bank of Slovenia was set up as the central bank of the Republic of Slovenia on June 25th 1991. In line with the Bank of Slovenia Act it was constituted as the legal successor of the National Bank of Slovenia. The National Bank of Slovenia's closing financial statement was compiled at 1991 mid-year (including the balance sheet as at June 30th 1991 and the first mid-year profit and loss account). As a result the 1991 annual financial statement of the Bank of Slovenia covers only the second half of 1991.

Accounting Principles Considered

The Bank of Slovenia's balance sheet reflects the central bank's financial relations abroad and also at home, primarily with banks and government. The profit and loss account reflects the various central bank operations.

The assessment of assets and liabilities takes into consideration the provisions of the Accountancy Act. All expenses are accounted for in the year of their occurrence. Claims and liabilities in foreign currencies are converted into tolars at the mid-foreign exchange rate issued by the Bank of Slovenia for December 31st 1991. The surplus generated by favourable exchange rate fluctuations was allocated to special reserves in conformity with the Bank of Slovenia Act. Gold was accounted for at the official price as at December 31st 1991.

THE BANK OF SLOVENIA BALANCE SHEET AS AT 31 DECEMBER 1991

	(TOLARS)
ASSETS	**31 Dec 1991**
Gold and Claims Abroad (1)	**6,499,249,369**
Gold	6,365,389
Foreign currency	177,073,948
Foreign exchange accounts abroad	2,396,185,232
Foreign exchange time deposits	3,919,624,800
Claims on Government (2)	**8,649,807,115**
Long term claim on the Republic of Slovenia originating from relations with NBY	8,649,807,115
Claims on Banks (3)	**3,754,969,734**
Foreign exchange accounts at domestic banks	381,015,811
Advances to banks for foreign currency purchase	977,498,320
Bonds under repurchase agreements	1,004,541,504
Loans within discount quota and lombard loans	934,206,966
Loans based on individuals' foreign exchange deposits	21,809,782
Other loans	435,897,351
Other claims (4)	**152,585,087**
Interest and fees receivable	31,363,430
Temporary accounts	3,317,711
Other claims	102,229,424
Other assets	15,674,522
Fixed Assets (5)	**249,817,018**
Land and buildings	139,173,525
Equipment	110,643,493
TOTAL ASSETS	**19,306,428,323**

BALANCE SHEET (continued)

	(TOLARS)
LIABILITIES	**31 Dec 1991**
Liabilities Abroad (1)	**0**
Notes Issued (2)	**9,768,670,896**
Liabilities to Government (3)	**3,737,846**
Liabilities to Banks (4)	**6,089,073,194**
Banks' settlements funds at BS	595,227,100
Banks' obligatory reserves	5,493,846,094
BS Bills	0
Liabilities to others (5)	**67,336,614**
Business deposits	45,927,134
Individual deposits	2,351,707
Other financial institution deposits	19,056,773
Foreign Exchange Liabilities to Domestic Entities (6)	**1,687,942,083**
Other Liabilities (7)	**299,695,301**
Interest and fees payable	3,927,161
Deferred items	-13,740
Money transfers in transit	-1,628,947
Other liabilities and sources of funds	297,410,827
Capital Accounts (8)	**1,389,973,389**
Capital (business fund)	279,969,069
Provisions	101,945
Reserves	1,109,902,348
TOTAL LIABILITIES	**19,306,428,323**

THE BANK OF SLOVENIA PROFIT AND LOSS ACCOUNT 1 JULY TO 31 DECEMBER 1991

			(TOLARS)
	PLAN	ACTUAL	INDEX
	1 July 91 to 31 Dec 91	1 July 91 to 31 Dec 91	3 : 2
1	2	3	4
INCOME			
1. Interest on loans	1,189,700,000	1,008,549,850	85
2. Interest on foreign exchange reserves	-	32,347,246	-
3. Income from foreign exchange operations	-	-	-
• commision	-	3,028,864	-
• margin	-	101,985,257	-
4. Fee income	57,600,000	45,320,367	79
5. Other income	1,907,000	12,377,254	649
6. The impact of exchange rate changes on assets	-	469,010,367	-
7. Transfer to reserves	-	-469,010,367	-
I TOTAL INCOME (1 TO 7)	**1,249,207,000**	**1,203,635,838**	**96**
EXPENDITURE			
1. Interest	-	21,300,270	-
2. Banknote manufacture	155,000,000	86,797,836	56
3. Premises, equipment and depreciation			
• premises and equipment	30,274,000	51,733,900	171
• depreciation	12,177,000	14,022,781	115
4. Costs of foreign exchange operations			
• commision	-	175,349	-
• margin	-	225,992,624	-
5. Salaries and benefits	124.138.000	122,358,000	99
6. RS payment of interest to NBY	475,880,000	305,379,307	64
II TOTAL EXPENDITURE (1 to 6)	**797,469,000**	**827,760,067**	**104**
III NET INCOME	**451,738,000**	**375,875,771**	**83**
ALLOCATION OF NET INCOME			
1 Capital (business fund)	29,738,000	29,738,000	100
2 Reserve fund	100,000,000	100,000,000	100
3 Reserve fund revaluation	51,629,000	87,851,668	170
IV TOTAL ALLOCATION OF NET INCOME (1 to 3)	**181,367,000**	**217,589,668**	**120**
V NET INCOME AFTER ALLOCATION (III-IV)	**270,371,00**	**158,286,103**	**59**

NOTES TO BALANCE SHEET - ASSETS

(1) Gold and Claims Abroad

Gold is valued at 643.8 tolars per gram of pure metal. Of the Bank of Slovenia's claims in gold, bullion accounts for 47%, ducats 30%, napoleons 8% and other 15%.

Foreign currency is used for per diem expenses of government and Bank officials. The Bank of Slovenia purchases foreign currency for this purpose at commercial banks in Ljubljana.

Foreign exchange held in sight accounts abroad and held on over night deposit is equivalent to 64.2 million DM, of which DM deposits account for 88.7%, US dollars 8.4%, and the rest 2.9%.

Foreign exchange time deposits held abroad amounted to 105 million DM and were deposited for 14 days.

Foreign exchange claims abroad and on domestic banks of 181.3 million DM were all acquired after independence. Of all foreign exchange assets of the Bank of Slovenia, 48% derived from purchases from banks, 24% from the foreign exchange deposits of the Republic of Slovenia's privatisation fund, and 22% from compulsory sales of part of exporters' foreign exchange receipts and 6% from other sources (interest, foreign exchange arbitrage, etc.).

(2) Claims on Government

In compliance with the Republic of Slovenia's agreement of May 5th 1992, the Bank of Slovenia accounts for its long-term claims on government as tolar claims on the Republic of Slovenia rather than as dinar claims on the NBY. The agreement between the Government and the Bank of Slovenia is based on the Constitutional Law under which the Slovenian government is bound to draw up a document listing Slovenia's claims on the former Yugoslavia. In this sense, part of the Bank of Slovenia's assets are its net claims on NBY.

