

## MEETINGS OF THE NBS BANK BOARD

### **The 16th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marián Jusko, was held on 8 August 2003.**

- The Bank Board of the NBS took note of the "Interim Financial Statements and Report on the NBS's Result of Operation as of 30 June 2003".
- The Bank Board of the NBS discussed the "Draft Implementation Plan of Integrated Financial Market Supervision", which will also be discussed at the Council of Economic Ministers.

### **The 17th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marian Jusko, was held on 22 August 2003.**

- The Bank Board of the NBS discussed the Situation Report on Monetary Development of Slovakia in July 2003 and decided on maintaining the key interest rates of the NBS at the unchanged levels, i.e. the overnight sterilisation rate at 5.0%, the overnight refinancing rate at 8.0% and the limit rate for two-week REPO tenders at 6.50%.

The Bank Board of the National Bank of Slovakia on its July meeting confirmed the unchanged level of the key interest rates, by which decision evaluated the monetary policy as adequate to the current and expected macroeconomic development.

In July, the month-on-month consumer prices were at a standstill. The year-on-year headline inflation growth equalled 8.7%, which was in line with the NBS expectations due to the basis effect. The core inflation reported the yearly increase of 3.3%, despite the seasonal fall in foodstuff prices which offset the increase in tobacco, tobacco product and fuel prices. The core inflation reached the likely maximum of this year, and its year-on-year growth would slow down in August. Owing to the increase in excise duties, the structure of headline inflation will be changed in August as the effect of the rise in tobacco and tobacco product prices in June and July will be removed from the core inflation. At the same time, the headline inflation should increase in August due to the increase in excise duties on fuels, beer, tobacco and tobacco products, and in some regulated prices also.

The price development continued to be affected mainly by the cost effects – i.e. the volatility of global oil prices, exchange-rate fluctuations, as well as by the extent of administrative interferences to the price level - thus by the factors which cannot be influenced by the

monetary policy performance. The outlook for consumer prices at the end of the year is in line with the parameters of the NBS Revised Monetary Programme for 2003, as the current predictions for both the headline and core inflations approach the median levels of the programmed interval.

The trade balance deficit was SKK 9.7bn in the first half-year which, compared with the same period last year, represented a decrease of SKK 31.9bn. Owing to this, the twelve-month aggregate balance of the trade balance and of the balance of payments current account further decreased to the levels close to those of the Revised Monetary Programme. The favourable development of the trade balance and of the current account was influenced mainly by the export side, where the export of transport vehicles, iron and steel mainly increased.

The recovery in the "export sectors" was also reflected in the development of industrial production which went up by 8.4% in June. The growth of the export performance in the mentioned sectors was significantly influenced by a change in their production structure.

Owing to the import-demanding production, the aggregated year-on-year increase in exports in the volume of SKK 68.1bn was also followed by the increase in imports which equalled SKK 36.3bn. The favourable relation between the increase in exports and imports on a year-on-year basis was influenced by the import of raw materials and consumer imports, which were affected by the income effect of the regulated prices growth and its impact on real wages and by the development of the SKK/USD exchange rate.

The SKK exchange rate vis-à-vis the EUR weakened as of the end of July, as well as its monthly average, which was influenced by the situation in the region and by the expectations of investors regarding the internal political situation. However, the interbank foreign-exchange market development did not require any interventions by the NBS.

The year-on-year growth of money supply in July, based on the preliminary data, recorded a moderate acceleration, and partially offset its decline in the previous month. The amount of loans slightly increased in July as compared with the June figure, which was also influenced by the increased demand of households for mortgage loans.

The current development and the outlook for the economic and monetary indicators development are consistent with the previous tendency and confirm the



absence of more significant demand pressures in the economy, which would require the NBS's response. The rate of inflation, consisting of cost factors, moves in the expected trajectory. The trade balance and current account deficits are capable of a continued moderate decrease, which is, however, determined by the supply side. The exchange rate development so far has not represented a threat of the macroeconomic development being beyond the programmed values. Neither the current macroeconomic development nor the expectations for the year-end give a stimulus to review the recent parameters of monetary policy instruments. In view of this, the Bank Board decided to maintain the interest rates on the unchanged level.

**The 18th Meeting of the Bank Board of the National Bank of Slovakia, chaired by Governor Marián Jusko, was held on 3 September 2003.**

- The Bank Board of the NBS discussed and approved the draft act which amends and supplements Act No. 483/2001 Z.z. on Banks and on amendments to certain other laws as amended by subsequent regulations.

