

MEETINGS OF THE NBS BANK BOARD

The 13th Meeting of the Bank Board of the National Bank of Slovakia was held on 15 July 2004 chaired by Marian Jusko, Governor.

- The Bank Board of the NBS approved the NBS Working Regulation laying down the rules of the NBS's foreign exchange reserve management, and the Book of Limits concerning the foreign exchange reserve management.

These two documents formulate principles, rules and limits, which restrict the participation of the NBS in the global financial and capital markets. They also define accepted investment instruments, principles for the risk management of different types of risks, and specify the assignment of powers and responsibilities in the NBS's foreign exchange reserves management. The Book of Limits also involves a list of counterpart banks and financial institutions for individual types of financial transactions.

- The Bank Board of the NBS further approved the additional issue of 33 million pieces of SKK 1000 banknotes and 25 million pieces of SKK 50 banknotes in the unchanged design in 2005.

The minting of 50 000 pieces, as a maximum, of the annual collectors' sets of coins was also approved, the production and sale of which will be arranged by the Kremnica Mint.

The Bank Board of the NBS approved the minting of four themes of commemorative coins from the 2005 and 2006 Issue Plans, as follows:

- a silver commemorative coin in the nominal value of SKK 200, with the theme of Bratislava Coronations, which will be issued on the occasion of the 350th anniversary of the coronation of Leopold I.; a maximal amount of issue is 15 000 pieces (of which 5000 pieces in a proof form); the term of issue is June 2005;

- a gold commemorative coin in the nominal value of SKK 5000, with the theme of Bratislava Coronations, which will be issued on the occasion of the 350th anniversary of the coronation of Leopold I.; a maximal amount of issue is 7500 pieces; the term of issue is November 2005;

- a silver commemorative coin in the nominal value of SKK 200, with the theme of Signing Bratislava Peace after the battle of Austerlitz won by the troops of Napoleon I, which will be issued on the occasion of the 200th anniversary of the event; a maximal amount of issue is 15 000 pieces (of which 5000 pieces in a proof form); the term of issue is December 2005;

- a silver commemorative coin in the nominal value of SKK 500, with the theme of the Muranska Planina National Park, from the Nature and Country Protection series. This coin, though from the 2006 Issue Plan, will be minted in the course of 2005 owing to its planned issue in May 2006. The maximal amount of issue will be 13 500 pieces.

- The Bank Board of the NBS discussed and approved the Plan of Main Tasks of the NBS for the second half of 2004.

The 14th meeting of the Bank Board of the National Bank of Slovakia was held on 30 July 2004, chaired by Marian Jusko, Governor.

- The Bank Board discussed the Situation Report on Monetary Development in the Slovak Republic in June 2004 and decided on maintaining the current interest rates at unchanged levels, i.e. for the overnight sterilization rate at 3.0 %, the overnight refinancing rate at 6.0 % and the limit rate for two-week REPO tenders at 4.5 %.

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

The Bank Board of the NBS on its 14th Meeting held on 30 July 2004 discussed the Situation Report on Monetary Development in Slovakia in June 2004, and concluded that the current and expected development of the macroeconomic and monetary indicators were in line with the expectations of the NBS. In this context, the Bank Board of the NBS decided

on maintaining the key interest rates at unchanged levels. The dynamics of consumer prices and their expected development continues to fluctuate in line with the expectations of the NBS, and there are no signals of potential rise in demand pressures in the economy, which could cause price growth. The current indicators of real economy indicate the ongoing positive development in the area of industrial output and incomes, which is accompanied by a gradually milder growth in nominal wages. In line with its



exchange rate policy, the NBS intervenes in the foreign exchange market with the aim to ensure an adequate development of the exchange rate and to eliminate the risk of excessive strengthening of the Slovak koruna.

The Bank Board of the NBS in its decision on the level of interest rates considered the following factors:

The year-on-year dynamics of both the consumer prices growth and core inflation in June slightly decelerated against May figures, which was in line with the NBS assumptions. In June, the price level grew due to the rise in regulated prices, prices of food, fuels and market services, while the prices of tradable goods without fuels stagnated. In the period to come, the consumer prices should be in a greater extent influenced by the implementation of the Common Agricultural Policy. The rise in fuel prices should also continue in July, in view of the current developments in crude oil prices on the global markets. According to the updated short-time prediction of the consumer prices developments to the end of the current year, both the headline and core inflations should be approximately in the middle of the programmed band. In the area of price development, the Statistical Office started to release, in addition to the Consumer Price Index also a Harmonized Consumer Price Index, which indices reported the identical pace of growth in June.

The foreign trade balance of payments in the Slovak Republic was in deficit in May; along with a larger volume of dividend payout to a foreign investor, this was reflected also in the deficit on the current account of the balance of payments. In May, a favourable influence of the base effect on a 12-month cumulative trade balance disappeared, which brought to a halt a long-term trend towards lowering its cumulative deficit. In the period to come, we can expect that the 12-month cumulative deficit trade balance figure will be gradually higher, also owing to the current holiday season and the lower volume of exports thereof. The NBS anticipated this development, as well as the higher volume of technology equipment imports in the second half of 2004 connected with realization of foreign direct investments, in its 2004 Updated Monetary Programme.