They amount to 8,649.8 million tolars and include:

CLAIMS ON GOVERNMENT

	(TOLARS, MILLIONS)
CLAIMS	
• Checques payable by NBY	0.1
• Dinar banknotes received during conversion to tolars	8,576.2
• Banks' settlement funds at NBY	3,583.3
• Banks' obligatory reserves	2,525.7
• Other deposits taken over from NBY by BS	283.8
LIABILITIES	
• Liabilities of BS to NBY	4,573.8
• Current account balance at the Social Accounting Service	1,745.5
TOTAL NET CLAIMS	8,649.8

(3) Claims on banks

Part of the Bank of Slovenia's foreign exchange for cross-border payments is deposited at commercial banks.

The Bank of Slovenia also gives advances to certain banks to enable them to purchase foreign currency. Advances of up to 500,000 tolars are given, in most cases for 2 or 7 days. Foreign exchange purchase is based on daily contracts issued by the Bank of Slovenia according to monetary trends and the advance is remitted on the same day as the contract is signed. The following day the Bank of Slovenia notifies the banks of the exchange rate to apply to the contract. Between November 26th and December 31st 1991, the Bank of Slovenia sold 4,270 lots totalling 2,135 million tolars. The foreign exchange purchase price ranged between 39.8 and 41.4 tolars per 1 DM and the Bank of Slovenia's exchange rate in this period ranged from 34.6 to 37.3 tolars per 1 DM.

At end-November 1991 the Bank of Slovenia started repo trading with banks using Republic of Slovenia bonds. For each repo the Bank of Slovenia sent a bid to all banks, stating the terms of the purchase, including the amount, purchase price, repurchase price after a fixed number of days, method of calclating the value of bonds and an early repurchase option. Banks then sent their offers stating their terms and the Bank of Slovenia selected the most favourable ones. Repurchases started in early 1992.

The total discount quota was set with reference to the monetary policy of the Bank of Slovenia. The quota was then divided between individual banks on the basis of their capital adequacy. Banks were granted discounted loans by the Bank of Slovenia on the basis of their portfolios of specified domestic and foreign negotiable securities. The Bank of Slovenia was paid interest on these loans at the BS discount rate.

The Bank of Slovenia also granted the banks lombard loans against the collateral of specified securities and BS bills. The interest on these loans was in 1991 paid at one percentage point above the discount rate. This instrument is still in use.

The NBY granted banks short-term loans based on individuals' foreign exchange deposits, deposited by banks at NBY before October 1988. Until that time the banks were obliged by federal law to state the amount of individuals' foreign exchange deposits, and to deposit any increase with the NBY. In exchange for this they received credit.

The item "other loans" refers to loans that had been rescheduled under federal law from short- into long-term loans.

(4) Other Claims

Interest and fees receivable include outstanding claims on banks as at 31 December.

The temporary accounts encompass two permanent letters of credit to the Bank of Slovenia's offices in Celje and Maribor, as well as the balance of claims from foreign exchange operations. Other claims totalling 102,229,000 and other assets 15,647,522 tolars are as follows:

OTHER CLAIMS	TOLARS, MILLIONS
• Claims for personal income (sickness benefit, etc)	2,715
• Advances for BS capital assets	232
• Interest not yet due	878
• Apartments and houses of the Bank of Slovenia	12,009
• Employees' mortgages	21,359
• Unspent allocation for housing	51,337
• Holiday accommodation	12,875
• Catering equipment	824

OTHER ASSETS	TOLARS,THOUSANDS
• Cash on account at the Social Accounting Service	307
• Cash on account at the Social Accounting Service for catering purposes	14,460
• Claims on the reserve fund	790
• Cash in vaults	117

(5) Fixed Assets

Land had a current market value of 9.3 million tolars, and buildings were revalued to 129.8 million tolars. Equipment was also revalued.

NOTES TO BALANCE SHEET - LIABILITIES

(1) Liabilities Abroad

At year-end the Bank of Slovenia had no liabilities abroad.

(2) Notes Issued

Notes issued includes currency in circulation and in the banks.

(3) Liabilities to Government

The item "Liabilities to Government" expresses the liabilities of the Bank of Slovenia to government bodies and institutions for their deposits.

(4) Liabilities to Banks

Banks' settlement funds at BS are accounted for by the Social Accounting Service. They are included in the Bank of Slovenia's deposits.

Banks' obligatory reserves are paid to special accounts at the Social Accounting Service and are included in Bank of Slovenia's deposits.

On December 31st 1991 there were no subscribed BS bills.

(5) Liabilities to Others

Liabilities to others include deposits of businesses, individuals and other financial institutions which do not hold a contract to deposit settlement funds for payments purposes with any banks. In such cases, the Social Accounting Service includes these funds in the Bank of Slovenia's deposits.

(6) Foreign Exchange Liabilities to Domestic Entities

The Republic of Slovenia Development Fund signed a contract with the Bank of Slovenia regulating its foreign exchange deposits, under which the Fund acts as a channel for the proceeds of privatisation from foreign investors.

(7) Other Liabilities

Interest was 2.9 million tolars on obligatory reserves and fees payable came to 1 million tolars.

Deferred items refers to postage expenses, which are paid in advance, but are accounted for the following year.

Money transfers in transit at the Social Accounting Service are payments settled but not yet accounted for to the receiver.

(8) Capital Accounts

Provisions include unused funds which are reserved for the maintenance of buildings in accordance with the final financial statement of the National Bank of Slovenia for the six months ending June 1991.

		(TOLARS,THOUSANDS)
1 July 1991	31 Dec 1991	Change
3,621	102	-3,519

The reduction is due to maintenance of buildings.

Reserves amounted to 1,109,902,000 tolars at year end, an increase accounted for by

	(TOLARS,THOUSANDS)
• Repayment of redundancy compensation	347
• Reserve fund revaluation	87,852
• Allocations to reserve fund	100,000
• Impact on assets of exchange rate changes	469,010
• Gold revaluation	5,041
• Currency printing (financed by reducing reserves)	-126,444
Change in reserves	**+535,806**

The statutory change of the National Bank of Slovenia into the Bank of Slovenia has not yet meant its transformation into a joint-stock company. Thus the capital is still in the form of a business fund which is socially owned. The business fund increased by 169,978,000 tolars as a result:

	(TOLARS, THOUSANDS)
• Fixed asset revaluation	141,241
• Allocation to business fund	29,738
• Write offs	-1
Total increase in business fund	**+169,978**

NOTES TO PROFIT AND LOSS ACCOUNT

I Income

Income and expenses between July 1st and December 31st 1991 were planned in the dinar monetary environment.

(1) Interest on Loans

Interest on loans was lower than the NBY projections due to the changes in monetary policy on the independence of the Bank of Slovenia. The discount rate and volume of loans were also lower.

(2) Interest on Foreign Exchange Reserves

Interest on foreign exchange reserves is relatively small as the Bank of Slovenia started creating foreign exchange reserves after October 8th, so the funds increased only towards year-end.

