



## Meetings of the NBS Bank Board

The 21st Meeting of the Bank Board of the National Bank of Slovakia was held on 18 October 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the National Bank of Slovakia approved for 2003 the additional issue of banknotes with nominal value of SKK 5000 in the unchanged design. It also approved the minting of 10 million pieces of the circulation coins with nominal value of SKK 10 and SKK 2, and 10 million pieces of halier coins with nominal value of 50. The Bank Board of the NBS does not consider the minting of halier coins with nominal value of 10 and 20.

- The Bank Board also approved the minting of 14 000 pieces of the 2004 collector sets of circulation coins and 3 types of commemorative coins from the issue plans for 2003 and 2004.

The 22nd Meeting of the Bank Board of the National Bank of Slovakia was held on 29 October 2002, chaired by Marián Jusko, Governor.

- The Bank Board of the NBS discussed the Situation Report on the Monetary Development of the Slovak Republic in September 2002. The development of both headline and core inflation was in line with the National Bank of Slovakia expectations.

The development in September was characterized by the moderate acceleration of the year-on-year dynamics, in particular as a result of the rise in regulated prices and foodstuff prices. The consumer prices continued to be mainly determined by supply factors. The maintenance of the stable net inflation development shows the insignificant impact of the demand factors.

Considering the potential impact on demand, and indirectly on inflation, the risks connected with public finance development in this year are getting smaller. There is an increased probability of adoption of measures in order to eliminate these risk factors in 2003. The trade balance development, in spite of the final figures for September, in the second half of

the year shows moderation of the deficit balance aggregate for the last twelve months.

- The Bank Board of the NBS therefore decided on lowering two-week REPO tender rate by 0.25 percentage point to 8.0%, while maintaining the current interest rates at 6.5% for overnight sterilisation rate, and at 9.5% for overnight refinancing rate.

- The development of both headline and core inflations towards the end of the year should be characterized by the ongoing moderate acceleration of the year-on-year dynamics, with their end-year levels probably at the level moderately below the floor of the programmed intervals.

- The Bank Board of the NBS approved the Memoranda of Understanding between the National Bank of Slovakia and Banca d'Italia (the supervisory body of Italy) and the National Bank of Slovakia and the Commission Bancaire (the supervisory body of the French Republic), the subject of which is the exchange of information and the performance of the banking supervision on the consolidated basis.

At the same time, the Bank Board of the NBS approved the Agreement on Mutual Cooperation Between the National Bank of Slovakia and the Ministry of Interior of the Slovak Republic and the Headquarters of the Police Force, in order to provide for the mutual exchange of information and a coordinated procedure in discharge of tasks connected with the NBS banking supervision performance and the activity of the Office of Financial Police of the Criminal and Financial Police Administration of the Headquarters for the Police Force, aimed at the disclosure of illegal financial operations and protection against the legalising of proceeds from criminal activity.

- The Bank Board of the National Bank of Slovakia approved the Agreement on Cooperation in the Performance of Banking Supervision between the Czech National Bank and the National Bank of Slovakia, the subject of which is the information exchange and the performance of banking supervision on a consolidated basis.

**Press Department of OVI NBS**

## Decision on interest rates

The Bank Board at its 22nd Meeting on 29th October 2002 decided on maintaining the current interest rates' levels as follows:

- overnight sterilisation rate at 6.5%;

- overnight refinancing rate at 9.5%; and, with effect from 30th October 2002, on lowering two-week REPO tender limit rate from 8.25% to 8.00%.

## Second ECB Central Banking Conference

The European Central Bank (ECB) organized the Second ECB Central Banking Conference on 24th and 25th October 2002 at Frankfurt on Main under the title The

transformation of the European financial system. Governor Marián Jusko participated at the conference for the National Bank of Slovakia.



ECB conferences provide an opportunity to hear and share opinions on professional issues and raise awareness about the strategic goals pursued by the ECB and its operation, thus allowing the ECB to contribute to its openness and transparency.

