



MEETINGS OF THE NBS BANK BOARD

The 9th Meeting of the Bank Board of the National Bank of Slovakia was held on 12 May 2004 chaired by Marian Jusko, Governor.

- The Bank Board of the NBS approved the draft of the Decree of the National Bank of Slovakia, amending the NBS Decree No. 2/2003 of 30 May 2003 on the Central Credit Register.

This draft is a result of the amended Act No. 483/2001 on Banks and changes and amendments to related laws as amended by subsequent regulations, (hereinafter referred to as „a law“). Of the data which a bank and a branch office of a foreign bank is obliged to provide the National Bank of Slovakia for the purpose of keeping them in the Central Credit Register, the data on natural persons were excluded by the amended Act that became effective on 1 January 2004. As a result, the Central Credit Register will include information on legal persons only.

The aim of the approved Decree is to harmonize the National Bank of Slovakia Decree of 30 May 2003 No. 2/2003 on the Central Credit Register with the amended law.

The Decree became valid with effect from 1 January 2004.

- The Bank Board of the NBS approved the Interim Financial Statement and Report on the NBS Profit and Loss as at 31 May 2004.

The National Bank of Slovakia reported a cumulative loss in the amount of SKK 5.5bn as at 31 March 2004. The loss was affected mainly by the domestic currency rate development vis-à-vis the euro and the US dollar since the beginning of 2004.

The 10th Meeting of the Bank Board of the National Bank of Slovakia was held on 26 May 2004 chaired by Marian Jusko, Governor.

- The Bank Board of the NBS discussed the Situation Report on Monetary Development in the Slovak Republic in April 2004 and decided on maintaining the current inter-

est rates at unchanged levels, i.e. for the overnight sterilization rate at 3.5%, the overnight refinancing rate at 6.5%, and the limit rate for two-week REPO tenders at 5.0%.

- The Bank Board of the NBS approved the Report on the Monetary Development in the Slovak Republic for 2003. The Report will be released after it is discussed at the National Council of the Slovak Republic.

- The Bank Board of the NBS approved the Revised Monetary Programme of the NBS for 2004 with the aim to concretize the Monetary Programme figures for this year and in the medium term, in view of the final results of 2003 and the current development in 2004.

- The Bank Board of the NBS approved the draft of the Act on supervision of the financial market and on amendments and supplements to certain laws.

The draft of this Act is in compliance with the Conceptual Framework for the Integrated Supervision of the Financial Market approved by the Government of the Slovak Republic by its Decision No. 302 of March 27, 2002 in accordance with the Plan of the Legislative Tasks of the Slovak Republic for 2004.

The National Bank of Slovakia shall execute the integrated supervision of the financial market, which will change the current role of the NBS. The part of the integrated supervision of the financial market will be:

- a) banking supervision, currently executed by the NBS;
- b) supervision of the capital market and the insurance sector, currently executed by the Financial Market Authority;
- c) supervision of the entities of the capitalization pillar of the obligatory pension insurance and of the entities which will be established by the transformation of the current pension complement insurance; the Financial Market Authority will supervise these institutions until the supervision of the financial market is integrated,
- d) regulation of the financial market.

This Draft should become effective on January 1, 2006.

Rationale behind the decision of the Bank Board of the NBS on interest rates

The Bank Board of the NBS discussed the Situation Report on Monetary Development in April and observed that the April development of economic indicators continued in the previous months' trend and the macroeconomic development has been in accordance with the NBS's expectations since the beginning of the year. The exchange rate development has stabilized and the short-term indicators of

the real economy development have confirmed the signals of a revival in domestic demand. This development is in accordance both with the NBS's expectations and with the latest decisions of the Bank Board. Having considered these facts, the Bank Board of the NBS decided on leaving its interest rates unchanged.

The Bank Board of the NBS at its meeting discussed and considered the following issues:

The consumer prices dynamics in total was in accordance with the NBS's expectations in April,



and their structure reflected a more substantial decrease in foodstuff prices and a faster increase in fuel prices. The downward trend in the inflation dynamics since the beginning of the year has been in harmony with the programmed disinflation trajectory. This has also reflected in the expectations of households. The Consumer Barometer survey conducted in April repeatedly showed a fall in the inflation rate expected for the following twelve months.