(3) Income from Foreign Exchange Operations

The Bank of Slovenia charges commission on payments abroad from foreign exchange accounts (in line with provisions of the Bank of Slovenia's resolution on unified commissions on services).

The margin is the difference between the selling rate and the mid rate issued by the Bank of Slovenia. This income became significant after December 12th 1991 when the Bank of Slovenia started selling foreign exchange at a rate which was determined with a view to intervention on foreign exchange market. Before that, foreign exchange was sold at the official rate.

(4) Fee Income

Income from services was planned in the context of tariffs set by NBY, and the banks were charged a commission on all foreign exchange transactions. From November 9th, when the Bank of Slovenia's tariff system came into effect, a commission is charged only on payments made from its own foreign exchange account. (The commission is displayed under 3.) The remaining fee income displayed under (4) is thus lower than the amount planned.

(5) Other Income

Other income includes income from rents, income from contracts on transporting foreign currency for commercial banks, extraordinary income from long-term provisions for maintaining buildings and income from the canteen (which previously had its own financial statement).

(6) Transfer to Reserves

In accordance with the Bank of Slovenia Act, if the balance of exchange rate gains, is positive, it is allocated to reserves to cover future risks.The surplus is 469,010,367 tolars.

II Expenditure

(1) Interest

The Bank of Slovenia paid the banks 21,300,270 tolars interest on their obligatory reserves and Bank of Slovenia bills.

(2) Cost of Manufacturing Bank Notes

The cost of manufacturing bank notes totalled 213,242,000 tolars, of which 86,798,000 tolars were paid to domestic suppliers. The foreign exchange payment was made out of reserves allocated for this purpose.

(3) Premises, Equipment and Depreciation Costs

The forecast framework was exceeded, as the maintenance of buildings and canteen costs had not been planned. The largest share of the difference between planned and actual figures however is accounted for by writing off, after independence, debts owed by banks from other former Yugoslav republics.

Depreciation costs are calculated according to the standards set down in the Accountancy Act.

(4) Costs of Foreign Exchange Operations

The Bank of Slovenia paid commission, at a rate comparable to commercial bank fees, for payment services implemented by the banks.

The cost of the margin derives from the difference between the intervention exchange rate and the Bank of Slovenia's official exchange rate, which has to be used for accounting purposes.

(5) Salaries and Benefits

The Bank of Slovenia employees'salaries and benefits are calculated in accordance with the financial plan and with the collective agreement between the Bank of Slovenia and the Union, which represents its workers. Contributions are determined by the Social Security Act.

(6) Republic of Sovenia's Payment of Interest to NBY

The Assembly of the Republic of Slovenia adopted the resolution that the Bank of Slovenia would take over NBY's liabilities to banks in Slovenia for interest on obligatory reserves and NBY bills against obligation to pay NBY 40% of the interest on NBY loans that had been disbursed through the Bank of Slovenia. In fact, forty percent of the interest owed by BS to NBY was less than the interest owed to Slovenian banks by NBY and now taken over by BS. As a consequence BS's liability to NBY in this respect was more than offset.

III Net Income

Net Income prior to allocation came to 375,875,771 tolars.

IV Allocation of Net Income

The allocation into the business fund was made at the level forecast, as was the allocation to the reserve fund.

The reserve fund is revalued in line with the Accounting Act's requirements with a view to maintaining its real value.

V Net Income after Allocation

In accordance with the Bank of Slovenia Act and the Assembly of the Republic of Slovenia's resolution, the remaining income surplus of 158,286,103 tolars was transferred to the budget of the Republic of Slovenia.

APPENDICES TO THE ANNUAL REPORT

APPENDIX 1

MONETARY INDEPENDENCE AND THE RECONSTITUTION OF THE BANK OF SLOVENIA AS THE CENTRAL BANK OF THE REPUBLIC OF SLOVENIA

Period Proceeding the Introduction of the Tolar

The laws for acquiring independence on monetary and balance of payments issues came into effect on 25 June 1991. Regarding the means of payment in the Republic of Slovenia, the Bank of Slovenia Act determined that dinar bank notes and coins would remain legal tender and claims and liabilities would be denominated in dinars until the end of the moratorium on implementing the accepted laws for independence. It meant that the dinar was used as legal tender in the region of the Republic of Slovenia while the moratorium was in force, and monetary policy measures applicable to the dinar area, approved by the NBY Board of Governors, were to be adhered to.

To counteract the measures taken by Slovenia, the NBY Board of Governors adopted resolutions on the "protection of Yugoslav interests in spheres connected to the functioning of a unified monetary and foreign exchange system and policy". These resolutions by NBY prevented BS from granting credits, prevented authorised banks from operating on the foreign exchange market in Belgrade, cancelled authorisation to obtain new loans abroad and disrupted the supply of dinar bank notes to the Bank of Slovenia.

By imposing the ban on the disbursement of central bank credit to the banks in the Republic of Slovenia, NBY no longer carried out its basic task as the central bank, that is to regulate the global liquidity of the banks. The NBY imposed a one-sided ban on more than half (approximately 5.8 billion dinars) of the liquidity that would otherwise have been available to the Slovenian banks within the framework of accepted and valid NBY monetary policy measures.

Consequently, while the resolution of the NBY Board of Governors was in force, the Bank of Slovenia was compelled to assume the regulation of the liquidity of Slovenian banks. In order to make this possible, the Executive Council of the Republic of Slovenia adopted a decree on transferring the central bank's credits on 5 July 1991, and the Governor of the Bank of Slovenia approved the resolution on the methods of regulating banks' liquidity on 8 July 1991. The Bank of Slovenia notified several central banks abroad and international financial institutions of the reasons for these measures.

Signing the Brioni declaration meant that Slovenia respected the moratorium on carrying out regulations to acquire independence. Therefore the Federal Executive Council advised the NBY Board of Governors to withdraw the regulation preventing the Bank of Slovenia (and the National Bank of Croatia) from granting credits etc. This recommendation was discussed but not approved by the NBY Board of Governors. The Board, however, requested a direct inspection at the Bank of Slovenia which, once completed, established that the Bank of Slovenia's monetary policy completely adhered to NBY's regulations, with one exception.

This was that the transfer of central bank credits was carried out via the Social Accounting Service of Slovenia and not via the Social Accounting Service of Yugoslavia, as required by the federal decree. Consequently, the NBY tried to impose sanctions on those banks disbursing central bank credits. In an extreme case, this could have meant that authorised banks would have lost the right to carry out payments, to acquire loans abroad and to repay central bank credits. Despite every effort made by NBY to prevent the banks from carrying out international business, it was unsuccessful. This was also due to the regular communication that the Bank of Slovenia maintains abroad.

When dinar bank note supplies were at a standstill and in conditions of high inflation, Slovenia faced a shortage of bank notes, especially at peak demand periods when salaries and benefits were paid. In early September an acute shortage forced the Bank of Slovenia to put into circulation bank notes that had already been withdrawn. They had been issued prior to the currency reform at the end of 1989.