Opened by an address given by ECB President Willem F. Duisenberg, the conference covered the following issues:

- Banking in Europe
- Banks and markets: the changing character of European finance
- Integration of bond and equity markets in Europe: the end of portfolio investment bias?
- Central banks and financial stability
- The conclusions reached by the conference were published on the ECB homepage.

## Situation Report on the Monetary Development of Slovakia in September 2002

### Summary

1. The level of consumer prices increased by 0.3 % in September. The prices of core inflation items grew by 0.3 % on a month-on-month basis. The year-on-year inflation rate equalled to 2.8 %, of which core inflation was 1.24 percentage points. The core inflation dynamics on a year-on-year basis was 1.6 %.

2. Money supply M2, according to the preliminary data of the 10-day period (at the fixed exchange rate as of 1 January 1993), went down on a month-on-month basis by SKK 8.2bn, and equalled to SKK 654.9bn. Its year-on-year increase was 7.1 %. The deposits in SKK, as a part of the monetary aggregate M2, decreased by SKK 4.5bn in September, and on a year-on-year basis grew by 4.9 %.

3. Loans to enterprises and households (at the fixed exchange rate as of 1 January 1993, adjusted time series) increased by SKK 2.4bn on a month-on-month basis in September. This equalled to an increase of 8.3% on a year-on-year basis if the current figures are adjusted upwards, or 12.6 % if the past figures are adjusted downwards (a detailed information on the adjustment of time series is formulated in the part 3.1 Monetary Aggregates).

4. The average lending rate on loans disbursed in August decreased by 0.1 percentage point to 9.4 % and the average interest rate on total loans remained unchanged at 9.6 %.

5. The foreign exchange reserves of the NBS (at the current rate) went up by USD 363.5m in September. Their amount at the end of September represented the equivalent of 5.5-times the average monthly imports of goods and services to Slovakia for the first eight months of 2002.

6. The current central government budget deficit was SKK 32.2bn, as at the end of September.

7. The balance of payments current account for January – July 2002 ended in a deficit of SKK 46.5bn, mainly due to the deficit in the trade balance of SKK 48.9bn. 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 146.3bn.

8. The NBS total sterilization position against the banking sector was SKK 114.6bn in September, and it increased by SKK 4.3bn against the August figure.

9. On September 20 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 8.25%, the overnight sterilization rate at 6.5 %, and the overnight refinancing rate at 9.5%.

Press Department OVI NBS

## Announcement by the Financial Market Authority

Recently, the public market has observed heavier direct trading in shares in the Restitution Investment Fund, a.s. (RIF), at prices around SKK 700 per share, well below the prevailing common market rate between SKK 1,100 and 1,150 charged in anonymous public market deals. According to regular RIF disclosures, the Fund's net worth per share is SKK 1,395.

We have a reason to suspect that minority RIF shareholders, the ones from whose accounts the shares came from, agreed to the transfer on false or incomplete information provided deliberately by third parties. Since such inopportune

transactions are likely to continue, damaging minority shareholders in the process, the Financial Market Authority adopted a provisional remedy on 15 October 2002, completely suspending trading in RIF shares on the Slovak Securities Exchange effective from 16 October 2002.

The Financial Market Authority is warning all RIF shareholders that they may find themselves approached by various persons these days bidding to buy their shares. Even though the final decision, and thus the responsibility, remains with the shareholders, the Authority is advising them to exercise caution in any sale of their shares.

M. Kačmár, Financial Market Authority



### First Round of Dopravná banka, a.s., Bidding Announced

The receiver of Dopravná banka, a.s., announced the first round of bidding for packages of the bankrupt bank's assets, involving all movable and real estate items, receivables, and securities.

