

MEETINGS OF THE NBS BANK BOARD

The 4th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marian Jusko, was held on 14 February 2003.

- The Bank Board of the NBS approved the NBS Decision, which repeals the NBS Decision of 10 November 1995 on conditions for the inter-bank payment system on the basis of quick payment orders.

The NBS Decision of 10 November 1995 on conditions for the inter-bank payment system on the basis of quick payment orders is repealed in relation to the change of the payment systems operator, effective as of 1 January 2003.

- The Bank Board of the NBS approved the NBS Decision, which repeals the NBS Decision of 22 September 1994 on conditions for the inter-bank payment system on the basis of third party payment orders.

The NBS Decision of 22 September 1994 on conditions for the inter-bank payment system on the basis of third party payment orders is repealed in connection with the effectiveness of Act No. 510/2002 Coll. on the payment system and on amendments and supplements to certain laws (Act on Payment System). All relevant provisions of the former Decision have been subsumed in the new act and extended not only to the entities so far acting in the inter-bank payment system as third parties, but also to other participants in the payment system.

The Bank Board of the NBS approved Supplement No. 1 of the Framework Agreement on keeping the current accounts for the Slovak Ministry of Finance's National Fund in the National Bank of Slovakia, and on carrying out banking operations with these accounts.

The 5th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marián Jusko, was held on 28 February 2003.

- The Bank Board of the NBS discussed the Situation Report on Monetary Development of Slovakia in January 2003. In line with the NBS expectations, the year-on-year headline inflation development accelerated in January. It was mainly caused by the adjustments to regulated prices, and the change of

VAT and excise duty rates. In the framework of the core inflation structure, the prices of tradable goods and processed foodstuffs increased most significantly on a year-on-year basis. On the whole, the price development in January was in accordance with the NBS short-term prediction from December 2002.

In January, the tendency in the development of the foreign trade continued with the export growth rate higher than the import one. The manufactured goods and machinery, and mostly transport facilities, contributed to the dynamic growth of exports. On the import side, the stagnation of the investment demand was shown when the import of machinery, electrical machinery and devices, and motor vehicles declined.

Owing to the fact that the consumer prices are determined mainly by the adjustments of regulated prices and their secondary effects without a significant influence of domestic demand, with the stable development of the SKK exchange rate, as well as of other economic indicators, the Bank Board of the NBS decided on maintaining the effective interest rates at the unchanged levels, i.e. the overnight sterilization rate at 5.0%, the overnight refinancing rate at 8.0% and the limit rate for two-week REPO tenders at 6.5%. In February, the level of consumer prices should be mainly influenced by the secondary effect of the January increase in regulated prices. However, the effect of their increase should be reflected in the consumer prices, mostly in the market services prices, only in the months to come.

- The Bank Board of the NBS discussed and approved Provision of the National Bank of Slovakia No. 3/2002 on the rules governing the prudent conduct of banking business and prudent banking reports. The purpose of this Provision is to reduce from 40% to 25% the limit of a bank's exposure to a person with a special relationship if that person is a bank based in an OECD member state, since the current limit allows too high a risk resulting from the concentration of a bank's trade exposure. The deadline for reporting becomes the same as in other related NBS regulations.

- The Bank Board of the NBS discussed and approved the paper "Assessment of Slovakia resulting from the ECB Report on the Status of Legal Preparation of Accession Countries".



- The Bank Board of the NBS also discussed "The tasks of the NBS resulting from the 2002 Regular Report on Slovakia's Progress Towards Accession of the European Commission" and approved the tasks and the deadlines for their fulfilment in the NBS as set in the submitted paper.

- The Bank Board of the National Bank of Slovakia approved the amendment to the NBS Decree No. 662/2002 Coll. on the issue of the commemora-

tive silver coin in face value of SKK 1000 on the occasion of the 10th anniversary of the Slovak Republic establishment. The amendment to the Decree changes the provision of Article 2 paragraph 3 on the edge of the coin, which states that there will be interrupted milling on the edges of the coin and three milled areas will alternate two plain ones. Other provisions of the original Decree remain unchanged.

Situation Report on the Monetary Development of Slovakia in January 2003

Summary

1. The level of consumer prices increased by 5.3% in January. The prices of core inflation items grew by 0.9% on a month-on-month basis.

The year-on-year inflation rate equalled 7.3%, of which core inflation was 1.46 percentage points. The core inflation dynamics on a year-on-year basis was 1.9%.

2. Money supply M2, according to the preliminary data of the decade (at the fixed exchange rate as of 1 January 1993), remained unchanged on a month-on-month basis, and equalled SKK 681.6bn. Its year-on-year increase was 6.5%. The deposits in SKK, as a part of the monetary aggregate M2, increased by SKK 3.7bn in January, and on a year-on-year basis grew by 6.4%.

3. Loans to enterprises and households (at the fixed exchange rate as of 1 January 1993, adjusted time series) increased by SKK 1.4bn on a month-on-month basis in January. This equalled an increase of 9.0% on a year-on-year basis if the current figures are adjusted upwards, or 13.5% if the past figures are adjusted downwards (detailed information on the adjustment of time series is formulated in part 3.1 Monetary Aggregates).

4. The average lending rate on loans disbursed in December decreased by 0.6 percentage point to 7.9% and the average interest rate on total loans decreased by 0.3 percentage point to 8.8%.

5. The foreign exchange reserves of the NBS (at the current rate) went up by USD 602.1m in January. Their amount at the end of January represented the equivalent of 6.2-times the average monthly imports of goods and services to Slovakia for 2002.