In August 1991, the NBY inspected the vaults of the Bank of Slovenia and some Social Accounting Service offices in the Republic, in accordance with the program controlling the vaults in all national banks of Republics and autonomous provinces. The inspection examined banknote control ie the amount in the vaults against the required maximum. NBY presumed that the national banks' vaults withheld too many banknotes, which they supposed might cause an irregular supply. The Bank of Slovenia allowed the NBY controllers to inspect the vaults although the supply of dinar banknotes from Belgrade had ceased long before. The inspection proved that the Bank of Slovenia had complied with the regulations to the letter and could even increase the cash in their vaults within the regulations. Notwithstanding these facts, NBY did not lift the blockade on supplying dinar banknotes to the Bank of Slovenia during the moratorium.

Introducing the Slovenian Currency - the Tolar

The Assembly of the Republic of Slovenia passed a resolution on 7 October 1991 to launch its own currency. This coincided with the ending of the Brioni moratorium. For this purpose, two laws were passed which took effect on 8 October 1991:

- The Republic of Slovenia Monetary Unit Act under which the tolar became legal tender in the territory of Slovenia. The tolar is divided into one hundred stotins. On the basis of this Act, the Bank of Slovenia published the exchange rate of the tolar against foreign currencies.
- The Assembly passed the Monetary Unit Application Act under which it adopted currency tokens as legal tender, until tolar banknotes and coins could be issued. The currency tokens were issued by the Republic of Slovenia in the name of and on behalf of the Bank of Slovenia.

The Act determined, as of 8 October 1991, that dinar bank notes and coins were to be retired from circulation at a ratio of 1:1 and that prices of goods and services were to be expressed in terms of the monetary unit of the Republic of Slovenia. It also authorised the Bank of Slovenia to set up the method, procedure and time limit for adjusting banks' accounts accordingly.

Following the Bank of Slovenia and Monetary Unit Application Acts, the Board of the Bank of Slovenia simultaneously passed four resolutions:

- the resolution on the issue, denomination and major features of currency tokens of the Republic of Slovenia;
- the resolution on putting currency tokens into circulation;
- the resolution on retiring dinar bank notes from circulation;
- the resolution on retiring from circulation the 1, 2 and 5 dinar coins as well as the 10, 20 and 50 para (constituents of the dinar) coins.

The Acts and the resolution of the Board of the Bank of Slovenia together created the legal basis for a currency conversion in the Republic of Slovenia, starting on 8 October 1991.

Currency Conversion

On 8 October 1991 all the banks were closed. On this day, banks, post offices and the Social Accounting Service were instructed as to the terms and methods of conversion. They received no instruction prior to this date.

The currency conversion was implemented in two phases, a main phase from 9-11 October 1991 and an additional phase from 12-31 October. The main conversion (99% of all dinar banknotes) took place between 9-11 October as stipulated by the Monetary Unit Application Act. The conversion was carried out by all units of the Social Accounting Service, banks and post offices. These had been sufficiently supplied with currency tokens in good time. The denomination and amount of tokens printed was based on an assessment of dinar bank notes in circulation within the Republic of Slovenia at the time of conversion.

The main conversion in all units took place between 07.00 and 21.00 hours.

The criteria for the main conversion were the following:

(a) amounts of up to 20,000 dinars were converted into currency tokens unrestrictedly in all units;

(b) amounts of between 20,000 and 50,000 dinars were converted into tolars and credited to the bearer's current or savings accounts;

(c) amounts of over 50,000 dinars were converted at the Social Accounting Service's branches and at counters of the Bank of Slovenia. Checks on the origin of bank notes were made and Bank of Slovenia and the Social Accounting Service had the right to refuse conversion, if there was any suspicion that the dinar banknotes had been unlawfully acquired.

In all three cases, the institutions converting the cash recorded the transaction and the identity of cash bearers.

An additional period for conversion extended between 12-31 October 1991 and was restricted to the branches of the Social Accounting Service and the counters of the Bank of Slovenia. The tolar/dinar ratio was set at 0.8751:1. As the additional conversion at some Social Accounting service branches attracted an increased supply of dinars from citizens of other republics, the Bank of Slovenia notified the Social Accounting Service of new conversion criteria:

- the maximum cash convertible at counters was restricted to 5,000 dinars for all persons with permanent and temporary residence in Slovenia. Larger amounts required a written application to the Bank of Slovenia;
- the amount of money converted by persons with no permanent or temporary residence in the Republic of Slovenia was limited to 2,000 dinars.

8,576 million dinars were converted in both phases. These now represent the Republic of Slovenia claim on NBY.

The conversion of deposits was carried out in compliance with Article 8 of the Monetary Unit Application Act, which stipulates that all amounts stated in regulations and documents issued prior to 8 October 1991 should be denominated in tolars.

The decree on payment systems, accepted by the Executive Council in effect from 8 October 1991, specified that funds in transit that were not adequately accounted for prior to 10 October 1991 could not be converted into tolars. However, they were to be cleared on special accounts opened by Social Accounting Service for payments to each republic. As at 6 January 1992, there were 673 million dinar claims on these accounts, deriving either from payment settlements with other republics prior to 8 October 1991 or trading with other republics after 8 October 1991. At the same time, the debit balance as at 6 January 1992 stood at 404 million dinars.

After the introduction of the tolar the NBY carried out two inspections of BS vaults on 18 October and 5 December 1991. The first inspection was to establish the amount of dinar currency in Slovenia prior to conversion; the second to determine the quantity of dinar currency taken over after conversion. The Bank of Slovenia consented to both inspections and, at the same time, pointed out that the dinar currency accumulated was to be the subject of special negotiations between NBY and the Republic of Slovenia. As NBY records a claim on the Bank of Slovenia for 27.300 million dinars delivered to the BS, the NBY Board of Governors issued a resolution (Official Gazette, No 74/91) demanding that the Bank of Slovenia return the dinar currency by 15 November 1991 or pay it at an official exchange rate which would have amounted to 1,249 million dollars. In October the NBY notified foreign banks of a freeze on Slovenian bank accounts abroad in order to settle its "claim". Being well informed of the reasons behind the NBY request, foreign banks did not consent to NBY's demand.

Constituting the Bank of Slovenia as the Central Bank of the Republic of Slovenia

The institutional transformation of the National Bank of Slovenia into the Bank of Slovenia was, in compliance with the Bank of Slovenia Act, formally implemented with a closing balance sheet of the National Bank of Slovenia on June 30th 1991 and an opening balance sheet of the Bank of Slovenia on July 1st 1991. As already mentioned, the Bank of Slovenia was compelled to take over some of the central bank's tasks in relation to banks in Slovenia as early as July 8th 1991, even though it was still within the framework of the NBY monetary system.