Interested bidders may inspect the property after collec-

ting appropriate forms at the bank's seat, by November 8 at the latest. Inspection dates vary for individual asset packages, and interested buyers have until November 15 to submit their binding bids. A 100% advance on the price bid must be deposited in the receiver's account at VÚB. The sealed envelopes will be opened on 19 November 2002.

**Source: TASR**

### Slovakia in the Aftermath of EU Entry

In its first three years in EU, Slovakia is expected to take some euro 700 million more from the common budget than it actually pays in. Based on rough recalculations, this is what follows from the enlargement financial package approved by fifteen EU member state leaders at a late October summit in Brussels.

Slovakia's contributions to the community budget are supposed to add up to euro 880 million in the first three years (some SKK 36.9 billion).

In return, Slovakia is set to receive assistance for regions, agriculture, finishing pre-accession aid, and money from several other EU policies. Taken together, this should mean total payments in excess of euro 1.6 billion (over SKK 67 billion).

As a result, Slovakia would end its the first three years in the Union with a bottom line gain of euro 720 million or so (more than SKK 30 billion).

It must be noted that the calculations made by the chairing Danes are based on proposals brought by the European Commission which envisioned commitments worth euro 25.5 billion in regional aid (structural funds and cohesion fund). However, this amount was later scaled down to euro 23 billion by European leaders.

If actual payments are reduced in proportion to the cutback in commitments (i.e. by 10% or so), Slovakia would be entit-

led to compensation in the first year, because it would receive less money from the EU budget than in the pre-accession year 2003.

In the first year, Slovakia would receive about euro 396 million and pay in euro 287 million, netting a surplus of euro 109 million. That, however, would be euro 14 million short of what it collects in pre-accession aid in 2003. This gap would be filled by compensation. In the next two years, Slovakia would no longer be entitled to compensation, as it would be in a better financial situation than in 2003.

Still, these are just rough calculations. We will not know anything for certain until the EU presents the candidates with common opinions on the budgetary chapter, based on its agreement reached at the Friday summit (25 October 2002). The news should be out in early November at the latest.

By Danish calculations (including regional aid), Slovakia would receive euro 417 million from the budget and pay in euro 287 million in 2004. In 2005, it would draw euro 533 million and contribute euro 291 million, as compared to euro 671 million and euro 302 million, respectively, in the third year of EU membership.

The definite sums and detailed financing terms of Slovakia's EU entry are yet to be negotiated. But since the Union has set a ceiling, the candidate countries have little left to play for. Negotiations are slated to end at the Copenhagen summit on 12-13 December 2002.

**Source: TASR, Robert Sermek**

### The External Debt of Slovakia as of 31 July 2002

The total gross external debt was USD 12,209.9m at the end of July 2002, and as compared with the previous month it increased by USD 177.9m, while the long-term and short-term external debts reported contrary developments during July.

The total long-term external debt fell by USD 92.7m on the month-on-month basis, and accounted for USD 8,625.5m at the end of July 2002. The long-term external debt of corporations, within the commercial sector, decreased more considerably (a decrease of USD 200.7m) in July. On the contrary, the official external debt of the Slovak government and the National Bank of Slovakia increased by USD 105.7m to USD 3,778bn over the assessed period, particularly as a result of the increased number of government bonds (denominated in

SKK) held by non-residents. The short-term external debt reached the level of USD 3,584.4m at the end of July 2002, i.e., it went up by USD 270.5m over the month. In this increase the short-term liabilities of the commercial sector participated more considerably (an increase of USD 201.1m), especially short-term liabilities of commercial banks, which grew by USD 180.8m. During the same period of time short-term liabilities of the Slovak government in Slovak koruna (T-bills owned by non-residents) were also raised.

The total gross external debt per capita in Slovakia reached USD 2,270 at the end of July. The ratio of total short-term debt to total gross external debt of Slovakia increased by 1.82 %, as compared with June, and reached the level of 29.36 % at the end of July.

**Ján Onda**  
**Spokesman of the NBS**