



## The central bank's position following the introduction of the euro

...as seen by a former member of the NBS Bank Board who was intensively involved in the single currency's introduction and who subsequently took part in meetings of the ECB Governing Council as the NBS Governor's alternate.



On 1 January 2009, the Slovak Republic became the 16th member of the euro area, after having met all the essential criteria. During the accession process, Národná banka Slovenska was responsible mainly for the criteria of price stability and exchange rate stability. In the final stage, the central bank was probably most visible in regard to the distribution of the new currency and the gradual withdrawal of Slovak korunas, but in addition it had to deal with a multitude of technical issues and details.

Following Slovakia's entry into the euro area, Národná banka Slovenska ceased to conduct an independent monetary policy. Today, instead, there is the European Central Bank setting a single monetary policy for all euro area countries. The NBS Governor is, of course, involved in the monetary policy decision-making for the whole euro area by virtue of his membership of the ECB Governing Council as from 1 January 2009.

Even before then, as part of the European System of Central Banks, we had been participating in the work of the ECB through its existing committees and their working groups, which relate to almost all the activities of Národná banka Slovenska. In the wake of euro area entry, the work of NBS in these committees and working groups became still more intensive.

The entry per se did not mean that, for example, analysis of the Slovak macroeconomic situation receded into the background – NBS continues to devote attention to the development of macroeconomic indicators in Slovakia. The entry has, however, made increasing demands on NBS in regard to monitoring economic development in both individual euro area countries and the euro area as a whole. Based on the analyses of economic developments in Slovakia, the central bank is now producing summary reports on economic developments in Slovakia.

NBS carries out tasks to the same extent as it did before also in the areas of currency circulation management, payment systems operation, and payment systems supervision. Meanwhile, its financial market supervision activities have intensified. As for the management of foreign exchange reserves, Národná banka Slovenska now manages also a proportion of the ECB's reserves.

Since the central bank's core activities have remained largely unchanged or even been extended – whether in monetary policy, statistics, domestic and foreign payments, management of foreign exchange reserves, issuance of banknotes and coins

(currency circulation management), or, of course, in financial market supervision – the so-called service departments are equally necessary, whether they concern administration housekeeping management, information support, legislation, accounting, defence and protection. Likewise, the training and management of human resources has had to be maintained.

Nevertheless, a certain reorganization of Národná banka Slovenska may and must be carried out, and its first stage began already in 2009. Each reorganization, however, has its limits, given that the tasks of NBS in some areas are now more extensive than they were in the past. Reorganization is expected to mean rationalization, while the view that the entire NBS or some of its departments is or are redundant – sometimes discussed at an inappropriate level in the media – is highly distorting and incorrect. A central bank is an integral institutional structure of all advanced countries and almost all of its activities are unsubstitutable.

The changes arising after 1 January 2009 mean new challenges not only for Národná banka Slovenska. As regards how to influence the domestic economy following euro area entry – with NBS having relinquished its independent monetary policy for Slovakia and become jointly responsible for the entire Eurosystem's monetary policy – greater emphasis needs to be placed on financial discipline in the area of fiscal policy. So as to avoid disequilibria emerging in the economy, it will be necessary in future to achieve a balanced general government budget, or a budget surplus. Support for labour availability and mobility will also be required. This should help to dampen any excessive demand-side pressures and their impact on higher inflation, since interest rates will be set for the whole monetary area, i.e. in a "one-size-fits-all" approach.

I am convinced that Národná banka Slovenska has exceptional human and institutional capital at its disposal and that, just as in the past, NBS will ensure the smooth performance of the tasks entrusted to it by law while at the same time being a worthy representative of Slovakia both within the European System of Central Banks and at other international fora.

To the bank and all its staff, I wish every success for the future.

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