After the new monetary unit of the Republic of Slovenia had been introduced, the Monetary Unit Application Act stipulated that all values should be expressed in the new monetary unit and the Bank of Slovenia prescribed the method, procedure and time period within which to revalue all bank accounts. Thus all residents and non-residents' accounts in the balance sheet were converted into tolars.

Prior to the conversion the banks' reserves and other claims on NBY were denominated in dinars. In the monetary statistics these bank assets were recorded as NBY liabilities. After conversion they became liabilities of the BS.

In turn, prior to conversion, NBY credits to Slovenian banks were recorded as NBY claims on the BS. This was because they were lent to the banks via the Bank of Slovenia. After conversion they remained as NBY claims on the BS, which was no longer acting as an intermediary but as an independent central bank. These claims on and liabilities to the NBY almost matched each other, excluding dinar cash, which is still subject to negotiation between NBY and Republic of Slovenia.

The net claims of the BS on NBY in dinars were transferred, under the agreement between BS and the government of RS, to a long term tolar claim on the RS government.

TABLE 1: BANKS' ASSETS AND LIABILITIES TO NBY THAT WERE TAKEN OVER BY THE BANK OF SLOVENIA

	(TOLARS, MILLIONS)
	As at 8 October 1991
Bank Assets taken over - total	**11,223.5**
• banks' settlement funds at BS	3,580.1
• NBY bills	5,117.8
• banks' obligatory reserves	2,525.6
Bank Liabilities taken over - total	**11,933.3**
• discount loans	6,116.5
• special liqudity credits	5,353.4
• other credits (long term converted)	463.4

The Bank of Slovenia's high-powered money derived from taking over banks' reserves as at October 7th and converting the dinar cash in circulation to currency tokens, as already described. Further changes to high-powered money came as a consequence of new policies adopted by the Bank of Slovenia. Banks' settlement funds with the central bank and cash in circulation increased due to foreign exchange purchases (including the additional dinar conversion permitted) and decreased due to banks repaying central bank credits.

APPENDIX 2

CREATING CURRENCY TOKENS FOR THE REPUBLIC OF SLOVENIA

In autumn 1990 the Republic of Slovenia started preparing currency tokens which, in case of need, were to be used as provisional money until a proper currency could be issued. The professional and technical design of the currency tokens were assigned to the company Aero Celje (now Cetis) which prepared some drafts.

The Bank of Slovenia (then the National Bank of Slovenia) was invited to participate in the project in late October 1990, before the design of the currency token had been finalised. In this phase, the Bank put forward a proposal for numbering the individual series of notes and one for storing the tokens in the vaults.

The printing of tokens started in the first half of November 1990. The Bank of Slovenia assumed an advisory role in organising the printing and finishing. Once the separate denominations were printed the tokens were inspected and transported to the reserve vaults of the Bank. They were transported to the central vault of the Bank of Slovenia in autumn 1991, after the decision to circulate them had been taken.

Between November 1990 and end of January 1991, the Aero company was commissioned by the Republic of Slovenia to manufacture the following quantity of currency tokens:

Type	Denomination	Quantity of Notes
A	1,000	500,000
B	500	4,600,000
C	200	7,300,000
D	100	32,300,000
E	50	7,700,000
F	10	35,500,000
G	5	15,500,000
H	2	10,000,000

The denomination structure of the tokens was based on the denomination structure of the dinar bank notes then in circulation, adjusting the total nominal value in autumn 1990 by the estimated inflation rate. When the decision to print the tokens was taken, no name for the tokens had been agreed. As a result the monetary unit was deliberately not named on the notes. There was also uncertainty as to whether the tokens were to be used as currency. If not they could have been used for other purposes. The value of individual tokens is thus expressed merely as a number of units (i.e. a token of 1,000 denomination is worth 1,000 units).

Once the series had been completed, faulty tokens were withdrawn as unsuitable for issuing (i.e. maculation) and they were replaced by substitute series. The producer's internal control recorded all replacements and used these records during the final control procedures.

At final delivery, a joint record was made for the Republic of Slovenia of the printing processes, completion procedures and the receipt of tokens. The record, which was also delivered to the then Secretariat of Finance and is now kept by the producer and the Bank, includes all procedures prior to, during and after printing as well as the transfer of the currency tokens. All printing instruments were preserved for any possible reprint.

By the end of January 1991 a total of 112,440,000 currency tokens in various denominations totalling 8,320,000,000 units were prepared for distribution. Analysis showed that the amount would be only 95% of the estimated (dinar) currency in circulation in Slovenia at the end of April 1991. The Bank of Slovenia officially recommended a 1:2 exchange ratio in order to ensure that the required conversions were made and to exclude any unforeseen possibilities. However, even though the tokens were only a provisional currency, the Bank of Slovenia emphasized that the exchange ratio should be set with the utmost care.

Another important question was whether to preserve dinar coins when introducing currency tokens or withdraw them from circulation together with Yugoslav banknotes. Retiring dinar coins meant that the lowest monetary unit would be two and not one, which would not have been logical. Therefore the Bank of Slovenia suggested printing currency tokens of units of one to fill the gap which occurred after the withdrawal of the dinar. As the appointment of the new Minister of Finance coincided with the event, the legal question of signature of these tokens arose.

The decision was taken to print 20,000,000 currency tokens of one unit on the same paper as other tokens. A modified basic design was applied and the signature of the Minister of Finance remained the same.

Due to progressive inflation and a total freeze on the supply of dinar notes from NBY, the introduction of currency tokens after the war in June became an increasing reality. It was also estimated that the denomination structure available until the introduction of a real currency would not be sufficient for conversion requirements. The introduction of a new currency would at that stage have been at least six months away.

In September 1991, the decision was taken to print further tokens of one thousand units as an additional precaution, so 10 million tokens were ready at the beginning of October.

In total 9 different denominations valued at 18,340,000,000 units were printed on 142,000,000 tokens. Apart from the additional 1,000 unit tokens, the entire quantity of tokens was stored in the Bank of Slovenia's reserve vaults until the date for circulation was set. The tokens of 1000 units were stored in the central vault as by then it had become clear that they would probably be circulated at the end of September.

The Bank of Slovenia, having only an advisory role when the first series was being printed, carried out a temporary inspection of printing and finishing during the printing of the bulk of the tokens. For the 1000 unit tokens the controllers were permanently present throughout the 24-hour process in order to avoid any conceivable manufacturing errors. Once units of 1 and 1,000 had been printed, a special record was made out for the Republic of Slovenia of the printing, completion and transfer of the currency tokens. The records cover the entire procedure. Individual procedures (eg records of volumes of paper and ink and the change of maculation) were additionally entered in the manufacturer's records and the joint records of the manufacturer and the Bank of Slovenia.

In connection with the introduction of currency tokens as means of payment in the Republic of Slovenia, several estimations were made of the amounts of dinar cash in circulation, and of its ratio to the quantity of printed currency tokens. Final calculations in September 1991 showed that printed quantities should be sufficient to cover all converted dinar banknotes and ensure short-term stocks. However, additional printing would be needed if the tokens were used for a longer period of time and if the inflation rate increased sharply. Once the tokens were introduced, it turned out that the estimation of dinars in circulation was somewhat exaggerated, so in the first months there was no shortage of tokens. There were however problems with the denomination structure in that there was a shortage of higher value tokens.