6. The current central government budget deficit for January 2003 was SKK 1.7bn.

7. The balance of payments current account for January – November 2002 ended in a deficit of SKK 74bn, mainly due to the deficit in the trade balance of SKK 83.4bn. According to the preliminary data, the capital and financial account of the balance of payments for the same period ended in a surplus of SKK 218.6bn.

8. The NBS total sterilization position against the banking sector was SKK 152.7bn in January, and it increased by SKK 13.1bn against the December figure.

9. On January 31, 2003 the Bank Board of the NBS decided on maintaining the key interest rates of the NBS at the unchanged levels, i.e. the limit rate for two-week REPO tenders of the NBS at 6.5%, the overnight sterilization rate at 5.0%, and the overnight refinancing rate at 8.0%.

Press release

The National Bank of Slovakia provides the public and clients of Všeobecná úverová banka with the following information.

Všeobecná úverová banka, a. s., Bratislava, (VUB) observes all prudential ratios. The main prudential ratio (capital adequacy) reached the level of approximately 34% in the VUB, which is four times the minimum limit set at 8%.

The bank, with foreign participation (IntesaBci), has considerably increased its capital and is highly liquid,

which is proved by the volume of its capital and reserves of nearly SKK 18bn. According to preliminary results, the VUB reported profit in the amount of 1.7bn as of 31 December 2002, and, at the same time, the bank settled its loss accrued before privatization. These positive ratios are the result of successful transformation of the bank in the last two years.

The National Bank of Slovakia positively values the results of the post-privatization development of the bank and evaluates this institution as highly stable.

Press department of OVI NBS

MEMBERS OF THE NATIONAL COUNCIL OF THE SLOVAK REPUBLIC HAVE A WORKING MEETING AT THE NATIONAL BANK OF SLOVAKIA

On 12th February 2003, the members of the committee of the National Council of the Slovak Republic for finance, the budget and currency visited the National Bank of Slovakia.

Members of the Bank Board of the National Bank of Slovakia attended a meeting with them.



The main themes of the talks were the present currency situation, development of the economic activity of the National Bank of Slovakia and the legislative plans of the central bank.

Photography: P. Kochan

MEETING OF THE COMMISSION FOR THE FINANCIAL MARKET OF THE ASSOCIATION OF BANKS AT THE NBS

A meeting of the Commission for the Financial Market of the Association of Banks was held on 11th February 2003. The main point of the programme was a lecture by vice governor of the National Bank of Slovakia Elena Kohútiková on the theme of: „Recent monetary development in the Slovak Republic and convergence with the EMU“. The session was held at the National Bank of Slovakia at the invitation of the vice governor. It was the first such meeting of the Commission for the Financial Market with the participation of an important representative

of the NBS. The interesting presentation by vice governor of the NBS E. Kohútiková was followed by discussion, with the members of the commission taking an interest especially in the philosophy of the National Bank of Slovakia concerning monetary policy, the principles for determining key interest rates, the view of the NBS on the potential development of the exchange rate and interest rates of the Slovak crown. Since the members of the commission are representatives of the treasury units of the individual commercial banks operating in the financial markets, the theme of the presentation and discussion was extraordinarily interesting.

In view of the positive reactions of the representatives of the majority of the commercial banks, which participated in the sessions, the commission will attempt regular organization of similar discussions. The intention of the Commission for the Financial Market of the Association of Banks was received with interest and agreement by the vice governor of the NBS



**Martin Macko, Asociácia bánk,
Foto: P. Kochan**

THE SIXTH BUSINESS ROUNDTABLE ORGANIZED BY THE ECONOMIST

The first meeting of businessmen and representatives of the Slovak government was held in Bratislava over two days: 10th-11th February 2003. Its organizers gave information about it at a press conference. The thematic conferences of the renowned London weekly The Economist, organized in various countries by its sister company Economist Conferences, are intended for top managers interested in important and strategic information from the given territory or economic sector. Investors and people interested in doing business in Slovakia expressed support for the reformist policy of the present government. However, they also pointed out the need to suppress corruption, more consistently implement legislation and support the mobility of the labour force.

The aim of the roundtable was to inform about the state and development of the Slovak economy, to pre-



sent the conditions and possibilities for the entry of foreign capital and stimulate investment activity. Foreign businessmen and potential investors had discussions with Prime Minister Mikuláš Dzurinda, Minister of the Economy Róbert Nemcsics, Minister of Labour, Social Affairs and the Family Ľudovít Kaník and the Governor of the National Bank of Slovakia Marián Jusko (in centre of the picture).

Source: TASR

A SIGNIFICANT BIRTHDAY

At the end of February, Ing. Jozef Ševčík reached the honourable age of 90 years. He worked in finance from 1931 until his retirement in 1979.

Mr. Ševčík started work in a branch of the Městská spořitelna Pražská (Prague City Savings Bank), then he worked in the Slovak National Bank, the Czechoslovak Monetary Institute abroad and at the Ministry of Finance. He retired as an employee of the State Bank of Czechoslovakia.



The difficult and demanding years 1944 – 1945 and his direct personal participation in saving part of the Slovak golden treasure created after 1939 from national collections and gold extracted from the mines of Kremnica and Banská Štiavnica have an especially important place in the memories of Mr. Ševčík.

On the occasion of the significant birthday of Mr. Jozef Ševčík, who has reached the age of 90, he was received by the Governor of the National Bank of Slovakia Marián Jusko and Chief Executive Director of the NBS Currency Division Ján



Mathes. The governor of the National Bank of Slovakia appreciated the extraordinary merits and personal achievements of Mr. Ševčík during his work in finance. He wished the celebrating 90-year old good health and well-being for the future.

Photography: P. Kochan