



## FOREWORD

In 2013 Národná banka Slovenska celebrated its 20th anniversary, which gave us an opportunity to take stock. Since its establishment in 1993, NBS has undergone many significant changes. In response to developments in economic relations, as well as in the domestic political environment, the bank's objective, strategy and instruments have gradually changed, as have its organisational structure and personnel.

A key milestone in the bank's history was Slovakia's accession to the European Union in 2004. However, it was the introduction of the euro in Slovakia, in 2009, which had the greatest impact on the functioning of NBS. As of then the bank became a full-fledged member of the Eurosystem and consequently adopted the common monetary policy of the euro area. One of the most significant events for NBS in 2013 took place in Bratislava in May, when the regular meeting of the ECB's Governing Council was held in Slovakia for the first time. The meeting was followed by the launch of the new €5 banknote, the first denomination of the second series of euro banknotes. Another priority of last year was the preparatory work on the introduction of new rules for credit transfers and direct debits within the Single European Payments Area (SEPA).

As regards the external environment in 2013, the situation improved moderately, largely thanks to the euro area's emergence from recession. The economic upturn was accompanied by partial stabilisation of the debt crisis in certain countries. At the same time, however, the upturn was heavily contingent on the continuation of non-standard monetary policy instruments aimed at boosting liquidity and ensuring the smooth functioning of specific financial market sectors.

On the home front, the annual growth rate of GDP slowed further (to 0.9%), owing mainly to a decline in net export growth. The annual rate of change in domestic demand continued to be negative, nevertheless, its overall impact on GDP was significantly lower than in the previous year due to increased public consumption. With the trade surplus increasing to 6.0% of

GDP, the balance of payments current account surplus rose to 2.2% of GDP. Subdued activity in the domestic economy was not conducive to an improvement in the depressed labour market situation. The unemployment rate remained above 14%.

In an environment of weak demand and subdued price developments, a trend of disinflation (a slowing down of consumer price increases) continued in Slovakia. The annual inflation rate as measured by the Harmonised Index of Consumer Prices (HICP) fell to 0.4% in December 2013 and its average level for the year was 1.5%.

In response to disinflationary pressures and with the aim of supporting the euro area's recovery, the ECB's Governing Council adjusted its monetary policy rates on two occasions in 2013. The main refinancing rate was reduced in May from 0.75% to 0.5%, and then again in November, to 0.25%.

The implementation of non-standard monetary policy measures in the euro area remained necessary in 2013. The ECB continued to conduct operations as fixed rate tender procedures with full allotment. Having regard to the subdued outlook for inflation and monetary dynamics and to the projected weakening of euro area economic growth, the ECB engaged for the first time in forward guidance for monetary policy, announcing its expectation that the key ECB interest rates would remain at present or lower levels for an extended period of time.

As regards payment systems in Slovakia in 2013, NBS had an indispensable role in coordinating, and conveying information about, the implementation of the Single European Payments Area (SEPA) for cashless credit payments and direct debits. NBS also continued to ensure the smooth functioning of the SIPS retail payment system and made it compatible with new technical standards. Furthermore, the central bank became a STEP2 direct participant, thus enabling implementation of SEPA cross-border credit transfers and direct debits.





In line with their long-run trend, payments executed via SIPS increased in number by 6% and their total value remained almost unchanged. As for the TARGET2-SK payment system, in 2013 it processed around 320,000 transactions that had a total value of more than €630 billion. Therefore the TARGET2-SK traffic increased in volume by just under 15% and in value by 25%.

The cumulative net issuance of euro currency in Slovakia, i.e. the difference between the value of euro banknotes/coins that NBS has put into circulation and withdrawn from circulation, amounted to €8.9 billion by the end of 2013, which represented a year-on-year increase of 7.5%. In addition to ordinary circulation banknotes and coins, NBS issued one million €2 commemorative coins marking the 1150th anniversary of the advent of the mission of Constantine and Methodius to Great Moravia.

The annual profit of Národná banka Slovenska increased year-on-year in 2013, to €490 million. Net interest income and income from financial operations accounted for the largest share of that profit. The number of NBS employees stabilised at just over one thousand, and as at the year end totalled 1,011.

The formation of an EU banking union came a significant step closer in 2013, with the adoption of legislation establishing the first of its three pillars – the Single Supervisory Mechanism – and with the launch of the preparatory phase of its implementation. In autumn the European Parliament gave approval to a new system of supervision under which the ECB will assume direct supervision of the largest banks. This was followed by the start of a year-long phase of preparation for the transfer of supervisory competences from national authorities – including Národná banka Slovenska – to the ECB. Progress was also made in preparations for the second pillar of the banking union – the Single Resolution Mechanism. Towards the year-end the ECOFIN Council approved a common position on a Draft Regulation establishing uniform rules and a uniform procedure for the resolution of credit institution and certain investment firms in the framework of a Single Resolution Mechanism and a Single Bank Resolution Fund.

A single point of entry was established for customer submissions. Preparations for the on-site inspection of all financial institutions will continue in 2014.

March 2014

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