The issue of the first series of tokens (printed in December 1990 - January 1991) was legally set out in the contract between the then Secretariat of Finance and Aero Celje. The printing of units 1 and 1,000 was covered by a direct contract between the Bank of Slovenia and Cetis Celje. Financial data on the price of printing are not at our disposal, as the invoices of the first contract were not submitted. The Bank of Slovenia covered the cost (19 million tolars) of the paper and printing of units 1 and 1,000 in the second half of the year.

Currency tokens issued by the Republic of Slovenia (with additional definition in the law "in the name of and on the account of the Bank of Slovenia") were put into circulation on the basis of the definitions of the Republic of Slovenia Monetary Unit Application Act (Official Gazette of the Republic of Slovenia, No 17/91 - 10 October 1991) as the legal tender of the Republic of Slovenia. With the entry into force of the law, dinar banknotes and coins were converted at a 1:1 ratio (during the regular conversion period), and later at an exchange rate of 85.71 tolars to 100 dinars (during the additional conversion period).

Days before the final conversion date was set, the Bank of Slovenia distributed currency tokens to the Social Accounting Service units. Thus the majority of banknotes were checked under supervision prior to conversion, which reduced the likelihood of any conceivable errors in the quantities of currency tokens acquired. Their distribution was carried out between 3 and 7 October 1991 by the Bank of Slovenia vehicles during the day. Cooperation with all Social Accounting Service branches, which also used their own transport to speed up distribution, was highly satisfactory. Approximately 80% of all available currency tokens were distributed. This supplied the Social Accounting Service with a sufficient quantity of tokens, and an adequate denomination structure under circumstances where the precise amount of cash in circulation was not known. Salaries paid in the regions were taken as a standard proxy for the quantity of cash held by individuals. 94,435,000 currency tokens were distributed at a total value of 15,201,710,000 tolars. No problems occurred during their distribution.

There were two preliminary meetings of all parties involved in implementation: the Social Accounting Service units, larger commercial banks and the Post Office of Slovenia, together with the Bank of Slovenia.

Instructions on the methods and terms of converting dinar banknotes and coins into currency tokens were issued with the following stipulations:

- conversion took place from 9 to 11 October 1991;
- dinar amounts were rounded up to whole units (para - a subdivision of the dinar - coins were cancelled immediately prior to conversion);
- direct conversion was allowed for up to 20,000 tolars, whilst larger amounts were deposited on savings or current accounts;
- for all involved in conversion working hours were between 7 am and 9 pm;
- each conversion required the bearer's identity and had to be accurately recorded;
- all amounts exceeding 50,000 tolars were converted only at the Social Accounting Service or at the Bank of Slovenia, both institutions establishing the identity of the legal or physical entity wishing to convert such sums.

Regular conversion ran smoothly and all units involved respected the agreed procedures. Some minor problems occurred at the beginning of conversion as some institutions issued only higher denomination tokens in order to speed up the conversion. After the immediate reaction of the Bank of Slovenia, all participating institutions were instructed that currency tokens should be issued in a variety of units in order to satisfy the requirements of cash circulation.

Once conversion terminated, 8,557,283,597 dinar bank notes in total were withdrawn from circulation (approximately 50 tonnes) and also 18,938,404 dinars (approximately 130 tonnes) of various coins. This dinar cash is to be subject of negotiations on the succession of the former Yugoslavia between the NBY and the authorities of the Republic of Slovenia.

APPENDIX 3

APPENDIX OF TABLES

TABLE 1: REGULATING LIQUIDITY USING MONETARY POLICY INSTRUMENTS

	(DINARS,MILLIONS)									(TOLARS,MILLIONS)		
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Monthly Average												
• banks' settlement funds at BS	400.4	544.8	489.2	688.5	1224.0	1411.5	846.3	1024.6	1179.9	1609.6	297.7	149.3
• cash in valuts	331.1	296.4	308.5	327.5	349.1	369.8	484.1	422.1	431.7	643.6	554.3	683.6
• obligatory reserve	1411.6	1487.6	1570.5	1648.0	1832.8	2107.6	2227.6	2332.1	2525.6	6066.5	4318.2	3376.8
• bills	988.9	2033.7	2864.2	2270.2	2787.5	2569.9	3556.8	4363.2	4487.2	–	–	–
BS "closed market" policy (monthly average)												
• discount loans	692.6	1308.9	1532.8	1603.0	2460.7	2906.7	3293.6	3047.3	1375.3	4193.0	2895.7	1148.4
• loans for liquidity based on reduced foreign exchange deposits of individuals	–	–	–	–	1820.3	2730.7	3212.7	4526.3	4815.2	–	–	–
• other loans	437.8	437.7	437.5	437.5	453.0	533.5	533.5	533.4	533.4	533.2	459.7	542.4
Regulating banks' liquidity (monthly average)												
• obligatory reserves used	427.1	91.3	14.9	7.2	0.5	47.3	66.3	1.0	3.9	3.8	0.0	296.1
• excess obligatory reserves	–	–	–	–	–	–	–	–	–	591.4	1000.0	298.7
• liqudity loans	987.0	433.5	1424.4	472.2	104.7	44.8	241.9	69.8	3.2	–	–	–
• purchased bonds with repurchase agreements	–	–	–	–	–	–	–	–	–	–	167.8	550.0
BS "open market" policy												
• foreign exchange purchase (flow)	–	–	–	–	–	–	–	–	–	734.4	1731.9	4385.7
• foreign exchange sales (flow)	–	–	–	–	–	–	–	–	–	–	–	626.7
NBY/BS bills (monthly average)	1.4	51.3	18.5	50.8	166.3	1099.4	60.0	–	–	–	–	–

Source: 10-day reports on central bank credits, NBY, Bank of Slovenia; Banks' daily data.