The introduced draft amendment to the Banking Act (Act No. 483/2001 Z.z. as amended) considers primarily such the World Bank's incentives relating to the prepared EFSAL loan tranches which concern the increase of readiness and efficiency of banking supervision and which are compatible with the Directives applied for the banking area in the EU. The current draft amendment to the Banking Act also responds to the new acts passed later than the Banking Act was adopted and which have ensured the approximation of the Slovak law with the current EU law in some areas of financial services (e.g. capital market and insurance industry). These are in particular the modifications to the Banking Act which respond to the new Act on Securities and Investment Services (Act No. 577/2001

Z.z. as amended by subsequent regulations), the new Accounting Act (Act No. 431/2002 Z.z. and the new Act on Insurance (Act No. 95/2002 Z.z.), new Act on Personal Data Protection (Act No. 428/2002 Z.z.) and the new Act on the Payment System (Act No. 510/2002 Z.z.)

The submitted draft amendment to the Banking Act also proposes to include changes which relate to other new acts, e.g. to Act No. 492/2001 Z.z. and Act No. 430/2003 Z.z. (i.e. the latest amendments to the Deposit Protection Act), to the new Act on Financial Market Supervision (Act No. 96/2002 Z.z.), and to the new Labour Code. Furthermore, some partial changes reflecting current experience gained

from the implementation of the Banking Act and some legislative and technical modifications are also proposed.

The approved draft amendment to the Banking Act is proposed to become effective as of 1 January 2004.

- The Bank Board of the NBS discussed and approved the draft act which amends and supplements Act No. 510/2002 Z.z. on the Payment System and on amendments to certain other laws.

This approved draft amendment to the Act on the Payment System is primarily aimed at ensuring the approximation of the Directive 2000/46/EC of the European Parliament and of the Council on the taking up, pursuit of and prudential supervision of the business of electronic money institutions, as well as pursuit of some partial modifications responding to the so-far experience when implementing the Act on the Payment System in practice.

The approved draft amendment to the Act on the Payment System is proposed to become effective as of 1 January 2004.

**Press Department of OVI NBS**

**Announcement: Igor Barát became the new spokesman of the NBS, on 1 August 2003.**

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## PRESS REPORTS

**The Office for the Financial Market stops action in the matter of stock exchange dealing in Slovnaft shares**

On 17th July 2003, the Office for the Financial Market decided to stop proceedings in the case of investigation

of the circumstances in which 202,000 shares issued by Slovnaft joint stock company were sold in the Bratislava Stock Exchange at a price of SKK 1 541 for each share in a deal concluded on 20th March 2003. The participants in the proceeding gave up the remedial measure and with this the decision acquired legal validity.



The Office for the Financial Market's verification of the property and personnel connection of the participants in the deal, as well as other areas including financial flows, the development of dealing, conclusion of stock exchange deals, submission of orders to the trading system of the stock exchange and submission of instructions from clients to members of the stock exchange, did not reveal the sort of evidence, which would prove manipulation of the share price, that is,

violation of regulation § 21 section 3 of the act on stock exchanges in combination with regulation § 3 section 4 of the act on stock exchanges or violation of the legal norms regulating the area of the capital market, on the basis of which it would be possible to nullify the stock exchange transaction in question or state that it was concluded in conflict with the law.

Ing. Marek Kačmár

## UniBanka has not Abandoned Agriculture



*The chairman of the board of directors and general director of UniBanka Jozef Barta (first from the right), the director of the department of company banking Miroslav Štokendl and the head of the division of food processing and agricultural clients Jaromír Matoušek informing journalists about the plans of UniBanka in the agricultural sector.*

By changing the name Poľnobanka to UniBanka last year, UniBanka clearly indicated its universal orientation. However, as a result of its unique knowledge of agriculture, it has not entirely abandoned it and will continue to play an important role in financing it. The portfolio of the bank includes dozens of viable clients – farmers and food processors. The representatives of UniBanka, headed by the chairman of the board and general director Jozef Barta recently presented the aims of the bank in the area of agriculture at the thirtieth Agrokompex international agricultural and food

processing trade fair at Nitra. The information given at the press conference included the facts that last year UniBanka placed SKK 5.3 billion in the agricultural sector and this year it will be about SKK 6 billion. It has also prepared an interesting new product for farmers: a short-term loan to finance some inputs to agricultural production, available using a personal credit card and POS terminal.

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Photo: Rudolf Hanuljak