The external trade balance, despite its increased deficit in March, has continued to improve on a year-on-year basis, as compared with 2003. However, this difference will gradually decrease owing to the basis effect observed from May, as in the same period last year the monthly deficits of trade balance started to be reduced due to the increased export in the car industry. As a result, the deficit of the balance should stabilize as a 12-monthly aggregate until the expected revival of the investment imports in particular. The development of the trade balance will be further influenced by the exchange rate of the USD and fuel prices.

In March, the indicators of the real economy continued in their previous month developments. The industrial output, revived construction activities, a restored year-on-year increase in retail receipts, and the car and fuel sale, have confirmed the increase in domestic supply. The supply thus reacted both to the continued export performance and to the gradually reviving domestic demand. The expected increase in domestic demand has also been confirmed by the development of the confidence indicator. The latter, together with the growing retail income and dynamic increase in wages, has suggested the restored private consumption (after a sharp fall in the second half of the previous year). The increased import of machinery and appliance for individual industrial sectors has also indicated a growth in the investment demand. The latest figures of the real economy development signalled the continued fast pace of the economic growth also in the first quarter of 2004, its structure being more balanced as compared with the previous periods. This development is in accordance with the NBS's expectations and the latest decisions of its Bank Board in terms of interest rates.

The favourable development of the selected indicators of the real economy relates both to the falling year-on-year inflation rate and to the relatively dynamic growth of nominal wages. As a result, the average real wage for January through March exceeded the previous year levels in all monitored sectors. Based on the wages development in March, it is clear that their development over the first quarter of 2004 was not influenced only by an effect of a sing-

le transfer of variable wage components and bonuses from the last quarter of 2003 to the beginning of 2004, mainly owing to the flat tax introduction. In the course of the first three months, the relation between wages and work productivity developed differently in individual sectors. As these data are only preliminary and may be reviewed retrospectively, the wages development in the whole economy in relation to the work productivity can only be assessed later, as well as domestic demand, on the basis of data including the GDP to be published for the first quarter.

The development of the real economy indicators was supported inter alia by lending activities towards the household sector also in March, mainly as a result of withdrawn mortgage loans, and towards the corporate sector, where the amount of loans in foreign currencies increased. The continued tendency in the provided mortgage loans indicates that the households sector will further support the investment demand. On the contrary, the money supply went down on a month-on-month basis in March, particularly due to seasonal developments, when the payments of income taxes for 2003 were effected. In the course of the first quarter of 2004, the low dynamics of money supply mainly reflected the favourable performance of the public sector.

The exchange rate development after the decrease in interest rates can be assessed as acceptable in view of the NBS's objectives. However, a moderate appreciation continues, which may also be influenced by the short-term capital. The existing interest-rate margin, which remains relatively wide, can later lead to the repeated substantial pressure for the Slovak koruna appreciation. Its development, as well as factors affecting the exchange rate, will be monitored and analysed by the NBS. The central bank is prepared to react adequately in the case of the unbalanced development.

As compared with the previous month, the Slovak economic and monetary environment did not undergo any significant changes, which would require modifications in the monetary policy setting. The current levels of interest rates are in accordance with the current and expected developments of inflation. The signals of restored domestic demand confirm the NBS's expectations, as well as the Bank Board's decisions on interest rates. The reaction of the SKK exchange rate to the April decrease in interest rates has corresponded with the NBS's expectations. However, the impact on the real economy can only be assessed later.

Press Development of the NBS

PRESS REPORTS

NBS Governor at BIS Meeting

The Governor of the National Bank of Slovakia, Marián Jusko, on 10 May 2004 attended a full meeting of the Bank for International Settlements (BIS), in Basel.