The real economy developments, according to the assessment of the selected indicators of macroeconomic development, continued in the trends of the

previous period. The industrial output recorded an accelerated growth in May, and the income on services, except for the services related to real properties, leasing, and commercial services, grew as well. In May, following a higher pace of growth in 1Q, the growth of nominal wages decelerated in most of the sectors on a year-on-year basis; this also confirmed the anticipated one-off effect of the retained payout of the last-year wages, while these, for tax purposes, were paid at the beginning of 2004.

In the area of monetary aggregates, there was a decrease in the money supply dynamics due to the dividend payout to the public sector and abroad. The development in the area of credit activities of the commercial banks continues in the so-far trend, for which the increasing volume of loans to households provided in SKK, as well as the growing interest of corporations in the loans denominated rather in foreign currency than in SKK, is typical. The so-far multiple lowering of the key interest rates of the NBS has had a different impact on the interest rates in the banking sector as far as primary clients are concerned. This is connected with the fact that commercial banks have applied a different interest rate policy with different groups of clients where in the case of households the interest rates on deposits decreased, however, those on loans have recorded an increase in the current year. The banks' interest rate margin for households is, also due to this, considerably higher as compared with the interest rate margin for corporations. The National Bank of Slovakia is not satisfied with such interest rate policy of commercial banks, which unfavourably affects the transmission of the NBS signals of its interest rate changes into real economy.

The current development of macroeconomic and monetary indicators and its predictions do not indicate an origination of such development tendencies which would request a change in the current monetary policy position. So far, a transmission of the key interest rates decreases in March, April and June has not been fully reflected in the economy. In the foreign exchange area, the NBS will continue to play its role of an exchange rate stabilizer, while the level of the exchange rate as well as the dynamics of its revaluation should be consistent with the development of real economy indicators.

Press Development of the NBS

PUBLIC ANONYMOUS COMPETITION TO DESIGN THE SLOVAK SIDES OF THE EURO COINS

On entry to the European Union, the Slovak Republic accepted an obligation to introduce the euro common currency, although this will be possible only after fulfillment of the Maastricht criteria and the conditions for the acceptance of Slovakia as a member of the Eurozone. This process will probably be completed in 2008 or 2009. Although a few years remain, the National Bank of Slovakia is already adopting measures, so that we will be prepared to adopt the new currency from 1st January 2008. On 20th July 2004, it declared a public anonymous competition to find designs for the Slovak sides for the euro coins. The competition will be held in two rounds with closing dates on 31st January 2005 and 30th September 2005. For the first round, it is necessary to submit drawings of proposed designs for the coins. A maximum of five of the best designs for each denomination will proceed to the second round. Only the artists of the best designs will be invited to participate in the second round. Their task will be to make relief versions of their designs in the form of plaster models. The competition will be judged

by the expert commission for selecting themes of commemorative coins and the commission for assessment of the artistic designs of coins. The conditions of the competition and other necessary information are published on the Internet page of the NBS: <http://www.nbs.sk/> in the part on the Slovak currency.

At the press conference held to announce the public anonymous competition to find the designs for the Slovak sides of the euro coins, the deputy governor of the National Bank of Slovakia Ivan Šramko emphasized the extraordinary importance of this competition, since euro coins with the Slovak sides will not only be used in Slovakia, but will also be legal tender in the territories of the other states of the Eurozone. Therefore, the National Bank of Slovakia has an interest in ensuring that the national sides of the coins depict the historical, cultural and natural treasures of Slovakia on a high artistic level and contribute to the country's dignified presentation.

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ANNUAL ASSEMBLY OF THE EABH IN ATHENS

This year's annual assembly of the European Association for Banking History was held in Athens. It was associated with conferences on the themes of Archives and the Culture of Corporations, and the Human Factor in Banking.

A year after the meeting at the National Bank of Slovakia, the Greek Alpha Bank was joint organizer of the event.

The session of the EABH in Athens changed the statu-

tes. The new name of the EABH is the European Association for Banking and Financial History. There was also a change in the leadership of the association. The former head of the European Central Bank Willem Frederik Duisenberg became the new chairman of the Executive Committee of the EABH in place of Sir Evelyn de Rothschild, who headed the association for thirteen years.

Marián Tkáč

REVIEW OF THE EDUCATIONAL ACTIVITIES OF THE INSTITUTE FOR BANKING EDUCATION OF THE NBS IN THE THIRD QUARTER OF 2004

Name of the educational activity	Dates
SEPTEMBER	
Intelligent Investment with the Help of Passive Products	13. – 14.
Financial Management I	20. – 21.
Income Tax for Juristic Persons	23.
Effective Oral Communication	24. 9. – 10. 12.
Valuation of Material Property for Banking Purposes III	27. – 28.
Financial Instruments and their Evaluation According to International Accounting Standards	27. – 29.
Business and Banking English Skills and Communication II	27. 9. – 8. 12. 28. 9. – 2. 12.
Organizational and Technological Securing of the Agenda for Bank Payment Cards	28. – 29.
Linguistic Culture in Banking	29.
Discussions and Negotiations Workshop BC	29.