TABLE 2: DEPOSITS AND LOANS OF SAVINGS BANKS (EXCLUDING BRANCHES OUTSIDE THE REPUBLIC OF SLOVENIA)

(TOLARS, MILLIONS)

1991	10 Oct	20 Oct	31 Oct	10 Nov	20 Nov	30 Nov	10 Dec	20 Dec	31 Dec
LOANS	**73,946**	**97,327**	**99,999**	**104,699**	**105,350**	**108,490**	**112,355**	**111,995**	**119,220**
Short-term loans	26,972	29,895	28,573	28,473	28,801	29,451	31,566	31,638	35,304
• to business	24,495	27,297	25,912	25,810	26,214	26,788	28,942	29,069	32,922
• overdrafts	569	682	542	493	620	632	593	821	584
• to individuals	1,004	979	1,189	1,220	1,051	1,071	1,106	989	988
• others	903	937	930	950	916	960	924	759	811
Discounted commercial paper	49	51	49	44	60	55	48	44	42
Long-term loans	21,120	23,894	23,936	25,252	25,763	27,491	28,722	28,925	31.345
• to business	12,222	13,805	13,913	14,243	14,766	15,621	16,349	16,643	19,109
• to individuals	14	15	15	15	15	13	15	15	17
• others	8,884	10,074	10,007	10,994	10,982	11,857	12,357	12,267	12,219
Foreign currency loans to business	**25,805**	**43,487**	**47,441**	**50,930**	**50,726**	**51,493**	**52,019**	**51,387**	**52,528**
Foreign assets	**4,830**	**10,168**	**11,260**	**11,242**	**11,688**	**12,797**	**14,977**	**17,629**	**16,845**
Foreign liabilities	**32,892**	**79,414**	**79,651**	**79,113**	**79,458**	**78,715**	**78,582**	**54,537**	**58,194**
DEPOSITS	**61,901**	**75,579**	**86,220**	**89,060**	**87,682**	**90,832**	**93,881**	**97,072**	**104,843**
Business settlement funds	9,631	10,036	10,731	10,882	8,673	8,763	9,495	7,814	11,188
Public sector settlement funds	6,092	7,143	9,664	8,801	9,679	9,179	7,988	10,672	8,000
• RS budget funds	1,310	1,070	1,295	1,864	1,555	1,139	1,694	3,346	1,675
• local budget funds	1,776	1,914	2,119	2,547	2,413	2,291	3,294	3,104	3,003
• pension fund	2,396	3,537	5,663	3,762	5,030	5,106	2,345	3,545	2,483
• other	610	622	587	628	681	643	655	678	839
Other settlement funds	6,467	6,797	7,579	7,666	7,353	8,171	8,323	8,416	10,505
Restricted deposits	1,166	1,139	1,294	1,347	1,221	1,203	1,090	1,200	882
Time deposits over 1 year	2,092	2,109	2,389	2,515	2,548	2,638	2,955	2,995	3,941
Time deposits up to 1 year	...	...	14,904	...	...	14,046	...	...	17,075
Short-term savings deposits of individuals	5,649	5,944	6,190	6,026	6,618	8,269	10,747	13,201	15,156
Long-term savings deposits of individuals	551	632	622	622	618	615	634	631	796
Foreign currency deposits of business	2,001	3,300	4,170	4,979	5,269	5,453	4,812	5,384	4,161
Short-term foreign currency deposits of individuals	22,052	29,423	33,589	35,601	35,151	35,730	36,603	35,617	37,991
Long-term foreign currency deposits of individuals	6,200	8,786	9,992	10,621	10,549	10,811	11,234	11,140	12,223

Source: 10-day report on loans and deposits of savings banks, Bank of Slovenia.

TABLE 3: BALANCE OF PAYMENTS OF SLOVENIA

(DOLLARS, MILLIONS)

	1990	1991	1991 1st quarter	1991 2nd quarter	1991 3rd quarter	1991 4th quarter
A Current Transactions	680.33	224.88	-64.47	-14.60	199.65	104.31
1. Trade balance	-609.00	-285.76	-211.98	-134.46	92.82	-32.13
1.1. Export	4,118.00	3,854.75	990.02	899.20	853.76	1,111.76
1.2 .Import	-4,727.00	-4,140.50	-1,202.01	-1,033.66	-760.94	-1,143.89
2. Non-factor services	1,203.07	636.79	173.89	156.55	142.03	164.32
2.1. Export	1,695.20	1,050.54	281.21	276.64	241.23	251.47
2.2. Import	-492.13	-413.75	-107.32	-120.09	-99.20	-87.15
3. Factor services	-47.78	-175.76	-40.46	-49.66	-44.77	-40.87
3.1. Receipts	58.88	41.96	12.35	9.72	7.14	12.76
3.2. Expenditure	-106.66	-217.72	-52.80	-59.38	-51.91	-53.62
4. Unrequited transfers	134.04	49.61	14.08	12.97	9.57	12.99
4.1. Private	87.17	15.07	6.03	3.74	1.94	3.36
4.2. Offical	46.87	34.54	8.05	9.23	7.64	9.63
B Direct Investment and Other Long-term Capital	123.88	-13.81	33.90	-49.06	-2.29	3.64
1. Direct Investment	-2.12	41.33	-1.33	4.63	-3.02	41.05
1.1. Foreign in Slovenia	4.33	64.87	4.97	14.63	7.57	37.70
1.2. Domestic abroad	-6.46	-23.53	-6.30	-10.00	-10.59	3.35
2. Portfolio investments	2.54	...	...	...	...	...
3. Other long-term capital	123.46	-55.14	35.23	-53.68	0.73	-37.42
3.1 Resident official sector	64.46	13.88	10.00	1.37	4.24	-1.73
Liabilities	64.46	13.88	10.00	1.36	4.25	-1.73
Disbursements	75.78	23.22	11.61	5.61	6.01	-
Repayments	-11.32	-9.35	-1.61	-4.25	-1.76	-1.73
Claims	-	0.00	-	0.01	-0.01	-
3.2. Savings banks	-10.94	-37.36	0.45	-15.22	-1.38	-21.21
Liabilities	-2.96	-23.89	2.26	-13.56	0.87	-13.46
Disbursements	65.06	46.00	19.78	8.31	11.87	6.04
Repayments	-68.02	-69.89	-17.52	-21.87	-11.00	-19.50
Claims	-7.99	-13.47	-1.82	-1.66	-2.25	-7.75
3.3. Other resident sectors	69.94	-31.67	24.78	-39.84	-2.13	-14.47
Liabilities	61.91	-39.20	8.44	-24.27	5.20	-28.57
Disbursements	169.96	78.34	32.29	12.74	26.16	7.16
Repayments	-108.05	-117.54	-23.85	-37.01	-20.96	-35.72
Claims	8.03	7.53	16.34	-15.57	-7.33	14.10
Disbursements	-76.43	-62.62	-16.56	-26.05	-17.41	-2.61
Repayments	84.46	70.16	32.90	10.48	10.07	16.70
C Short-term capital	**-452.76**	**-225.08**	**-129.09**	**-111.15**	**35.88**	**-20.72**
1.1. Resident official sector	...	...	...	...	...	...
1.2. Saving banks	195.35	-65.97	61.91	21.74	8.48	-158.09
Liabilities	10.72	-57.94	224.75	50.93	63.79	-397.41
Claims	184.63	-8.02	-162.84	-29.19	-55.31	239.32
1.3. Other resident sectors	-648.12	-159.12	-191.00	-132.90	27.40	137.37
Liabilities	6.98	-2.56	-35.88	-40.66	52.92	21.06
Claims	-655.09	-156.55	-155.12	-92.23	-25.52	116.31
D Net Errors and Omissions	**-346.83**	**102.82**	**100.88**	**123.57**	**-179.53**	**59.18**
E Exceptional Financing	**...**	**-**	**41.40**	**35.70**	**-52.3**	**-24.80**
F Counterpart Items	**-3.03**	**0.60**	**1.51**	**0.04**	**-0.07**	**-2.07**
G Change in External Position of Central Bank	**-1.59**	**-89.41**	**15.97**	**15.50**	**-1.34**	**-119.53**
International reserves	-	-118.85	0.04	0.03	-0.00	-118.91
Short-term liabilities	-	-	-	-	-	-
Other assets	-1.59	29.44	15.93	15.47	-1.34	-0.62
Long-term liabilities	-	-	-	-	-	-

Provisional data. Excluding transactions with former Yugoslav republics.
Minus sign (-) indicates imports or surplus of imports over exports in current transactions, export of capital in capital transactions, and growth of assets in central bank position.