The meeting agenda of the heads of central banks covered the evaluation of the activities of the Committee for Payment and Settlement Systems (CPSS), a discussion on the problems of adherence to fiscal discipline,

and on the influence on the activity of central banks, and on the prospects for approximation between accountants and bank regulators. The BIS is a multinational organisation focused on supporting cooperation among central banks and other institutions with the aim of achieving monetary and financial stability. It is one of the oldest multinational financial organisations, having been founded in 1930, and at present affiliates 55 central banks and financial authorities from all continents.

I. Barát

Working Meeting

At RVS Studené on 26 May 2004 a working meeting of the management of the National Bank of Slovakia was held with representatives of commercial banks and branches of foreign banks operating in the SR.

The Deputy-Governor of the NBS Elena Kohútiková informed bank representatives of the Updated Monetary Programme of the NBS for 2004, which had been approved on that day by the Bank Board of the NBS, and familiarised them with current issues concerning further development in the SR banking sector.

I. Paška, photography: P. Kochan



Memorandum of Understanding

The Financial Market Authority became the 26th signatory to the multilateral Memorandum of Understanding in the field of the exchange of information and supervision over securities trading between IOSCO member states. It entered this Memorandum at the 29th IOSCO Annual Conference, held in May in Amman, Jordan. The Financial Market Authority achieved this signi-

ficant success in a situation when only about half the member states of the European Union were able to meet the criteria of the multilateral Memorandum of Understanding in the field of the exchange of information and supervision over securities trading.

The Financial Market Authority became a member of IOSCO (the International Organisation of Securities Commissions) on 26 June 2001 in Stockholm at the organisation's 26th Annual Conference.

Notification to Investors

The Financial Market Authority (the Authority) is warning the public that through monitoring activity it has discovered that the company Finergo s.r.o., Kukučínova 30, 927 01 Šaľa, in offering its product H2deal, which serves for brokering financial derivatives trading on foreign markets via the Internet, is performing activities which have the nature of providing an investment service.

Pursuant to Act No. 566/2001 Z.z. on securities and investment services (the Securities Act) a person other than a stockbroker may not, without the Authority's permission, provide main investment services or certain ancillary investment services, such as the depositing or administration of investment instruments and advisory activity in matters concerning investing in investment

instruments. The Authority warns the public that the company Finergo, s.r.o.:

- is not authorised to provide investment services for which a stock-broking licence issued by the Authority is required,
- the Guarantee Fund of Investments pursuant to Article 80 of the Securities Act does not cover its clients,
- is licensed by the Authority to perform brokerage activity of investment services relating to substitutable shares and mutual fund certificates, but its license does not relate to financial derivatives. An investment services broker is not, inter alia, authorised to accept funds or investment instruments of clients, nor to provide advisory activity concerning investing in investment instruments.

M. Kačmár, Financial Market Authority

TALKS BETWEEN THE MANAGEMENT OF THE NBS AND REPRESENTATIVES OF SLOVAK CHAMBER OF COMMERCE AND INDUSTRY



between the management of the central bank and the representatives of the Slovak business sector was the current economic development in Slovakia. The discussion also concerned questions connected with the entry of our country into economic and monetary union, and about the transition to the common European currency.

On 1 June 2004, the Governor of the National Bank of Slovakia Marián Jusko met a delegation from the board of the Slovak Chamber of Commerce and Industry (Slovenská obchodná a priemyselná komora – SOPK), led by its chairman Peter Mihók. The topic of the talks



Igor Barát, photography: Pavel Kochan

MEETING BETWEEN BUSINESSMEN AND THE SLOVAK GOVERNMENT

The Governor of the National Bank of Slovakia Marián Jusko also participated in the seventh round table of businessmen and the government of the Slovak Republic, held in the Hotel Carlton in Bratislava on 3 June 2004.

In his speech he focused on the issues of the entry of Slovakia into the Eurozone in the context of the development of the exchange rate and the influence of monetary policy on the real economy.



The main areas of discussion at the meeting were questions concerning the evaluation of the business environment in Slovakia, the steps of the government to support business in the next 12 – 18 months, economic reforms, differences between regions, the problem of the enforceability of laws, the act on bankruptcy, pension reform, implementation of EU legislation, Slovak industry and foreign investment.