



## MEETINGS OF THE NBS BANK BOARD

### **The 19th Meeting of the Bank Board of the National Bank of Slovakia was held on 12 September 2002, chaired by Marian Jusko, Governor.**

- The Bank Board of the NBS discussed and approved the document „The Conclusions of the WB Mission on the EFSAL Loan (May 2003).“
- The Bank Board of the NBS approved „The Decree of the NBS on reporting submitted by the bank that controls a consolidated banking entity or a subconsolidated banking entity to the National Bank of Slovakia“.

The objective of the NBS Decree is to ensure the monitoring of the actual position of the consolidated banking entities or subconsolidated banking entities on the basis of the reports submitted by banks for the supervisory purposes.

The report contains a description of the scheme which provides a clear picture of the structure of a consolidated banking entity or a subconsolidated banking entity, including the shares of the fixed assets and shares of the voting rights of individual members of this entity and the table with the basic data on the legal persons, i.e. on the members of the consolidated entity or of the subconsolidated banking entity.

The report allows the National Bank of Slovakia regularly or at the new origin or at any change to monitor consolidated banking entities or subconsolidated banking entities.

- The Bank Board of the NBS discussed and approved the document „The main objectives and tools in the payment systems oversight in the Slovak Republic“, in which the position, objectives and tasks of the NBS in the field of the payment systems oversight in the Slovak Republic are defined. The approved document will be published on the NBS web-site.

### **The 20th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Marian Jusko, Governor, was held on 25 September 2003.**

- The Bank Board of the NBS discussed the Situation Report on the Monetary Development in Slovakia in August 2003 and decided on changing the current interest rates as follows: the overnight sterilization rate to 4.75 %, the overnight refinancing rate to 7.75 % and the two-week REPO tender limit rate to 6.25 %, all to become effective on 26 September 2003. The rationale behind the decision of the Bank Board of the NBS on interest rates will be published as a separate press release of the Bank Board of the NBS.

- The Bank Board of the NBS took note of the Report

of the Balance of Payments Development in Slovakia for the first half of 2003.

- The Bank Board of the NBS approved the Report on the Monetary Development in Slovakia for the first half of 2003.

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### **Rationale behind the decision of the Bank Board of the NBS on interest rates taken on 25 September 2003**

In August, the consumer prices developed in line with the NBS's expectations. In terms of the inflation structure, the year-on-year core inflation growth decelerated. The price development of the items of the consumer basket, which are determined mostly by the market factors, was stabilized.

The price development so-far was affected mainly by the administrative decisions, which account for a 80% share in the total price growth on a year-on-year basis. Due to higher expenses of households on goods with regulated prices, there are no demand pressures during this year.

The actual short-term inflation prediction does not indicate any changes in the consumer price development so-far, and the dynamics of both the headline and core inflations should fluctuate in the lower section of the programmed levels. Price development should be relatively stabilized in the months to come.

Based on the recent data on the real GDP development in the first half of 2003, the income effect of the regulated prices rise showed itself in a slowdown of the final consumption of households. This, combined with the decreased investments demand, reflected in the zero growth in domestic demand. A relatively dynamic growth in GDP was therefore, despite the slower economic growth of our trading partners, solely due to external demand. Owing to the fact that the export performance grew faster than requirements for imports, the balance of net exports in fixed prices (surplus of SKK 10.9 bn as compared with the deficit of SKK 7.4 bn for the same period last year) improved significantly over the first half of the year. The ratio of the current account deficit to GDP in current prices decreased from 7.9 % to 1.3 % as compared with the same period of the last year. It is assumed that its year-end level will be lower than the NBS expected.

Although the external trade balance ended in deficit in July, the tendency towards a decrease in its twelve-month cumulative deficit continued and the current



account deficit decreased by SKK 39 bn since the beginning of the year.

The SKK exchange rate vis-à-vis the EUR was characterized by a relatively stable development, with a slight depreciation against the previous month. In September, the SKK exchange rate vis-à-vis the EUR is appreciating gradually, which can potentially result in further appreciation of the real effective exchange rate. In July, the real effective exchange rate appreciated by 17.3% on the basis of the industrial producers' prices, and by 10.7% on the basis of industrial products prices.

As far as the monetary aggregates are concerned, there was a gentle acceleration of the M2 money supply dynamics. The year-on-year dynamics of the banks' credit activities decreased slightly, while the tendency towards crediting households continued.

Neither the current price development, nor final consumption and domestic demand development, indicate any inflationary demand pressures, or their potential future formation in the future. Imports development does not indicate any adverse demand pressure either.

The mentioned development, supported by slowdown in the area of wage growth, is accompanied by a dynamic growth in labour productivity.

Monetary and economic developments in 2003 are, to a great extent, determined by the adjustments in regulated prices and by the increase in excise duties. While on the one hand these measures showed themselves in the extensive growth in the year-on-year headline inflation, on the other hand their impact on the households' demand in terms of their purchasing power, combined with the favourable development of the correlation between labour productivity and real wages, has a dampening effect on the generation of demand pressures. The impact of administrative measures on the price levels affected the households' demand, which reflected their purchasing power and the final consumption development in the second quarter of 2003 beyond the NBS's initial expectations. If the stagnation in the area of domestic demand continues, the pace of economic growth may potentially decelerate.

Based on the overall assessment of the current economic development, and in order to maintain the positive trends in the development of the Slovak economy and to eliminate potential risks, the Bank Board of the NBS decided on reducing the key interest rates by 0.25 percentage points.

**Press Department of OVI NBS**

## PRESS REPORTS

### Investing in shares with UniBanka

UniBanka, a.s., a member of the UniCredito Italiano Group, presented at a press conference on 9 September 2003 its new product UniVklad TOP50, combining the possibility to invest in shares of the best European companies together with a certainty of a 100% rate of return on the amount invested with low charges. This is a medium-term investment with a fixed period of 3 years and a minimum deposit of SKK 10 000 and a one-time 3% fee on the initial investment. Investments are made in the Dow Jones Index EURO STOXX 50, which is characterised by

stable appreciation of investments. The profitability of investing in the UniVklad deposit TOP50 depends on the index's appreciation, whose performance is monitored regularly. A growth in the value represents a yield, 90% of which the client gains. However, a fall in the value and any loss is not borne by the client, since UniBanka, a.s. guarantees, at the time of the investment's maturity, to pay out the full value of the client's initial deposit. An advantage of UniVklad TOP50 is also the fact that it is a bank product and therefore also money invested in this manner is subject to the Deposit Protection Fund. The subscription period runs from 16.9 to 14.11.2003.

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### Memorandum of Understanding

On 29.9.2003 the Financial Market Authority signed a Memorandum of Understanding in the field of mutual assistance and exchange of information for the capital market field with the Luxembourg Financial Supervision Authority, CSSF (Commission de Surveillance du Secteur Financier).

The Memorandum creates the basis for mutual cooperation, support and exchange of information

between the supervisory authorities in the scope permitted by acts and legal regulations with the aim of the more effective execution of their powers.

The signatories to the agreements from the Luxembourg side are the Director General of the CSSF Jean-Nicolas Schaus and Charles Kieffer and for the Slovak Financial Market Authority, Chairman of the FMA Jozef Makúch and Deputy Chairman for the Capital Market Slavomír Šťastný.

**Ing. Marek Kačmár**

# Exhibition THE FIRST TEN YEARS OF SLOVAK CURRENCY



Photo:  
P. Kochan



*The exhibition located at the premises of the National Bank of Slovakia at 1 Imrich Karvaš Street is open for the public from Monday to Friday, from 10:00 am to 3:00 pm, except on holidays.*