TABLE 4: TRADE OF GOODS AND EXPORT/IMPORT PRICES (1)

(US DOLLARS, MILLIONS)

Sector (2)	Export			Import			Export Prices		Import Prices		Trade Terms	
	1989	1990	1991 (3)	1989	1990	1991 (3) (1-7)	1990/1989	1-7/91 / 1-7/90	1990/1989	1-7/91 / 1-7/90	1990/1989	1-7/91 / 1-7/90
0. Food and live animals	224	188	95	140	287	121	114	101	104	96	109.6	105.2
1. Beverages and tobacco	20	28	12	4	18	14	120	92	98	108	122.4	85.2
2. Raw materials excluding fuels	112	121	62	414	444	197	111	100	103	86	107.8	116.3
3. Mineral fuels and lubricants	6	5	5	158	341	193	122	131	137	118	89.1	111.0
4. Animal and vegetable oil	2	3	1	8	12	3	84	104	105	98	80.0	106.1
5. Chemical products	353	365	200	556	682	392	106	105	108	106	98.1	99.1
6. Output, classified by meterial	1004	1154	715	642	856	496	116	105	109	102	106.4	102.9
7. Machinery and transport equipment	1158	1571	938	1090	1670	965	118	117	107	104	110.3	112.5
8. Various final products	529	674	720	203	402	305	118	112	113	101	104.4	110.9
9. Other transactions, goods	1	9	5	1	14	181	...	...	...	...	...	...
TOTAL (from 0 to 9)	**3408**	**4118**	**2753**	**3216**	**4727**	**2867**	**116**	**110**	**109**	**102**	**106.4**	**107.8**

(1) Indices.
(2) Sectors defined by standard international classification.
(3) January-July 1991 data provisional.
Source: Information and Statistics Office, Ljubljana.

TABLE 5: PUBLIC FINANCE
(B) GROSS GOVERNMENT SECTOR REVENUES BY SOURCE (1)

	Tax revenues 1								Nontax revenues 1			
	Personal income tax (2)	Corporate income tax (3)	Social insurance taxes (4)	Property tax	Turnover taxes	Customs and import duties (5)	Other taxes	Total	Admin. fees nonind. and incident. sale	Fines	Other (6)	Total
	TOLARS, MILLIONS (7)											
1985	10	13	20	0	11	1	0	55	0	0	5	6
1986	26	32	51	0	23	1	0	133	0	0	10	10
1987	60	67	126	0	54	4	0	311	1	0	20	21
1988	159	172	333	0	181	12	1	858	1	1	60	63
1989	2,304	2,832	5,607	3	1,768	125	4	12,643	15	9	827	851
1990	14,690	14,470	33,505	38	14,599	1,494	20	78,816	1,204	104	5,700	7,008
1991	23,424	2,988	67,493	81	27,883	10,878	220	132,967	91	259	12,906	13,256
1991: 1	1,308	656	3,034	1	1,177	85	3	6,264	265	10	828	1,102
2	1,356	1,119	3,949	13	1,481	96	6	8,021	-252	11	498	256
3	1,720	-444	4,482	4	1,435	217	16	7,429	8	17	525	550
4	1,748	162	4,425	4	2,229	312	20	8,901	8	22	480	510
5	1,710	192	4,624	8	1,743	490	18	8,784	8	26	630	664
6	1,686	167	4,717	9	2,085	1,142	40	9,846	8	24	776	808
7	1,775	222	5,207	5	2,581	183	34	10,007	5	14	1,007	1,025
8	1,850	96	5,696	12	2,184	136	-104	9,868	6	18	1,145	1,168
9	1,954	62	5,853	6	2,473	207	141	10,696	8	23	1,224	1,255
10	2,407	230	7,322	8	3,383	4,092	16	17,457	8	33	1,718	1,759
11	2,634	244	7,717	0	3,281	821	11	14,708	8	21	1,860	1,890
12	3,275	283	10,468	11	3,832	3,097	19	20,985	12	41	2,216	2,269

(1) Sum of revenues equals last column of table 5(b).
(2) Personal and corporate income tax were introduced in the tax reform of January 1991. Data for the preceding period is adapted according to its then tax base of gross wages or corporate income.
(3) From January to march 1991 a payroll tax is included. It was later abandoned.
(4) Compulsory taxes for the pension fund, for health and unemployment programmes, paid by employees and
employers since January 1991.
(5) Data is incomplete for the period before effective fiscal takeover on 8 October 1991.
(6) Includes: contributions to townships, solidarity contributions and other revenues, including eventual capital revenues.
(7) Expressed in dinar prior to 8 October 1991. Data for the period preceding the redonomination of the Dinar on 1 January 1990 are adjusted to compare with the series following.
Source: Statistical report B2 of Social Accounting Service.

TABLE 5: PUBLIC FINANCE
(B) DISTRIBUTION OF GROSS GOVERNMENT SECTOR REVENUES

(TOLARS, MILLIONS)

	Federal Government	Republic of Slovenia	Local Government	Other users and unallocated (1)	Total
1985	4	29	23	4	61
1986	11	73	54	7	144
1987	33	170	116	14	332
1988	99	455	300	66	921
1989	1,138	6,955	4,868	5,33	13,494
1990	10,106	55,482	16,904	3,332	85,824
1991	2,489	109,875	17,317	16,541	146,222
1991: 1	133	4,448	1,439	1,347	7,366
2	133	6,262	1,278	604	8,277
3	267	5,900	1,194	618	7,979
4	405	6,609	1,152	1,244	9,410
5	331	6,815	1,163	1,138	9,448
6	137	7,143	1,223	2,151	10,654
7	51	7,845	1,239	1,897	11,032
8	45	8,396	1,308	1,287	11,036
9	10	8,519	1,340	2,082	11,951
10	951	13,607	1,689	2,970	19,217
11	26	14,092	1,856	624	16,598
12	-	20,239	2,437	578	23,254

(1) Local government revenues, off budget funds, other users and unallocated funds.
(2) Expressed in dinar prior to 8 October 1991. Data for the period preceeding the re-denomination of the dinar on 1 January 1990 are adjusted to compare with the series following.

Source: Statistical report B-2 of Social Accounting Service.

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